



**Corporate Governance Statement
for the 12 months ended 31 December 2009
Aristocrat Leisure Limited
ABN 44 002 818 368**

The Board of Aristocrat Leisure Limited (Company) is committed to maintaining high standards of corporate governance, in line with the revised *Corporate Governance Principles and Recommendations* published by the Australian Securities Exchange Corporate Governance Council (ASX Principles).

Set out below is a summary of the Company's corporate governance principles which were in place throughout the 2009 reporting period. The Company complies with the ASX Principles except where disclosed below. For ease of reference, this statement has been prepared and presented in a format consistent with the ASX Principles.

Principle 1 - Lay solid foundations for management and oversight

Board roles and responsibilities

The Board has formalised its roles and responsibilities into a Board Charter which is available on the Company's website, www.aristocratgaming.com. In summary, the Board's main responsibilities include the:

- review and approval of Company strategy;
- performance management with specific responsibility for the monitoring of Company performance and overall conduct;
- selection, appointment, remuneration and performance evaluation of the Chief Executive Officer (CEO);
- evaluation of the principal risks of the Company and continued monitoring of appropriate risk management and reporting systems;
- establishment and monitoring of policies to ensure compliance with the legal and regulatory regimes to which the Company is subject and to ensure the highest standards of corporate conduct; and
- promotion of open and proper communication between the Company and its stakeholders.

Delegation to CEO

The Board has delegated certain responsibilities to the CEO including the day-to-day operation and administration of the Company which is managed by the Executive Leadership Team (ELT). The ELT consists of the CEO, Chief Financial Officer (CFO),

regional Managing Directors and the heads of Legal and Compliance, Human Resources, Design and Development, Marketing, Technology and Business Transformation. The Board Charter clearly specifies those matters that are reserved for the Board only.

Appointment, induction and performance evaluation for the ELT

Upon appointment, ELT members including the CEO and CFO are provided with formal letters of appointment setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

An induction program is in place for all new ELT members to provide them with knowledge of the Company's financial position, strategies, operations, policies and risk management procedures.

The Board, based on recommendations from the Human Resources and Remuneration Committee in conjunction with the Nomination and Governance Committee, determines the CEO's key performance objectives (KPOs) annually and reviews performance against these on an ongoing basis, with a formal evaluation being completed at the end of each year. The CEO, under the delegated authority of the Board, determines the KPOs of the ELT members and reviews their performance on an ongoing basis. The CEO formally reviews the performance of the ELT annually with the Human Resources and Remuneration Committee, which reports its findings to the Board for endorsement.

The performance evaluation of the CEO and ELT is undertaken in the first quarter of each year.

Principle 2 - Structure the Board to add value

Board composition

The Board has determined that its optimal size is between seven and nine members. As at 31 December 2009, the Board comprises six independent Non-Executive Directors and one Executive Director. Details, including the term of office, qualifications and experience and information on other directorships held by each member of the Board, can be found in the Directors' Report.

In November 2009 the Board also nominated Dr ID Blackburne and Mr SW Morro to be appointed as independent Non-Executive Directors, subject to regulatory approval. They are currently Directors-Elect.

The Board comprises members with a broad range of skills and experience. The Board considers it important for the following skills and experience to be represented:

- experience as a Chief Executive;
- international business experience particularly U.S. experience;
- financial and accounting experience;

- technology experience especially in the software or computer industries;
- gaming experience;
- legal and regulatory experience; and
- corporate governance and risk management experience.

The Board annually reviews the skills and experience of its members and decides on whether any action needs to be taken to augment or complement those skills.

Continuing education of Directors and access to information

A continuing education process for Directors through ongoing management presentations and tutorials from selected external experts took place during the year, allowing Directors the opportunity to pose questions about the Company and factors impacting, or likely to impact, on the business. Directors are also entitled to request additional information where they consider such information necessary to make informed decisions.

