

Corporate governance statement

The Board recognises the importance of good corporate governance and establishing accountability of the Board and management.

The Board reports on its compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). Tatts Group Limited (the Company or Tatts) and its subsidiaries' (Group) corporate governance policies centre around the Board, the Board committees and the principles that govern their interaction with, and oversight of, management. The Board is satisfied with the Group's application of the principles in the ASX Recommendations and that Tatts' corporate governance framework, policies and practices will ensure the continued effective management and operation of the Group.

Tatts' corporate governance framework, policies and practices remain under regular review as expectations and requirements develop to ensure that Tatts continues to comply with industry practice.

The role of the Board

The Board is committed to act in the best interests of Tatts to ensure that the Group is properly managed and consistently improved.

The principal role of the Board is to:

- protect and enhance the interests of shareholders;
- influence and monitor strategy;
- oversee the management of Tatts and evaluate the performance of the Managing Director/Chief Executive and other executives;
- provide guardianship of Tatts' corporate values;
- monitor the integrity of financial reporting;
- oversee risk management and legal compliance; and
- oversee shareholder communications.

Board composition

The Board considers it important to maintain an appropriate mix of skills, experience, expertise and diversity in its membership to ensure that it is able to meet the present and future needs of the Group. The skills and diversity which the Board looks to achieve and maintain includes business and commercial experience, including gambling industry experience, strategy development and financial and corporate management expertise.

The minimum number of Tatts Directors is three and the maximum number is nine unless the shareholders resolve to vary that number. Tatts Directors are elected at Annual General Meetings of Tatts. The Board resolved in 2008 that it be comprised of seven members. The Board currently comprises six Non-executive Directors

and the Managing Director/Chief Executive. All Directors have entered into appointment agreements and deeds of indemnity, insurance and access.

The Managing Director/Chief Executive will not retire by rotation. Provided that Tatts has three or more Directors, one third of the Directors (rounded down to the nearest whole number) will retire at each Annual General Meeting. In any case, no Director may retain office for more than three years or after the third Annual General Meeting following the Director's appointment, whichever is the longer period. In each case, the retiring Director may then seek re-election.

Board charter

The Board has developed a charter to provide a framework for the effective operation of the Board. The charter addresses the following matters:

- responsibilities of the Board;
- relationship between the Board and management;
- appointment and role of the Chairman;
- composition of the Board;
- performance of the Board;
- Board committees;
- Board meetings; and
- access by Directors to independent advice.

The Company has established the functions reserved to the Board and these are contained in its charter. The Chief Executive and senior executive group, who are accountable to the Board, are responsible for matters which are not specifically reserved to the Board, which can be summarised as the day-to-day operation and management of the Group.

The Board Charter can be found at:

www.tattsgroup.com/investors

Independence of Directors

Each member of the Board is required to apply independent judgement to decision making in their capacity as a Director. A Non-executive Director will be considered independent by the Board if no relationship exists between the Director and Tatts that may interfere with the exercise of their independent judgement. The Board considers the factors outlined below when assessing the independence of each Non-executive Director, being whether:

- the Director is or has been a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- the Director is or has been employed in an executive capacity by the Group and there has not been a period of at least three years between ceasing such employment and serving on the Board;

- the Director is or has been a material professional adviser or consultant to the Group or an employee materially associated with the service provided in the previous three years;
- the Director is a material supplier or customer of the Group or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; and
- the Director has a material contractual relationship with the Group other than as a Director.

Family ties and cross directorships may also be relevant in considering interests and relationships which may compromise a Non-executive Director's independence. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the Director. Materiality is considered from the perspective of the Group, the Director and the person or entity with which the Director has a relationship.

The Board considers the factors relevant to assessing independence and determines the independence of its Non-executive Directors, and the Board as a whole, each year. This review has been carried out for the 2011 financial year in respect of members of the Board. All Non-executive Directors were considered to be independent with the exception of Mr Bob Bentley, who is Chairman of Racing Queensland Limited which controls a material supplier to TattsBet Limited. The Board acknowledges that, in accordance with the ASX Recommendations, it has a majority of Directors (including the Chairman) who are considered to be independent.

Independent professional advice

External advice may be sought by a Director in accordance with the terms of the Director's appointment agreement.

Each Non-executive Director's appointment agreement provides that:

- professional advice generally in relation to the discharge of the Director's responsibilities to the Company may be sought;
- the Chairman must be notified before advice is sought;
- any advice obtained may be given to the Board, if appropriate as determined by the Chairman; and
- the Company will reimburse reasonable expenses where the above procedures have been followed.

Senior executive performance evaluation

The process for evaluating the performance of senior executives is detailed in the Remuneration report. A performance evaluation for senior executives, which accords with the process described, has taken place in the 2011 financial year.

Diversity

Tatts recognises that to be a relevant, adaptive and innovative organisation it must create and maintain a culture that embraces individual difference, including diversity of thought. This commitment involves creating a diverse workplace made up of employees with skills, qualifications, attributes and experience that best match the requirements of Tatts.

The Company emphasises the accountability of its most influential leaders to create a work environment and company culture where individual difference, including gender, is understood, respected and fully valued.

The Board will maintain a framework for achieving and measuring the continuing realisation of these ambitions and objectives.

