

# Corporate Governance Statement 2015

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This Corporate Governance Statement is accurate and up to date as at 15 September 2015 and has been approved by the Board. References to where further information can be found are indicated by the symbols **W** for websites and **D** for other documents, such as Tabcorp's Annual Report.

## 1. Introduction

### 1.1 Tabcorp's approach to corporate governance

Tabcorp's Board of Directors and management strongly support the principles of good corporate governance, and are committed to building on the Group's strong reputation for integrity. This is particularly important given the highly regulated industry in which the Tabcorp Group operates, and is essential for increasing our opportunities to win and retain gambling licences, and for the long term sustainability of our businesses.

This Corporate Governance Statement outlines the Tabcorp Group's main corporate governance practices and policies in place during the 2015 financial year and at the date of this statement. The Group's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Group and taking account of best practice. Since the start of the 2015 financial year, the key changes to the Group's corporate governance practices were:

- A Board skills matrix was introduced (refer section 2.2);
- The Code of Conduct was revised and relaunched (refer section 5.1);
- A new diversity objective was set by the Board, because the previous objective had been achieved (refer section 5.5); and
- A Board performance assessment commenced (refer section 5.9).

In developing the appropriate corporate governance practices, the Group takes into account all applicable legislation and recognised standards, which include, but are not limited to:

- *Corporations Act 2001* (Cth) (Corporations Act);
- Australian Securities Exchange (ASX) *Listing Rules*;
- *ASX Corporate Governance Principles and Recommendations* as referred to in section 1.2 below;
- Legislation governing the licences issued to the Tabcorp Group to conduct gambling and related activities; and
- *Australian Standard AS 8000 – Good Governance Principles*.

**W** This Corporate Governance Statement and other related information is available from the corporate governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

# Corporate Governance Statement 2015 (continued)

## 1.2 ASX Corporate Governance Principles and Recommendations

The Tabcorp Group adopts the *Corporate Governance Principles and Recommendations, 3rd Edition* published by the ASX. The Group complied with these principles and recommendations from the start of the 2015 financial year as described in this Corporate Governance Statement and has processes in place to maintain ongoing compliance. Refer to the Appendix 4G lodged by Tabcorp with the ASX which sets out the extent of compliance with each ASX Recommendation and specifies locations where relevant corporate governance disclosures can be found.

**W** The *ASX Corporate Governance Principles and Recommendations, 3rd Edition* is available from the ASX website at [www.asx.com.au/regulation/corporate-governance-council.htm](http://www.asx.com.au/regulation/corporate-governance-council.htm).

## 2. Board and management composition, roles and responsibilities

### 2.1 Composition of the Board

At the date of this statement, the Tabcorp Board consisted of six Non Executive Directors, including the Chairman, and the Managing Director and Chief Executive Officer. Tabcorp's Constitution requires that the number of Directors (not including alternate Directors) shall not exceed twelve, nor be less than three. A Director, other than any Managing Director, may not hold office for a continuous period in excess of three years or past the third Annual General Meeting following the Director's last election or re-election to the Board, whichever is the longer, without submitting for re-election. The Board has the power to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board, subject to receiving all necessary regulatory and certain ministerial approvals, but that person must stand for election at the following Annual General Meeting.

The appointment and removal of the Managing Director and Chief Executive Officer is a matter for the Board as a whole, in association with the recommendations of the Nomination Committee.

As set out in section 3.4, the Nomination Committee assists the Board with the recruitment of new Directors, election or re-election of Directors, membership of each Board Committee and Board succession. In carrying out these responsibilities, the Board considers the knowledge, skills, experience, competencies, diversity, qualifications, behaviours, specific areas of expertise and personal characteristics that are desirable for Directors of Tabcorp. The Board seeks to achieve an appropriate balance of these attributes among the Board members, and to ensure all attributes are well represented. Refer to section 2.2 for the matrix of Board skills and experience. The Board includes in the Notice of Annual General Meeting and explanatory memorandum all material information in its possession relevant to a decision regarding the election or re-election of a Director.

As part of the process in recruiting and evaluating suitable candidates for appointment as a Director, an external independent executive recruitment firm is retained. Furthermore, enquiries, reference checks, checks of bankruptcy and criminal records, and validation of educational records are carried out to satisfy the Board that the person is of sound character and has the relevant attributes desired by the Board to be a Director of Tabcorp. Prospective new Directors are also required to submit extensive personal information as part of probity investigations and clearances required by applicable gambling regulators and certain government ministers prior to appointment as a Director. Such information includes in relation to any convictions, bankruptcies, business activities, employment, education, qualifications, sources of income, taxes paid and financial position.

**U** Details of the Directors, their qualifications and experience are included in the 2015 Concise Annual Report on pages 24 and 25.

**W** Tabcorp's Constitution is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

**W** The terms of reference for each of the Board Committees are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 2.2 Skills and experience of Directors

The Board recognises that for it to operate effectively it should have Directors with a diverse range of appropriate skills and experience which could be brought to bear to add value to Board processes and decisions.

The Board has adopted the matrix below which sets out the relevant skills and experience which the Board currently has and is looking to achieve in its membership. The Board conducted an evaluation to determine the extent to which these skills and experiences are currently present among its membership. Each Director evaluated themselves against the set criteria, and indicated whether they had some level of skill or experience which classified them as having the capability. The evaluation concluded that of the thirteen criteria all seven Directors exhibited the skills/experience relevant to seven criteria, while for four criteria there were six Directors recognised as having the relevant skills/experience, and for the remaining two criteria there were five Directors who had the relevant skills/experience. The Board believes it currently has an appropriate mix of these skills and experience amongst its Directors to enable the Board to operate effectively.

In respect of gender diversity, there are two female members of the Board, including the Chairman.

### Leadership

Sustained success at CEO or senior executive level in a major business.