Board meetings

The Board is required to meet a minimum of 10 times a year as per the Board Charter. During 2009, the Board held a total of nine meetings; however, the November Board meeting was a two day meeting. During the course of the year the Board also met informally by phone on a number of occasions. Accordingly, the Board did not feel the need to hold 10 face-to-face meetings. Board meetings focus on strategy and the group's performance. The number of meetings attended by each Director is tabled in the Directors' Report. ELT members are regularly invited to attend and present at Board meetings. During the year, the Non-Executive Directors also held meetings without the presence of management.

Director independence

All Directors, whether independent or not, bring an impartial judgement to bear on Board decisions and are subject to the Board's policy regarding management of conflict of interests, as well as common law and Corporations Act requirements.

During the year, the Board assesses if the Non-Executive Directors are independent. In making such an assessment, consideration is given to whether the Director:

- is a substantial shareholder of the Company or an officer of a substantial shareholder of the Company;
- has been employed in an executive capacity in the last three years by the Company or a subsidiary of the Company;
- has been employed as a principal of a material professional adviser to the Company during the past three years;
- is a material supplier or customer of the Company or any subsidiary of the Company;

- has any material contractual relationship with the Company (other than as a Director); and
- is free from any interest, business or personal, which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

Having considered these criteria, the Board was of the view that except for the Chair of the Board as disclosed below, there were no factors affecting the independent status of any other Non-Executive Director at 31 December 2009 or throughout the year.

Chair of the Board

Mr DJ Simpson was appointed Chair by the Board in 2004. He was an independent Non-Executive Director and Chair until 29 September 2008, when he became Executive Chairman following the resignation of the then CEO and Managing Director. While not holding the title of CEO, Mr DJ Simpson acted in the capacity of interim CEO to ensure the continued leadership of the Company until 13 May 2009 at which time Mr JR Odell was appointed Chief Executive Officer and Managing Director. Following the appointment of Mr JR Odell, Mr DJ Simpson resumed his previous role.

The Chair is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its role including:

- setting Board meeting agendas;
- conducting and leading Board meetings;
- ensuring effective communication with shareholders;
- conducting and leading shareholder meetings;
- being the main point of contact between the Board and the CEO; and
- ensuring the Board operates effectively and co-operatively.

Independent professional advice

Any Director may seek independent external advice in relation to any Board matter at the expense of the Company with the prior consent of the Chair. Whenever practicable, the advice is commissioned in the joint names of the Director and the Company and a copy of the advice should be made available to the entire Board. During the year, a number of requests were made for external advice which were approved by the Chair.

Board committees

The Board is assisted in fulfilling its responsibilities by five committees, including the establishment of the Innovation and Development Committee in February 2009. Each committee is governed by a Charter which is regularly reviewed and approved by the Board. The Committee Charters are available on the Company's website, www.aristocratgaming.com. The five Board committees are the:

- Audit Committee;
- Nomination and Governance Committee;
- Regulatory and Compliance Committee;
- Human Resources and Remuneration Committee; and
- Innovation and Development Committee.

Members are appointed for a three year term (or shorter time as they remain in the office of Director) and, subject to continuing to be a Director, are eligible for reappointment at the end of their term.

An overview of the composition and responsibilities of each of the Board committees is provided below:

Audit Committee

As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The committee is chaired by an independent chair who is not the Chair of the Board. The current committee members are Mrs P Morris (Chair), Mr RA Davis and Mr DJ Simpson. All members of the committee are financially literate and the committee possesses sufficient financial expertise and knowledge of the industry in which the Company operates.

The committee is required to meet a minimum of four times a year per the Charter. During the year, in addition to scheduled committee meetings, separate meetings also took place between the Chair of the committee and both the Company's external and internal auditors. The number of actual committee meetings and attendance by its members is contained in the Directors' Report.

