

## Corporate Governance Statement as at 30 June 2011

The ASX Corporate Governance Council has published Corporate Governance Principles and Recommendations (“ASX Principles”) on what it considers to be best practice in conducting the business of a listed company. The ASX Listing Rules require companies to disclose their compliance with the guidelines on an “if not, why not” basis in their annual report to shareholders.

The Guidelines are set out recommended practice in the form of eight principles

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Treasury Group Limited’s (the Company) adherence to each of these principles, together with details of the policies adopted by the Board to ensure compliance is described on a principle by principle basis below.

In accordance with the ASX Principles the Company has posted copies of its governance policies, charters and procedures on its website [www.treasurygroup.com](http://www.treasurygroup.com)

### **Principle 1: Lay solid foundations for management and oversight**

The Board’s role is to govern the Company rather than to manage it. The Board recognises the importance of clearly delineating between its roles and the roles of management, and has adopted a formal statement of matters reserved to itself and a list of delegations to management. It is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board is accountable to shareholders for the successful operations of the Company.

Full details of the Board’s role and responsibilities are contained in the Board Charter, a copy of which is contained in the Corporate Governance section on the Company’s website.

#### *Role of senior executives*

It is the role of senior executives to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of senior executives in carrying out these delegated duties. The Board conducts an annual review of the performance of senior executives against pre-determined qualitative and quantitative key performance indicators. Senior executives undergo an induction programme to gain an

understanding of the Company's financial position, its strategies, operations and risk management policies as well as the rights, duties, responsibilities and roles of the Board and senior executives.

## **Principle 2: Structure the Board to add value**

The Board considers independent decision-making as critical to effective governance, and the Company recognises the importance of independent directors and the external perspective and advice that they can offer. The names of the Directors and their qualifications and experience are included in the profiles in the Directors Report, along with the term of office held by each of the Directors.

The Company does not have a majority of independent directors as recommended by the ASX Principles, but rather a balance of executive and non-executive directors. The Board size is considered appropriate for the size of the Company's operations. Mr Kennedy and Mr Hayes are Non-Executive Directors, and meet the ASX Principles' criteria for independence.

Mr Fitzpatrick is a Non-Executive Director and Chairman of the Company, but is a major shareholder of the Company and as such he does not meet the ASX Principles' criteria for independence. However, his experience and knowledge of the Company make his contribution to the Board such that it is appropriate for him to remain as Chairman of the Board.

Mr Cooper is a Non-Executive Director but does not meet the criteria for independence status as he was previously employed by the Company in an executive capacity and there has not been a period of three years between Mr Cooper ceasing his executive role and serving on the Board.

The Company's Managing Director and CEO during the financial year was Mr Mark Burgess. Mr Burgess left the Company on 24 June 2011 and Mr Andrew McGill was appointed as the new CEO of the Company on 12 July 2011. The Company's Chairman and CEO have separate roles. The division of responsibilities between the Chairman and the CEO are set out in the Board charter.

All Directors bring an independent judgment to bear in Board deliberations.

The Board established a Nomination Committee in 2004, to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

Whilst the ASX Principles suggest a minimum of three members, the Company believes that the present Committee structure is adequate to perform its duties. The members of the Nomination Committee are Mr Hayes (Chairman) and Mr Fitzpatrick.

The Nomination Committee's charter and a description of the process for selection and appointment of new directors are available on the Company's website.

The Board Charter provides for the undertaking of annual Board and Committee performance evaluation. The Board's performance is measured against both qualitative and quantitative indicators. The objective of this evaluation is to provide best practice Corporate Governance to the Company.

The Nomination Committee oversees management succession plans including the CEO and his direct reports and evaluates the Board, Committee and Executive's performance and makes recommendations for the appointment and removal of Directors.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources

and training to address skills gaps where they are identified.

In order to provide a specific opportunity for performance matters to be discussed with each Director, each year the Board Chairman conducts a formal Director review process. Self and peer evaluations are completed and the Chairman meets with each Director individually to discuss issues including performance and discusses with the Board as a whole the effectiveness of the Board and its Committees. Given the nature of the Company's activities, the Board believes that there is sufficient formality in the process of evaluation of the Board, individual Directors and the Chairman.

New Directors undergo an induction process in which they are given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new directors includes:

- details of the role and responsibilities of a director;
- formal policies on director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- access to a copy of the Board and Committee Charters;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

Each Director has the right of access to all Company information and to the Company's executives. The Board collectively and each Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

### **Principle 3: Promote ethical and responsible decision-making**

To ensure that the Company maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, the Board has established a formal Code of Conduct for management and employees and also a Code of Ethical Conduct for the Board. These Codes act as a guide for compliance with legal and other obligations that the Company has to stakeholders which include customers, clients, government authorities, creditors, employees and the community as whole. These Codes govern all the Company's commercial operations and the conduct of the Board, employees, consultants, contactors, advisors and all other people when they represent the Company.

These Codes also outline the responsibility and accountability of individuals for reporting and investigating unethical practices and can be viewed in the Corporate Governance section on the Company's website.

The Company has a Securities Trading Policy under which Directors and employees and their associates may only trade in the Company's securities during specific period trading windows. This policy can be viewed in the Corporate Governance section of the Company's website.