### Strategy and development

Experience in executing or overseeing strategy implementation and developing new businesses, including start-ups, mergers, acquisitions and divestments.

### Financial acumen

Qualifications and experience in accounting and/or finance, including the ability to assess the quality of financial controls, analyse financial statements, assess financial performance, and oversee capital management and funding arrangements.

### Governance, risk and compliance

Knowledge and experience in best practice governance structures, policies and processes, including establishing risk and compliance frameworks, identifying and monitoring key risks.

### People

Experience with managing people and teams, including the ability to appoint and evaluate CEO and senior executive level managers, oversee strategic human resource management, talent development, engagement and organisational change.

### Remuneration

Experience in a Board Remuneration Committee or at a senior executive level in relation to overseeing remuneration practices, including incentive plans, superannuation and legislative frameworks.

### Sustainability/corporate social responsibility

Experience related to workplace health and safety, environmental and social responsibility, and community.

### Public policy

Experience in public and regulatory policy, including established relationships with industry groups and government in NSW, Victoria, Queensland, Northern Territory or nationally.

### Information technology

Knowledge and experience in the use and governance of critical information technology infrastructure and applications.

### Digital innovation

Experience in leveraging digital technology to drive competitive strategies, innovation, revenue growth and business performance.

### Retailing and marketing

Experience at a significant retail business, including multi-channel distribution, development of winning products, customer service and management strategies, and marketing to retail and online consumers.

### Industry experience

Experience at a domestic or international gambling business, or related racing, sport, or entertainment business.

### International experience

Experience in international market, exposed to a range of political, cultural, regulatory and business environments.

📖 The names and details of the experience, qualifications, special responsibilities (including Committee memberships), and term of office of each Director of the Company can be found in the 2015 Concise Annual Report on pages 24 to 25.

# Corporate Governance Statement 2015 (continued)

## 2.3 Responsibilities and functions of the Board and management

The Board has agreed the responsibilities and functions of the Board as a whole, and those of Directors, the Chairman and the Managing Director and Chief Executive Officer.

The Board's role includes:

- Reviewing and approving the strategies, budgets and business plans prepared by management;
- Overseeing performance against targets and objectives;
- Assuring itself of the effectiveness of arrangements for the governance of the Tabcorp Group including:
  - The quality of the executive team;
  - The appropriateness of organisational arrangements and structure;
  - The adequacy of internal controls, policies, procedures and processes; and
- Overseeing reporting to shareholders and other stakeholders on the strategic direction, governance and performance of the Tabcorp Group.

To assist the Board with carrying out its responsibilities and functions, certain powers have been delegated to management, including the authority to undertake transactions and incur expenditure on behalf of the Tabcorp Group up to specified thresholds. These are referred to in Tabcorp's Delegated Authorities and Approval Limits ('DAAL') Group Policy, which has been agreed by the Board and management. The policy includes the financial and non-financial matters that the Board has delegated to management, the capital and operational expenditure approval limits applicable to each level of management, and specific key responsibilities within each business unit.

Management provides relevant information to the Board in a concise and timely manner to enable the Board to make informed decisions and effectively discharge their duties. The Board regularly monitors the flow of information it receives from management, and Directors may request additional information where necessary.

**W** The roles and responsibilities of the Board and management are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

## 2.4 Director independence

Directors are required to be meticulous in their disclosure of any material contract or relationship, including relevant interests of family companies and spouses and involvement with other companies or professional firms. Directors are required to adhere strictly to the constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and policies of the Tabcorp Group.

A register of Directors' material interests is maintained and is regularly sent to every Director. Where Directors are involved with other organisations or professional firms, which from time to time have dealings with the Tabcorp Group, all such dealings are at arms length and on normal commercial terms.

The Board periodically assesses the independence of each Director. For this purpose, an independent Director is a Non Executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.

The Board has assessed the independence of Tabcorp's Directors as follows:

<b>Name</b>	<b>Independence assessment</b>
Paula Dwyer	Independent
David Attenborough	Not independent, because he is Tabcorp's Managing Director and Chief Executive Officer
Elmer Funke Kupper	Independent
Steven Gregg	Independent
Jane Hemstritch	Independent
Justin Milne	Independent
Zygmunt Switkowski	Independent

The Board has determined that all of the Non Executive Directors of Tabcorp throughout the financial year and at the date of this statement are independent Directors.

In reaching its determination on independence, the Board has taken into account the following criteria (in addition to the matters set out above):

- The specific disclosures made by each Director as referred to above.
- Whether a Director is, or is associated directly with, a substantial shareholder of Tabcorp.
- Whether a Director has been employed in the last three years in any other capacity by Tabcorp or any of its subsidiaries.

- Whether a Director personally carries on any role for the Tabcorp Group other than as a Director of Tabcorp.
- Whether there are any related party dealings referable to a Director which are material and require disclosure under accounting standards.
- Whether a Director has been a Director of the Company for such a period that his or her independence may have been compromised.

Each Director has served as a Director of Tabcorp for the following periods:

<b>Name</b>	<b>Length of service</b>
Paula Dwyer	Chairman for four years since June 2011, and a Director for ten years since August 2005
David Attenborough	Four years, since June 2011
Elmer Funke Kupper	Three years, since June 2012
	Previously as Managing Director and Chief Executive Officer for four years from September 2007 to June 2011
Steven Gregg	Three years, since July 2012
Jane Hemstritch	Seven years, since November 2008
Justin Milne	Four years, since August 2011
Zygmunt Switkowski	Nine years, since October 2006

After due consideration the Board considers that Paula Dwyer's independence is not affected by her having served 10 years on the Board.

- Whether any Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Tabcorp Group which is material, given that any payments by Tabcorp to any such associate were less than 2% of annual consolidated revenue for both Tabcorp and the respective associate, and that any remuneration received by a Director from any such associate was not impacted in any way by the Tabcorp payments.