The committee responsibilities include:

- evaluating and monitoring of the Company's internal control environment and risk management function;
- evaluating and monitoring the Company's exposure to fraud;
- overseeing and reviewing the scope, quality and cost of the internal and external audits;
- reviewing the reports presented to the committee by both the auditors and management;
- recommending to the Board the appointment of internal and external auditors;
- reviewing the Company's management and statutory reporting (including the half year and full year accounts);
- reviewing and approving of finance and accounting policies and the ongoing monitoring of their implementation and effectiveness;
- ongoing financial monitoring of the Company's various disclosure obligations; and
- reviewing and pre-approving any non-audit services provided by the internal or external auditors to ensure their independence is maintained at all times.

Regulatory and Compliance Committee

As at 31 December 2009, the committee comprises five members. The committee is chaired by Mr WM Baker who is an independent Non-Executive Director. The other committee members include two independent Non-Executive Directors, Ms SAM Pitkin and Dr RV Dubs, an independent external member, Mr H Keating, and the Global Compliance Manager as a member of management. The committee is required to meet a minimum of four times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- evaluating and monitoring the Company's compliance program, policies and processes;
- reviewing existing and proposed business undertakings for regulatory compliance;
- overseeing the framework for compliance training and education of Company staff; and
- monitoring and ensuring licensing conditions and regulatory requirements are met.

Human Resources and Remuneration Committee

As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The current committee members are Ms SAM Pitkin (Chair), Mrs P Morris and Mr DJ Simpson. The committee is required to meet a minimum of four times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- recruitment, remuneration, retention, succession planning, termination, and training policies and procedures for the ELT;
- the Company's overall remuneration strategy including remuneration components, performance and accountability framework, business and cultural alignment and external competitiveness; and
- making recommendations to the Board on:
 - CEO and ELT fixed remuneration framework and levels;
 - CEO and ELT performance and equity-based remuneration plans including performance incentives and hurdles;
 - Chair and Non-Executive Director fees; and
 - the Company's superannuation arrangements.

Innovation and Development Committee

The Board established the Innovation and Development Committee in February 2009.

As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The current committee members are Dr RV Dubs (Chair), Ms SAM Pitkin and Mr RA Davis. The committee is required to meet a minimum of three times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- overseeing the strategic direction of the Company's research and product development program;
- reviewing the proposed development of new products, concepts and market initiatives;
- overseeing the strategy and framework for intellectual property protection;
- monitoring the establishment and progress of major projects, and the program and resource allocation for the delivery of the Company's innovation pipeline;
- monitoring external trends in technology and innovation in the gaming field;
- liaising with the Human Resources and Remuneration Committee to provide input into the frameworks for learning and recognition for Design and Development (D&D) staff; and
- considering any other matters referred to it by the Board on D&D, technology and innovation.

Nomination and Governance Committee

As at 31 December 2009, the committee comprises three members, all of whom are independent Non-Executive Directors. The current committee members are Mr RA Davis (Chair), Mrs P Morris and Mr DJ Simpson. The committee is required to meet a minimum of three times a year per the Charter. The number of actual committee meetings and attendance at meetings by its members is contained in the Directors' Report.

The committee responsibilities include:

- recommendations on Board structure, membership, tenure, succession planning and committee membership;
- induction and education of Directors;
- the Board and individual Director performance assessment;
- in conjunction with the Human Resources and Remuneration Committee, setting the CEO's conditions of employment and annual KPOs; and
- overall corporate governance policies and procedures.

Nomination, selection and appointment process of new Directors

Recommendations for the nomination of new Directors are made by the Nomination and Governance Committee. Generally, external consultants are used to identify potential Directors. Those nominated are assessed by the committee against a range of criteria including professional skills, experience, qualifications and background including probity

and integrity. Any Non-Executive Director nominated during the year will be appointed following receipt of regulatory approval and will stand for election by shareholders at the subsequent Annual General Meeting of the Company following their formal appointment.

The Company's Policy for the Selection and Appointment of Non-Executive Directors is available on the Company's website, www.aristocratgaming.com.