The Board established a Diversity Policy during the year. The Board's measurable objectives for achieving gender diversity are:

- a minimum of one female Director by AGM 2013;
- at least 20% of senior executives to be female; and

- at least 35% of managers to be female.

Currently the proportion of women at different levels within the organisation is as follows:

- Board – 0%
- Senior Executives – 33%
- Managers – 57%
- Employees – 85%

The representation of women across the organisation as a whole is 67%.

#### **Principle 4: Safeguard integrity in financial reporting**

The Board established an Audit Committee in 2004. The Audit Committee has a formal charter, which can be found in the Corporate Governance section of the Company's website.

The Audit Committee comprises of three non-executive directors, two of whom are independent, and the Committee is also chaired by an independent director. During the year under review, the members of the Audit Committee were Mr Kennedy (Chairman), Mr Fitzpatrick and Mr Hayes. Whilst Mr Fitzpatrick is not independent, the Company believes that the Committee structure is adequate to perform its duties independently. All members can critically evaluate financial statements and are financially literate. Mr Kennedy, the Chairman, has a commerce background with experience in financial and accounting matters. Details of members' qualifications may be found in the director profiles in the Directors' Report.

The Audit Committee held four meetings for the year and details of attendance of the members of the Audit Committee are contained in the Directors' Report.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners may be found in the Corporate Governance section of the Company's website.

#### **Principle 5: Make timely and balanced disclosure**

The Board has established a Continuous Disclosure Policy for ensuring compliance with the ASX Listing Rule disclosure requirements. This policy is located in the Corporate Governance section of the Company's website.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules*, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

To enhance clarity and balance of reporting and to enable investors to make an informed assessment of the Company's performance, financial results are accompanied by a commentary.

Details of payments to executives for the 2010/11 financial year are disclosed in the Directors' Report. Core entitlements of any new executives will be disclosed at the time when they are agreed as well as at the time the actual payment is made.

## **Principle 6: Respect the rights of shareholders**

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Shareholder Communications Policy is published on the Company's website in its Corporate Governance section.

## **Principle 7: Recognise and manage risk**

The Board's Charter clearly establishes that it is responsible for ensuring that there is a sound system for overseeing and managing risk. The Audit Committee is also responsible for establishing policies on risk oversight and management. A summary of the Company's Risk Management and internal compliance and control system is available on the Company's website in its Corporate Governance section.

Due to the size and scale of operations of the Company, there is no separate internal audit function or Risk Management Committee.

In accordance with Recommendation 7.3 of the *ASX Principles*, the CEO and Chief Financial Officer have stated in writing to the Board:

"That

- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks."

The Company's Risk and Compliance Services team has designed and implemented a risk management and internal control system to manage Treasury Group's material business risks. Risk is managed on an enterprise wide basis, with risks being reviewed across the whole group of companies, as well as risks arising from key stakeholder relationships and external events.

The Company has an on-line governance, risk and compliance software system which allows material business risks to be linked to mitigating controls so that the performance of Treasury Group's enterprise risk and compliance programs can be monitored continuously.

Management provides monthly board reports on the effectiveness of managing the Company's business risks.

## **Principle 8: Remunerate fairly and responsibly**

The Board has established a Remuneration Committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements. The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

Mr Kennedy, Mr Fitzpatrick and Mr Hayes are the current members of the Remuneration Committee. Mr Kennedy, the Chairman of the Remuneration Committee is an Independent Director. The Remuneration Committee held four meetings throughout the year and details of attendance of the members of the Committee are contained in the Directors' Report. The Remuneration Committee has a formal charter which is available on the website of the Company in the Corporate Governance Section.

The Board have endorsed the following Senior Executive Remuneration Policy and the Non-Executive Director Remuneration Policy.

### *Senior Executive Remuneration Policy*

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Officer and Employee Option Plan and Share Purchase Plan; and
- statutory superannuation.

By remunerating Senior Executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and enhance Company performance. The amount of remuneration, including both monetary and non-monetary components, for each of the Key Management Personnel during the year (discounting accumulated entitlements) is detailed in the Directors' Report.

The value of shares and options granted to Senior Executives has been calculated using the Binomial method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments. This discretion is exercised on the following basis:

- Retentions and motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

The Company has a Share Purchase Plan and an Officer and Employee Option Plan that have been approved by shareholders in which executives may participate. The number of shares and options

issued under the plans is reasonable in relation to the existing capitalisation of the Company and all payments under the plans are made in accordance with thresholds set in plans approved by shareholders.

#### *Non-Executive Director Remuneration Policy*

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in the option scheme of the Company. Non-Executive Directors are entitled to statutory superannuation.

The payment to Directors is based on a workload criterion. Consequently, all Non-Executive Directors, except the Chairman receive a fixed amount plus a load for Committee Membership and Committee chairing. The Chairman receives an extra loading given the duties and extra time associated with the position.

#### *Current Director Remuneration*

The aggregate amount of remuneration paid to Non-Executive Directors is approved by shareholders and is currently \$650,000.

Further information in relation to the remuneration of Directors can be found in the Directors' Report.