The Board also has procedures in place to ensure it operates independently of management. For example, at every Board meeting, the Non Executive Directors meet together in the absence of executive Directors and other executives of the Tabcorp Group. Where appropriate, executives are also excluded from certain Board discussions that relate to specific issues, such as executive remuneration and performance, and whistleblower matters.

Details of offices held by Directors with other organisations are set out in the 2015 Concise Annual Report on pages 24 to 25.

## 2.5 Other directorships

Directors are required continually to evaluate the number of Boards on which they serve to ensure that they can give the time and attention required to fulfil their duties and responsibilities. Directors are required to seek approval from the Chairman prior to accepting an invitation to become a Director of any corporation, and in the case of the Chairman seek approval from the Chairman of the Audit, Risk and Compliance Committee.

The Board has adopted a policy that Non Executive Directors are permitted to hold a maximum number of four directorships of ASX listed companies, other than Tabcorp, with a chairmanship equivalent to two directorships, subject to the discretion of the Chairman (or in the case of the Chairman, the Chairman of the Audit, Risk and Compliance Committee).

Details of the directorships for each Director are available in the 2015 Concise Annual Report on pages 24 to 25.

## 2.6 Board and Committee meetings

The Board and its Committees meet regularly to discuss matters relevant to the Tabcorp Group. Additional meetings may be scheduled to address specific matters.

Any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter, unless all other Directors present resolve otherwise.

The Company Secretary is responsible for coordinating and distributing materials for Board meetings, shareholder meetings and Board Committee meetings. The Company Secretary is also responsible for Board governance matters, monitoring Board policies and procedures, and minutes of meetings. In relation to these matters, the Company Secretary is accountable to the Board, through the Chairman and Committee Chairmen. The appointment and removal of the Company Secretary is a matter for discussion by the Board as a whole, and all Directors have access to the Company Secretary.

Directors are required to attend all Board meetings, shareholder meetings and Board Committee meetings for which they are members, subject to any unusual or unforeseen circumstances that may prevent them from attending.

The number of Board and Committee meetings and the attendance of each Director at these meetings are set out in the 2015 Concise Annual Report on page 37.

# Corporate Governance Statement 2015 (continued)

## 3. Board Committees

### 3.1 Committees of the Board

To assist the Board in achieving the highest standards of corporate governance, the Directors involve themselves with the critical areas of the Group's activities through Board Committees.

The Board Committees during the 2015 financial year and as at the date of this statement were:

- Audit, Risk and Compliance (see section 3.2);
- Remuneration (see section 3.3); and
- Nomination (see section 3.4).

Board Committee membership is restricted to Non Executive Directors only.

All Non Executive Directors are Members of the Audit, Risk and Compliance Committee and the Nomination Committee, in addition to membership of other Board Committees as appointed. The Board considers that all Non Executive Directors should be members of the Audit, Risk and Compliance Committee due to the substantial amount of risk and compliance matters which stem from operating in the highly regulated gambling industry. Given the relatively small size of the Tabcorp Board, and the small number of meetings of the Nomination Committee, the Board considers it is efficient to have all Non Executive Directors as members of the Nomination Committee. In respect of the Remuneration Committee, the Board recognises that it is efficient to have a smaller number of Non Executive Directors who command specialist expertise and experience to focus on and deliberate remuneration matters before recommendations are provided to the Board for decision. Tabcorp's Board Committee arrangements reflect similar board committee structures in other large Australian companies.

Each Board Committee has terms of reference that set out the roles, responsibilities, composition and processes of each Committee. These terms of reference are reviewed regularly.

**W** The terms of reference for Tabcorp Board Committees are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 3.2 Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee provides additional assurance and oversight relating to financial accounting practices, financial and operational risk management, compliance management, internal control systems, external reporting and the internal and external audit functions.

The key responsibilities of the Audit, Risk and Compliance Committee are as follows:

#### **Audit:**

- Overseeing compliance with statutory responsibilities relating to financial disclosure, and approval of full year and half year financial statements as well as the financial statements in the Annual Report;
- Reviewing the activities of the internal audit function and the external auditor (Ernst & Young) and review their performance on an annual basis;
- Reviewing the adequacy of the Group's internal controls;
- Monitoring related party transactions and potential conflicts of interest; and
- Reviewing the process for management assurance to the Board (refer to section 4.3 for more information).

#### **Risk and Compliance:**

- Reviewing and approving the Group's risk and compliance policies and frameworks;
- Assessing the appropriateness of risk and compliance management systems, related control processes, and reporting systems;
- Monitoring the effectiveness of systems and processes in place to ensure compliance requirements are being satisfied and performing adequately;
- Evaluating the effectiveness of the Group's systems and controls to monitor and manage risks that are significant to the fulfilment of the Group's business objectives; and
- Ensuring that sufficient resources are dedicated to managing risk and compliance.

The Chairman of the Audit, Risk and Compliance Committee is required to meet regularly with the external auditor in the absence of management. The Chairman of the Audit, Risk and Compliance Committee is also required to meet with Tabcorp's General Manager Audit, Risk and Compliance on a regular basis.

The annual internal audit plan and the scope of work to be performed are set in consultation with the Audit, Risk and Compliance Committee. The Committee approves the annual internal audit plan and reviews progress and reports made pursuant to that plan.

The Audit, Risk and Compliance Committee is committed to maintaining auditor independence and limiting the engagement of the external auditor for only audit related services, unless exceptional circumstances necessitate the involvement of the external auditor. The Chairman of the Audit, Risk and Compliance Committee must approve all non-audit related work to be undertaken by the external auditor (if any). Tabcorp will maintain the rotation of the lead external audit partner every five years or less, as required by the Corporations Act. The external auditor attends Tabcorp's Annual General Meeting and is available to answer shareholder questions regarding aspects of the external audit and its report.