Formal letters of appointment are issued to those joining the Board. All new Directors undergo an induction program which includes being provided with a Director's Handbook (or equivalent), a copy of the strategic plan for the Company together with latest budgets/forecasts and meetings with some senior management and ELT members.

Other directorships

Directors are required to limit the number of directorships of other listed companies in order to ensure that sufficient time is available to attend to the affairs of the Company. This process is managed by the Chair and other members consult with the Chair before taking up additional appointments. The CEO should only accept appointment to the board of another listed company with the approval of the Board.

Performance evaluation for the Board, Board committees and individual Directors

The Board performance evaluation process involves the Non-Executive Directors collectively undertaking a review at least once every year of the performance of the Board and its committees.

Board performance as a whole is reviewed by reference to the core competency criteria set out in the evaluation process, while committee performance is reviewed in the context of the objectives and responsibilities set out in the relevant charter of each committee. The Company engaged an external consultant to undertake these reviews during the fourth quarter of 2008, where feedback was presented to the Nomination and Governance Committee during the first quarter of 2009. An assessment facilitated by the Chair of the Committee and managed by external consultants took place during the fourth quarter of 2009, where the Directors provided written feedback in relation to the performance of the Board against a set of agreed criteria.

On an ongoing basis, all Directors are encouraged to raise any issues of concern regarding the performance of any other Director with the Chair, or if the concern relates to the Chair, with the Chair of the Nomination and Governance Committee. The Chair or Chair of the Nomination and Governance Committee, as applicable, is responsible for determining the appropriate follow-up of any matters raised.

The Chair of the Nomination and Governance Committee has overall responsibility for managing and overseeing the performance evaluation process.

Principle 3 - Promote ethical and responsible decision-making

Code of Conduct

The Board has adopted a Code of Conduct (the Code) which applies to Directors and all employees. The Code is reinforced through various training programs and Company publications. The Code provides an ethical and behavioural framework for the way business is conducted and contains a set of general business ethics including (but not limited to):

- to act honestly and fairly in all dealings and to conduct business with strict professional courtesy and integrity;
- to abide and comply with all applicable laws and regulations;
- to report suspected corrupt or unethical conduct;
- to ensure that Company resources and property are used properly and efficiently; and
- not to disclose information or documents relating to the Company or its businesses other than as required by law and not to make any public comment on Company matters unless authorised to do so.

The Code is available on the Company's website, www.aristocratgaming.com.

The Board and ELT of the Company are committed to the Code and the principles contained within it. The Code is regularly communicated and distributed to employees. New employees are issued with an employee handbook which contains, amongst other things, the Code and they are required to certify (prior to commencing their employment) that they have read and understood the requirements contained in it.

The Code together with the policies listed in this Principle are aimed at ensuring the Company maintains the highest standards of honesty, integrity and fair trading with shareholders, customers, suppliers, employees, regulators and the community.

The Company has procedures in place to monitor overall compliance with the Code. It is made clear in the Code that any breaches are treated seriously and could lead to disciplinary action including termination of employment.

In addition to the Code, the Company also has policies which govern, among other things:

- occupational health and safety;
- trade practices;
- conflicts of interest;
- gifts, gratuities and donations;
- dealing in Company securities;
- market disclosure; and
- privacy.

The Company has implemented training courses dealing with harassment in the workplace, discrimination, legal and operational compliance globally, which all employees are required to complete. In addition, the Company has provided training to relevant employees on privacy, fair trading, restrictive trade practices and gaming legislation.

“Tip-offs Anonymous” program

“Tip-offs Anonymous” is an independent, confidential telephone, email and postal service that provides a channel for employees to anonymously report instances of suspected workplace misconduct. The service is available to all employees worldwide.

All reported incidents are reviewed by a select group of senior executives who decide on the appropriate course of action to be taken. A summary of all reported incidents and action taken is provided to the Audit Committee. Any reported incidents involving the ELT are reported directly to the Chair of the Board and the Chair of the Audit Committee by the Tip-offs Anonymous service provider.