Refer also to section 4.1 for management of risk and section 4.2 for internal control framework.

During the 2015 financial year, the Committee held four meetings, and all Committee members attended every meeting.

The Committee is comprised of at least three members, all of whom are Non Executive Directors and are independent, including the Committee Chairman (who is not the Chairman of the Board).

#### Composition of the Audit, Risk and Compliance Committee

Chairman	Jane Hemstritch
Other Members	Paula Dwyer Elmer Funke Kupper Steven Gregg Justin Milne Zygmunt Switkowski

☑ The attendance of Directors at Board and Committee meetings is disclosed in the annual Directors' Report on page 37 of the 2015 Concise Annual Report.

W The terms of reference for the Audit, Risk and Compliance Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 3.3 Remuneration Committee

The Remuneration Committee has responsibility for, among other things:

- Reviewing and making recommendations to the Board on remuneration packages and policies applicable to the Chairman, Directors, the Managing Director and Chief Executive Officer, and senior executives reporting to the Managing Director and Chief Executive Officer;
- Reviewing and making recommendations to the Board on the Tabcorp Group's general remuneration practices and policies, including terms and conditions of any employee share ownership and rights schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements;
- Reviewing and approving participation of executives in incentive plans, including rights and share plans;
- Reviewing and making recommendations to the Board regarding the Group's remuneration arrangements with respect to gender;
- Reviewing with reference to market benchmarks, the remuneration arrangements for the Managing Director and Chief Executive Officer and making recommendations to the Board; and
- Overseeing the preparation of the annual Remuneration Report.

During the 2015 financial year, the Committee held four meetings, and all Committee members attended every meeting.

The Committee is comprised of at least three members, all of whom are Non Executive Directors and are independent, including the Committee Chairman (who is not the Chairman of the Board).

#### Composition of the Remuneration Committee

Chairman	Zygmunt Switkowski
Other Members	Paula Dwyer Steven Gregg

☑ Details relating to the remuneration of the Company's key management personnel are set out in the Remuneration Report on pages 39 to 56 of the 2015 Concise Annual Report.

☑ The attendance of Directors at Board and Committee meetings is disclosed in the annual Directors' Report on page 37 of the 2015 Concise Annual Report.

W The terms of reference for the Remuneration Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 3.4 Nomination Committee

The main responsibilities of the Nomination Committee are to:

- Manage a process to identify suitable candidates for appointment to the Board and Board Committees;
- Make recommendations regarding succession planning for the Board (refer to section 5.10 for further information);
- Make recommendations on candidates it considers appropriate for appointment to the Board and Board Committees, including whether the Board should support the election or re-election of any Director required to retire at a general meeting;
- Annually review the skills, experience, expertise, diversity and attributes required of Directors to discharge the Board's duties and the extent to which they are represented in the composition of the Board and each Board Committee (refer to section 2.2 for more information);
- Consider periodically whether to use an external facilitator to conduct a review of the performance of the Board, Board Committees and Directors (refer to section 5.9 for further information); and
- Ensure that an effective Board induction process is in place (refer to section 5.11 for more information).



# Corporate Governance Statement 2015 (continued)

During the 2015 financial year, the Committee held two meetings, and all Committee members attended every meeting.

The Committee is comprised of at least three members, all of whom are Non Executive Directors and are independent, including the Committee Chairman.

## Composition of the Nomination Committee

Chairman	Paula Dwyer
Other Members	Elmer Funke Kupper
	Steven Gregg
	Jane Hemstritch
	Justin Milne
	Zygmunt Switkowski

**M** The attendance of Directors at Board and Committee meetings is disclosed in the annual Directors' Report on page 37 of the 2015 Concise Annual Report.

**W** The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

## 4. Risk management and controls

### 4.1 Recognition and management of risk

The Tabcorp Group has in place a Risk Management Framework, policies and procedures, which set out the roles, responsibilities and guidelines for managing financial and operational risks associated with the Group's businesses.

During the financial year Tabcorp's management updated and monitored the risk profiles for each of the Group's operating businesses and major projects. These profiles identify the:

- Nature and likelihood of occurrence for specific material risks;
- Key controls that are in place to mitigate and manage the risk;
- Sources and levels of assurance provided on the effective operation of key controls; and
- Responsibilities for managing these risks.

The risk profiles for each key operating business are reported to the Board Audit, Risk and Compliance Committee forming the basis of the Risk Management Framework and are considered as part of the annual internal audit planning process. These were reviewed by the Board Audit, Risk and Compliance Committee during the 2015 financial year.

The design, operation and assessment of the effectiveness of controls relating to material risks is assessed primarily through declarations by senior executives who are responsible for the operation of those controls, together with assurance activities undertaken by Tabcorp's Internal Audit team and assurance activities undertaken by other assurance providers, where applicable.

The Tabcorp Group's Risk Management Framework is based on concepts and principles identified in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009).

The risk framework, policies and procedures will continue to be enhanced as the Tabcorp Group's existing operations develop and its range of activities expands. The implementation of these policies and procedures is monitored and reviewed at least annually by the Board Audit, Risk and Compliance Committee via the risk deep dive process.

**M** The key operating and financial risks and uncertainties for the Tabcorp Group are disclosed in the annual Directors' Report on pages 33 to 36 of the 2015 Concise Annual Report.

**W** The terms of reference for the Audit, Risk and Compliance Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 4.2 Internal control framework

The Group's strategic plan (see section 5.13) and a detailed budget are prepared annually and subject to the approval of the Board. Forecasts for the Tabcorp Group and each of the operating business units are regularly updated and reported to the Board throughout the year to enable Directors to monitor performance against the annual budget.

The Tabcorp Group has detailed procedural guidelines for the approval of capital expenditure including annual budgeting, review and approval of individual proposals and specific levels of authority between the Board, the Managing Director and Chief Executive Officer and other levels of management.

Processes for the investment of surplus cash, management of debt and currency, and interest rate risk management have been approved by the Board and are the subject of ongoing reporting to the Board. Tabcorp enters into interest rate swaps and cross currency swaps to hedge interest rate and foreign exchange risk on debt. The Tabcorp Group Treasury department is responsible for managing the Tabcorp Group's finance facilities and interest rate, credit, liquidity and currency risks in line with policies set by the Board.

The Tabcorp Group's internal control structure is reviewed and approved by the Board Audit, Risk and Compliance Committee. This includes the role performed by the Group's internal audit, risk management and compliance functions.



The Tabcorp Group's internal audit function is resourced by Tabcorp employees and supplemented by relevant industry experts, and is independent of the external auditor. Internal audit reports are regularly submitted to the Chairman of the Audit, Risk and Compliance Committee, Chief Financial Officer, Audit, Risk and Compliance Committee and, where appropriate, to the Board. The Audit, Risk and Compliance Committee approves the internal audit plan annually. Tabcorp's General Manager Audit, Risk and Compliance reports to the Chief Financial Officer, and is accountable to the Chairman of the Audit, Risk and Compliance Committee regarding the Group's risk, compliance and internal audit functions.

The Tabcorp Compliance Policy and Framework was developed to align with:

- International Standard 19600 – Compliance Management Systems;
- Australian Standard AS 8000 – Good Governance Principles;
- Applicable legislation;
- The Corporate Governance Principles and Recommendations published by the ASX;
- The Tabcorp Group's organisational structure and strategy; and
- The Tabcorp Group's Risk Management Policy and Framework.

The Tabcorp Group utilises an enterprise wide compliance system, which provides a consistent and uniform approach to collating and reporting relevant information from across all business units. The system monitors whether practices and processes designed to ensure compliance have been operating effectively, increases the visibility of potential issues, and assists the processes for resolving issues.

### 4.3 Management assurance

At the Board meetings to approve the Tabcorp Group's annual and half yearly results, the Board received and considered statements in writing from the Managing Director and Chief Executive Officer and the Chief Financial Officer in relation to their opinion of the Tabcorp Group's system of risk oversight and management and internal control.

The declaration stated that in their opinion, the financial records have been properly maintained, and that the financial statements had been prepared in conformity with generally accepted accounting principles and that they gave a true and fair view of the financial position and performance of Tabcorp and of the Tabcorp Group.

The declaration also stated that the risk management and internal compliance and control systems were operating effectively, in all material respects, based on the AS/NZS ISO 31000:2009 – Risk Management standard adopted by the Tabcorp Group. The declaration also included statements that all information had been made available to the external auditor, and that there were no irregularities or significant issues identified that would have a material impact on the Tabcorp Group.

## 5. Key governance policies and practices

### 5.1 Code of Conduct

The Tabcorp Group has a Group-wide Code of Conduct which was reviewed and relaunched during the year. The Code of Conduct is titled 'Do the Right Thing' and builds upon Tabcorp's Ways of Working, which are: Think customer; Think big; Be one team; Be accountable; and Do the right thing.

The Code of Conduct sets out the standards of behaviour that are expected of all Tabcorp Group employees, Directors and contractors. It gives guidance in areas where employees may need to make personal and ethical decisions, and goes beyond compliance with laws, regulations and basic standards of personal conduct. Through the consistent application of the Code of Conduct, we can ensure that Tabcorp continues to offer a first-class entertainment experience for our customers, supports community, creates value for our shareholders and is a great place to work.

The Code of Conduct includes, among other things, references to specific Tabcorp Group policies regarding corruption, bribery, discrimination, bullying and harassment, equal opportunity, diversity, insider trading, whistleblowing, conflicts of interest, social media and restrictions on the use of the Group's gambling products.

In addition to adhering to the high ethical standards set by the Code of Conduct, Tabcorp's Directors and key personnel are also required to undergo extensive probity investigation and clearance by applicable gambling regulators and certain ministers in Australia and overseas.

**W** Tabcorp's Code of Conduct is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 5.2 Tabcorp Integrity Protection Service (TIPS)

TIPS is an independent, anonymous crime and misconduct reporting service delivered by Deloitte, an international consulting and forensic investigations specialist. It is one of Tabcorp's processes to prevent, detect, and respond to crime and misconduct.

TIPS is available 24 hours a day, 7 days a week to Tabcorp's people and stakeholders in Australia and overseas.

The program is managed by the Tabcorp Group's Compliance team and has accountability at the highest levels with the Chairman of the Board Audit, Risk and Compliance Committee able to access reports relating to all employees and review the action taken. TIPS was introduced to achieve Australian and international best practice, reflecting Tabcorp's commitment to integrity and befitting the responsibilities of a publicly listed company.

**W** Tabcorp's commitment to integrity and information regarding TIPS are available from the Integrity section of Tabcorp's website at [www.tabcorp.com.au/sustainability\\_integrity.aspx](http://www.tabcorp.com.au/sustainability_integrity.aspx).

**W** Further information on TIPS is available from its website at [www.tips.deloitte.com.au](http://www.tips.deloitte.com.au).

# Corporate Governance Statement 2015 (continued)

## 5.3 Responsible Gambling

The Tabcorp Group takes a leadership position in the responsible delivery of its gambling products and support for customers.

The Tabcorp Group has individual Responsible Gambling Codes of Conduct for each of its businesses. This enables the Tabcorp Group to maintain compliance with the specific requirements in each State or Territory, while being responsive to the individual circumstances of each of its TAB, Luxbet and Keno businesses. The Tabcorp Group will continue to refine its responsible gambling practices and its codes to strengthen its commitment to customer care.