Share trading policy

The Company’s policy prohibits any Director or employee dealing in the securities of the Company if they are in possession of any price-sensitive information. Subject to this, Directors and the ELT may only deal in the shares of the Company from the day after until the 42nd calendar day following:

- announcement of the half year and full year results;
- the Annual General Meeting;
- any half or full year profit guidance released to the ASX by the Company where the Directors determine, at their discretion, that such announcement is sufficiently comprehensive for this purpose and executives are advised accordingly; and
- the issue of any prospectus by the Company.

The Company prohibits Non-Executive Directors from entering into a margin loan or similar funding arrangement over the Company’s securities. Executives may only enter into a margin loan or similar funding arrangement over any securities with the prior approval of the Chair of the Board.

The Company prohibits the hedging of unvested options and unvested Performance Share Rights at all times, irrespective of trading windows.

The policy can be found on the Company’s website, www.aristocratgaming.com.

Principle 4 - Safeguard integrity in financial reporting

Audit Committee

The Audit Committee's composition, qualifications, roles and responsibilities are provided under Principle 2 of this statement.

Selection of auditor

The Audit Committee is responsible for overseeing the external auditor selection process. This process includes assessing each of the submissions received and making a formal recommendation to the Board on the appointment of the external auditor. The external audit service contract is retendered at least every five years, unless otherwise approved by the Board.

As part of that selection process, the Audit Committee assesses each of the submissions received on the following criteria:

- independence;
- overall audit approach and methodology;
- relevant industry experience;
- experience and qualifications of key audit staff; and
- cost.

Every year, the Audit Committee assesses the external auditor's performance and recommends to the Board the appointment of the Company's external auditor for the ensuing year.

Auditor independence

The Company has adopted a formal Charter of Audit Independence. The Charter restricts the types of non-audit services that can be provided by either the internal or external auditors. In addition, any non-audit services which are to be provided by the internal or external auditors need to be pre-approved by the Chair of the Audit Committee.

The Charter does not allow the following services to be provided by the external auditor:

- preparation of source documents, bookkeeping or other services related to preparing accounting records or financial statements;
- financial information systems design and implementation services;
- appraisal or valuation services for financial purposes;
- fairness opinions;
- contribution in kind reports;
- actuarial services;
- internal audit outsourcing;

- management functions (including any decision-making, supervisory or ongoing monitoring function and authorising, executing or consummating transactions, or exercise authority, on behalf of management);
- human resources and recruitment functions;
- design and implementation of financial information technology systems that are used to generate financial information;
- broker or dealer, investment adviser, or investment banking services;
- legal services and other expert advocacy services;
- any service that involves a contingent fee;
- any service that involves taking custody of the Company's assets; and
- any other service the Board determines.

The Audit Committee reviews the independence of the auditors four times a year. The Company requires the senior external audit partner to rotate every five years. The Charter also places restrictions on the hiring of employees or former employees of the auditor firms. The Company expects the external auditor to attend the Annual General Meeting of the Company and to respond to questions relating to the conduct of the audit and the auditor's role.

Principle 5 - Make timely and balanced disclosure

The Company has written policies dealing with the Company's disclosure obligations and responsibilities under both the ASX Listing Rules and the Corporations Act. The Company's Continuous Disclosure Policy is available on the Company's website, www.aristocratgaming.com.

The Company has in place the following procedures in order to comply with its continuous disclosure responsibilities:

- to immediately advise the ASX of any information which a reasonable person would expect to have a material effect on the price of the Company's securities subject to the exceptions set out in the Listing Rules. The CEO, CFO and the Chief Legal Officer and Company Secretary of the Company confer regularly to determine if any announcement should be made under ASX Listing Rule 3.1;
- the Chair, CEO, CFO and the Company's media relations adviser are the only persons authorised to talk to the media, analysts or shareholders;
- any employee who comes into possession of information which is likely to affect the price of the Company's securities must immediately inform the Chief Legal Officer and Company Secretary, who in consultation with the CEO and CFO, will determine whether an announcement is required;
- where appropriate, the consideration of whether matters under discussion would trigger continuous disclosure obligations at meetings of the Board, Audit Committee and the ELT meeting; and
- there is an established protocol and approval procedure for all intended announcements which is maintained by the Chief Legal Officer and Company Secretary in consultation with the CFO.