The Tabcorp Group has an Employee Gambling Policy which is a key component of Tabcorp's commitment to delivering gambling products responsibly. Directors, employees and contractors may not gamble whilst on duty, whether on Tabcorp's gambling products or those of another operator. Limited exemptions apply, which require written authorisation. Gambling off duty is subject to specific restrictions that apply to Directors, executives and direct reports to executives, and other groups according to the nature of their work.

Further details about the Tabcorp Group's commitment to responsible gambling are available on pages 16 to 17 of the 2015 Concise Annual Report, and on Tabcorp's website.

Tabcorp's Responsible Gambling Codes are available from the Responsible Gambling section of Tabcorp's website at [www.tabcorp.com.au/responsible-gambling.aspx](http://www.tabcorp.com.au/responsible-gambling.aspx).

## 5.4 Anti-money laundering/counter terrorism financing

The Tabcorp Group has anti-money laundering and counter-terrorism financing (AML/CTF) programs which apply to its Wagering and Gaming Services businesses. A significant program of works has been underway to further enhance these programs and Tabcorp's systems relevant to compliance. These programs and systems are supported by ongoing training and communications to enable employees to understand and keep up to date with the obligations under Tabcorp's AML/CTF programs and relevant legislation. The Tabcorp Board receives updates relating to anti-money laundering and counter-terrorism financing risk and Tabcorp's response to these risks.

In addition, the Tabcorp Group has integrity agreements in place with all major sports bodies and racing industries across Australia. The agreements allow for the sharing of information between the Tabcorp Group and sports/racing industry bodies to promote high levels of integrity among sports and racing. The Tabcorp Group also has integrity agreements with local and federal law enforcement bodies, national intelligence organisations, state and federal crime commissions, corrective services and other government and regulatory bodies.

## 5.5 Diversity

Tabcorp has a Diversity Policy in relation to diversity of the Board and senior management within the Tabcorp Group. The Board Nomination Committee is responsible for overseeing the policy, monitoring Tabcorp's diversity strategy and reviewing progress against measurable objectives established to achieve Tabcorp's diversity goals.

The Board set an objective to have by 2015 at least 33% female representation in senior management roles, which comprise the Senior Executive Leadership Team (Chief Executive Officer and direct reports) and the Senior Management Team (direct reports to the Senior Executive Leadership Team and their direct reports, as determined by meeting a minimum role size).

As at 30 June 2015, the proportion of women employees across the Tabcorp Group was:

- 33% of Non Executive Directors;
- 33% of the Senior Executive Leadership Team;
- 33% of the combined Senior Executive Leadership Team and Senior Management Team; and
- 50% of the entire Tabcorp Group.

Since the diversity objective set by the Board was met in 2015, the Board and senior management have set a revised target of at least 40% female representation in senior management roles by 2018.

Tabcorp's Diversity Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

Tabcorp's Annual Report under the Workplace Gender Equality Act is available from the Sustainability section of Tabcorp's website at [www.tabcorp.com.au/sustainability\\_employees.aspx](http://www.tabcorp.com.au/sustainability_employees.aspx).

## 5.6 Securities Trading Policy

Tabcorp has a policy regarding trading in Tabcorp securities which applies to all Directors, employees and contractors. This policy also extends to any person or entity, which may in the circumstances be reasonably associated with the Tabcorp Group or any Director, employee, or contractor (for example a spouse, dependent children, family trust, family company or joint venture partner).

Directors, executives reporting directly to the Managing Director and Chief Executive Officer ('Executives'), all direct reports to those Executives ('Executive Direct Reports'), and their associates are not permitted to trade in Tabcorp's securities during Blackout Periods and subject to the processes set out in the policy.

The applicable Blackout Periods:

- commence on 1 January and end on the day Tabcorp announces its half year results (ASX Appendix 4D) inclusively;
- commence on 1 July and end on the day Tabcorp announces its preliminary final year results (ASX Appendix 4E) inclusively.

The Tabcorp Board, Chairman, Chief Executive Officer or Company Secretary may also decide other Blackout Periods at any time.

Approval for trading in a Blackout Period or within 12 months of acquisition will only be granted in exceptional circumstances and where the trade is the only reasonable course of action available. The nature of exceptional circumstances and the approval process to be followed are set out in the policy.

Directors are required to obtain written approval from the Chairman prior to a Director or an associate of a Director trading in Tabcorp securities. In the case of a proposed trade by the Chairman or their associate, approval is required from the Chairman of the Audit, Risk and Compliance Committee.

If any Executive or Executive Direct Report or any associate of an Executive or Executive Director Report wishes to trade in Tabcorp's securities at any time, the Executive or Executive Direct Report must obtain the prior written approval of either the Company Secretary or the Managing Director and Chief Executive Officer.

The policy also contains restrictions on margin lending. Directors, Executives and Executive Direct Reports must receive prior consent from the Chairman (in the case of the Chairman, prior consent from the Chairman of the Audit, Risk and Compliance Committee) before entering into margin loans or similar financing arrangements.

☑ The details of Tabcorp securities held by Directors are available in the Directors' Report on page 36 of the 2015 Concise Annual Report.

W Tabcorp's Securities Trading Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

## 5.7 Continuous disclosure

The Tabcorp Group has a Disclosure and Investor Communications Policy and procedures are in place to ensure that information is reported to the ASX in accordance with the continuous disclosure requirements of its Listing Rules. The Board reviews Tabcorp's compliance with its continuous disclosure obligations at each of its meetings.

The Tabcorp Group's Executive General Manager – Corporate, Legal and Regulatory, in her capacity as Company Secretary, is responsible for coordinating disclosure of information to the ASX, the Australian Securities and Investments Commission and shareholders. The Company Secretary is referred to as the Disclosure Officer in this policy.

The Disclosure Officer must be kept informed by management of disclosure related issues, and each Senior Executive Leadership Team member must notify the Disclosure Officer immediately of any information that may require disclosure.

In addition to the Disclosure Officer, there are a limited number of authorised Tabcorp spokespersons. Only authorised Tabcorp spokespersons may speak on the Group's behalf to people such as analysts, brokers, journalists and shareholders, and comments must be limited to their expertise. If an employee of the Tabcorp Group is not an authorised Tabcorp spokesperson, and receives an inquiry about the Group from a journalist, analyst or other external party, they must refer the inquiry to an authorised Tabcorp spokesperson.

Authorised Tabcorp spokespersons liaise closely with the Disclosure Officer to ensure all proposed public comments are within the bounds of information that is already in the public domain, and/or is not material.

W Tabcorp's Disclosure and Investor Communications Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

## 5.8 Independent professional advice

An individual Director may, after discussion with the Chairman, and advising the Managing Director and Chief Executive Officer, obtain independent professional advice at the expense of the Tabcorp Group. Such advice is to be made available to all other Directors.

Board Committees and Committee members may also obtain independent professional advice, subject to the terms of reference for the applicable committee.

W The terms of reference for each Board Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

# Corporate Governance Statement 2015 (continued)

## 5.9 Performance assessment

The Nomination Committee is responsible for facilitating Board performance assessments, and is undertaking a Board self-evaluation which commenced during the financial year ended 30 June 2015. An independent external consultant assisted in preparing the evaluation questionnaire and made recommendations to enhance the process which reflected leading governance practice and emerging trends.

The assessment will evaluate the Board structure and its role, Board meetings and processes, the Board's relationship with management, the effectiveness of each Board Committee, and the performance of the Chairman, the Chairman of each Committee and each individual Director. The assessment will also identify any trends over the year and help identify any strategic issues or areas that the Board considers are of significance that require further focus. The assessment will take into account responses from Directors, and feedback from management, with a view to enhancing the effectiveness of the Board and individual Director contributions, and improving Board processes, practices and governance arrangements.

Formal performance and development evaluations are conducted every six months for each employee, including executives and the Managing Director and Chief Executive Officer. Individual performance is assessed using a balanced scorecard setting out specific targets that are aligned to and are supportive of the Tabcorp Group's annual objectives and whether they have exhibited Tabcorp's Ways of Working. Performance assessments for senior executives were undertaken in relation to the end of the financial year and half year in accordance with the process disclosed above.

☑ Refer to pages 46 and 47 of the Remuneration Report in the 2015 Concise Annual Report for further information regarding the performance outcomes relevant to senior executives for the 2015 financial year.

W The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

## 5.10 Succession planning

The Tabcorp Group has a succession plan for members of its Board and senior management. This plan identifies the best candidates for leadership and management roles so that the Board and Senior Executive Leadership Team comprise high calibre people with the necessary and desirable experience and competencies that best meet the organisation's needs.

The Nomination Committee is responsible for making recommendations to the Board to facilitate the orderly succession of Board membership and to manage a process to identify suitable candidates for appointment to the Board and for the optimal composition of Board Committees.

Refer to section 2.1 for information regarding the attributes the Board considers when appointing new Directors and the process involved.

Directors regularly discuss succession matters at meetings of the Board and the Nomination Committee.

W The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

## 5.11 Induction

The appointment of any new Director is subject to regulatory and certain ministerial approvals. While these approvals are being sought, the person, with the approval of the regulators, may attend Board and Committee meetings as an observer. This assists their transition into their role, but they may not vote on any matter.

Each observer undertakes an induction program and is provided with access to Tabcorp's online Directors' Knowledge centre, the Tabcorp Group's strategic plan and other materials to assist them to participate fully and actively in all Board decision-making at the earliest opportunity. In addition, upon being invited to join the Tabcorp Board, every observer receives a letter of appointment, which is a written agreement setting out the key information and terms and conditions applicable to their appointment as a Director of Tabcorp.

The induction program aims to provide the observer with the relevant knowledge regarding the processes of the Tabcorp Board, Board culture, the role and responsibilities of a Tabcorp Director, the Tabcorp Group's strategic direction, the nature of the Group's businesses, industry matters, the Group's financial position, key senior management, operational and risk management practices and the major issues facing the Tabcorp Group. The induction program includes meetings with each Senior Executive Leadership Team member and their leadership team, site tours, and specific matters of interest to each observer.

The Board Nomination Committee is responsible for ensuring that an effective induction process is in place, and reviews its effectiveness in accordance with industry best practice and including incorporation of feedback from newly appointed Directors. The Company Secretary is responsible for organising and facilitating the induction program for new Directors.

Tabcorp has a formal induction program for all employees, including executives. This program provides information about the structure and operations of the Tabcorp Group, Tabcorp's Code of Conduct, key employee policies (such as the use of Tabcorp's gambling products, harassment and bullying), occupational health and safety, and equal opportunity. In addition, employees receive orientation regarding their specific responsibilities, duties and rights, meet with executives and team members and undergo familiarisation in their workplace.

Employees have agreed position descriptions and balanced scorecards that set out their duties, responsibilities, objectives and key performance indicators. Letters of appointment or employment contracts set out other key terms of employment, including term of office, rights, responsibilities, and entitlements on termination of employment.

**W** The terms of reference for the Nomination Committee are available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

### 5.12 Directors' continuing education

All Directors have access to continuing education to update and enhance their skills and knowledge to enable them to continue to carry out their duties as Directors in an efficient and knowledgeable manner.

The continuing education program includes information concerning key developments in the Tabcorp Group and the industry, and environments within which it operates, including site visits to the Group's properties, updates to relevant policies, discussion of relevant legal developments, corporate governance updates and other matters of interest for Directors.