Principle 6 - Respect the rights of shareholders

One of the most significant responsibilities of the Board is to have regard to the long-term sustainability of returns to shareholders, taking into account the interests of other stakeholders.

The Company promotes effective communication with shareholders and encourages effective participation at general meetings to ensure a high level of accountability and discussion of the Company's strategy, goals and performance. The Company maintains a website, www.aristocratgaming.com which is regularly updated with all recent announcements to the ASX, annual reports, briefing materials, and presentations to investors and analysts. The Corporate Governance section of the website allows shareholders direct access to the Board Charter, committee Charters and key governance policies.

The Annual General Meeting is webcast each year. The Company's most recent full year and half year results presentation webcasts are archived and can be accessed through the investor information link on the Company's website, www.aristocratgaming.com.

The Company's Shareholder Communication Policy is available on the Company's website, www.aristocratgaming.com.

Principle 7 - Recognise and manage risk

The Board recognises the importance of a sound framework of risk oversight, risk management and internal control to good corporate governance and has put in place a formal ongoing process for identifying, assessing, monitoring and managing the material business risks faced, or potentially exposed to, by the Company in pursuing its objectives. The adequacy and effectiveness of this process is continually reviewed by the Board. The Company's Risk Management Policy Statement is available on the Company's website, www.aristocratgaming.com.

Elements of the Company's risk management system include:

- a formal risk management policy, which is based on Australian Standard AS 4360:2004 Risk Management and the ASX Corporate Governance Principles and Recommendations;
- well-defined roles and accountabilities of the Board, Audit Committee, Regulatory and Compliance Committee, ELT, Risk Review Committee, Group Risk and Audit team and internal audit function;
- training of key executives and managers in the area of risk and the requirements of the Company's risk management policy;
- regular formal risk workshops and meetings across the business to identify and assess all material business risks;

- a risk rating system based on the likelihood of occurrence, possible consequence should the risk occur and level of current controls and strategies which exist to manage the risk;
- review of material business risks, including significant changes in risk profiles, by the Risk Review Committee, ELT, Audit Committee and the Board on a monthly basis or as appropriate;
- establishment of an internal audit function, independent of the external auditor, which develops a risk-based internal audit plan and has direct access to the Board and management;
- an organisation structure with well-defined scopes of responsibility, clear lines of accountability and appropriate levels of delegated authority and approval limits;
- a set of documented internal policies and procedures, which are subject to regular review and improvement;
- annual budgeting and monthly reporting systems for all operating units;
- a Group-wide control self-assessment survey to assess internal control processes;
- a Group-wide regulatory compliance program covering licensure, environment, occupational health and safety and employment practices;
- a comprehensive insurance program; and
- a confidential Tip-offs Anonymous program deployed worldwide.

The Company uses governance, risk and compliance software to facilitate the update and maintenance of the Company's risk register and to track risk management activities.

Certification from the CEO and the CFO

The Board received a written certification on 23 February 2010 from both the CEO and the CFO that the declaration provided in accordance with section 295A of the Corporations Act (the integrity of financial statements) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Due to the limitations that are inherent in any system of risk management and internal control, the systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement, adverse events or more volatile outcomes arising.

Principle 8 - Remunerate fairly and responsibly

Remuneration Committee

The composition of the committee, its roles and responsibilities are provided under Principle 2 of this statement.

Remuneration of Directors and ELT

Details of the principles and amounts of remuneration of Non-Executive Directors (including any applicable retirement benefits), Executive Directors and specific members of the ELT who are designated as Key Management Personnel or Nominated Executives, are set out in the Remuneration Report, which also includes disclosures on equity-based remuneration provided by the Company.