### 5.13 Group strategic planning

Tabcorp has a formal strategic planning process whereby a strategic plan is approved by the Board each year. The intent of the annual review is to consider a range of strategies and provide management with guidance on those strategies that in the Board's opinion will enhance shareholder value. Where appropriate, external consultants provide the Board and management with independent advice and analysis regarding specific topics to assist in the evaluation and review process. Once the Board has approved the strategic plan, the Board receives regular reports regarding management's progress in implementing the strategies and the achievement of the organisation's objectives. A semi-annual strategic review is undertaken to enable the Board and management to examine particular strategic opportunities in greater detail and re-affirm the chosen strategies.

### 5.14 Sustainability

Tabcorp is committed to the long term sustainability of its operations and industry, and aims to optimise the social, environmental, workplace and economic impact of its operations for the benefit of all stakeholders.

A key priority for Tabcorp is promoting the responsible service of its products. Refer to section 5.3 for information about how Tabcorp promotes responsible gambling.

In addition to promoting responsible gambling, Tabcorp's other key sustainability areas include governance, ethics and integrity, supporting the community, workplace practices/employees, customer engagement and procurement. Although the operations of the Tabcorp Group are considered to have minor impact on the environment, Tabcorp is committed to protecting the environment and minimising the impact wherever appropriate. The Tabcorp Group has processes and systems for monitoring, reporting, evaluating and managing Tabcorp's environmental risks, and engages with employees, suppliers, landlords and other stakeholders to identify and implement environmentally sustainable initiatives.

Tabcorp's commitment to long term sustainability is recognised by its inclusion in several global investment indices:

- Dow Jones Sustainability Index.
- FTSE4Good Index.

In the last annual Dow Jones Sustainability Index assessment released in September 2014, Tabcorp was recognised as the leader in the global gambling sector. Tabcorp received the highest score among its peers in 11 out of the 19 assessment criteria, including a score of 100% for promoting responsible gambling and anti-crime policy/measures. These results are a reflection of Tabcorp's long term commitment to sustainability, which has seen Tabcorp recognised as the overall global leader in the gambling industry in nine out of the last ten annual assessments and Tabcorp receiving 100% for promoting responsible gambling in the past eight successive assessments.

- 📖 Tabcorp's commitment to responsible gambling, its employees, the environment and the community is discussed in the 2015 Concise Annual Report on pages 16 to 23.
- 📖 The key operating and financial risks and uncertainties for the Tabcorp Group are disclosed in the annual Directors' Report on pages 33 to 36 of the 2015 Concise Annual Report.
- W** Details about Tabcorp's sustainability practices are available from the Sustainability section of Tabcorp's website at [www.tabcorp.com.au/sustainability.aspx](http://www.tabcorp.com.au/sustainability.aspx).

# Corporate Governance Statement 2015 (continued)

## 5.15 Engaging with shareholders

The Tabcorp Group's Disclosure and Investor Communications Policy sets out Tabcorp's procedures and guidelines relating to continuous disclosure and the communication of information to investors. Information is communicated to shareholders through Tabcorp's website, Annual Report, dividend mailings, email broadcasts, the ASX, and other means where appropriate.

The Tabcorp Group's website provides stakeholders with a range of information about the Group, including its operations, history, strategies, values, brands, community involvement, sustainability practices, share price performance and shareholder reports. There is also a facility for any interested person to receive email notifications of all major Tabcorp news releases published on the website. Major announcements, such as the annual and half year results and the Annual General Meeting, are webcast live on Tabcorp's website. Webcasts are archived and accessible on the website for at least twelve months.

Tabcorp provides a service for its shareholders to receive all shareholder related communications electronically, including dividend statements, notices of meeting, and the Annual Report. This email service provides a quick and convenient means for receiving this information while reducing costs and being environmentally friendly. Shareholders can also use the website to lodge their proxy appointment prior to the Annual General Meeting.

Dedicated shareholder relations personnel are available to assist in responding promptly to all shareholder inquiries. Tabcorp has a Shareholder Enquiries and Complaints Policy that sets out the way in which Tabcorp addresses concerns and feedback from shareholders. Shareholders can contact Tabcorp's share registry, Link Market Services Limited, or Tabcorp. Contact details are available on the last page of Tabcorp's Annual Report or from the Contact section of Tabcorp's website.

Tabcorp encourages its shareholders to participate fully at its Annual General Meeting. Important issues are presented to shareholders as single resolutions and full discussion of each item is encouraged. Explanatory memoranda, where considered appropriate, are included with the Notice of Annual General Meeting in respect of items to be voted on at the meeting.

**I** Shareholder related information is available at the back of the 2015 Concise Annual Report.

**W** Tabcorp's website is available at [www.tabcorp.com.au](http://www.tabcorp.com.au).

**W** Shareholders can elect to receive all communications electronically by following the instructions on Tabcorp's website at [www.tabcorp.com.au/investor\\_holder\\_eshare.aspx](http://www.tabcorp.com.au/investor_holder_eshare.aspx).

**W** Sign up to receive email notifications of major Tabcorp news releases through the News section of Tabcorp's website at [www.tabcorp.com.au/news\\_tabcorp-eneews.aspx](http://www.tabcorp.com.au/news_tabcorp-eneews.aspx).

**W** Tabcorp's Disclosure and Investor Communications Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

**W** Tabcorp's Shareholder Enquiries and Complaints Policy is available from the Corporate Governance section of Tabcorp's website at [www.tabcorp.com.au/about-us\\_corporate-governance.aspx](http://www.tabcorp.com.au/about-us_corporate-governance.aspx).

**W** Shareholders can contact Tabcorp's share registry or Tabcorp using the details available from the Contact section of Tabcorp's website at [www.tabcorp.com.au/contact.aspx](http://www.tabcorp.com.au/contact.aspx).