Director induction and professional development

Tatts has an induction program to facilitate immediate involvement in Board activities by any new Director. Tatts also recognises that Board members must be provided with a range of opportunities for professional development. The Board encourages Directors to identify areas for professional development, including education about key developments in the Group's businesses and in the industries within which they operate, and Tatts will provide the Directors with sufficient access to appropriate resources.

Board committees

The Board has established appropriate committees to assist it in the discharge of its responsibilities. However, the Board has not delegated any of its decision making authority to those committees except as expressly specified in the Committee charters.

Composition of Board committees

Audit, Risk and Compliance

Chairman

Brian Jamieson

Members

Lyndsey Cattermole

Julien Playoust

Kevin Seymour

Governance and Nomination

Chairman

Harry Boon

Members

Bob Bentley
Julien Playoust
Kevin Seymour

Remuneration

Chairman

Julien Playoust

Members

Bob Bentley
Harry Boon
Brian Jamieson

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Tatts, relevant legislative and other requirements and the skills and experience of individual Directors.

A review of the performance of each committee was undertaken by the Board during the 2011 financial year. Evaluation questionnaires were completed by the Board and committee members, and results were compiled on a confidential basis and circulated to Board and committee members and discussed as relevant. The results confirmed that the committees continue to function in an appropriate manner.

The charter of each Board committee is available on the Company's website at www.tattsgroup.com/investors

Audit, Risk and Compliance Committee

(i) Composition

The Chairman and members of the Audit, Risk and Compliance Committee are shown on page 21. The Board will ensure that an independent Director, who is not Chairman of the Board, remains Chairman of the Committee and that the Committee will have between three and six members, the majority of whom are independent Directors.

(ii) Responsibilities

The Audit, Risk and Compliance Committee will assist the Board in its oversight responsibilities by monitoring and advising on:

- the truth and fairness of the view given by the financial statements of the Group;
- the integrity of the Group's accounting and financial reporting;
- the Group's accounting policies and practices and consistency with accounting standards;

- the scope of work, independence and performance of the internal and external auditors;
- compliance with legal and regulatory requirements;
- compliance with the Group's risk policy framework;
- the Group's control environment;
- related party transactions; and
- the Group's overall risk management program.

(iii) External auditor

It is the responsibility of the Audit, Risk and Compliance Committee to review and approve the external auditor's arrangement for the rotation and succession of audit and review partners, including their approach to managing the transition. The procedure for the selection and appointment of the external auditor and the Committee's policy for the rotation of external audit engagement partners are outlined in the Audit, Risk and Compliance Committee's charter and described on the Company's website at www.tattsgroup.com/investors

The external auditor must attend the Company's Annual General Meetings, and be available to answer shareholders' questions regarding:

- the conduct of the audit;
- the preparation and the content of the audit report;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Governance and Nomination Committee

(i) Composition

The Chairman and members of the Governance and Nomination Committee are shown above. The Board will ensure that the Chairman of the Committee is the Chairman of the Board or an independent Director and that the Committee will have between three and six members, the majority of whom are independent Directors.

(ii) Responsibilities

The Governance and Nomination Committee will assist the Board in its oversight responsibilities by monitoring and advising on:

- Board composition and succession planning;
- the identification of persons for appointment to the Board;
- the appointment of the Managing Director/Chief Executive;
- the process of reviewing the independence of Directors;
- Board performance evaluation;

- a procedure to address the induction and education needs of Directors;
- a procedure for setting measurable objectives for achieving diversity and assessing the effectiveness of the diversity policy;
- corporate governance developments; and
- the development and implementation of the Group's code of conduct.

(iii) Board Performance Evaluation

The Committee has responsibility for organising Board performance evaluation. A Board evaluation process (Board performance evaluation) and an evaluation process of individual Non-executive Directors (individual evaluation) occurs every two years, with the next review to occur in the 2012 financial year.

The evaluation processes occur by questionnaire to Non-executive Directors. The results are then compiled on a confidential basis. The results of the Board performance evaluation are discussed by the Governance and Nomination Committee and reported to the Board. The results of the individual evaluation are also provided to the relevant Director and the Chairman (and for the Chairman to the Chairman of the Audit, Risk and Compliance Committee). The results of the individual evaluation undertaken in 2010 for those Directors standing for re-election at the 2011 Annual General Meeting were considered by the Governance and Nomination Committee this year, as were each Director's external commitments, when determining whether to recommend those Directors for re-election.

(iv) Appointment of new Directors and re-election of incumbent Directors

The Company has developed a skills matrix which it uses to identify any gaps in the skills and experience of Directors on the Board.

Potential Directors will be nominated for appointment to the Board on the basis of a number of criteria including their identified skills and experience. This information will be communicated to shareholders to assist them in their decision whether to elect the nominee at the relevant Annual General Meeting.

Any person invited to join the Board will enter into an appointment agreement setting out the Director's duties, rights, responsibilities and the terms and conditions associated with that appointment. All new Directors appointed to the Board will undertake an induction program co-ordinated by the Company Secretary.

The process for re-election of incumbent Directors can be found on the Company's website at www.tattsgroup.com/investors

Remuneration Committee

(i) Composition

The Chairman and members of the Remuneration Committee are shown on page 22. The Board will ensure that an independent Director, who is not the Chairman of the Board, remains Chairman of the Committee. The Managing Director/Chief Executive is invited to attend meetings at the request of the Committee members. The Board will ensure that the Committee will have a minimum of three Non-executive Director members and have no more than six members, the majority of whom are independent Directors.

(ii) Responsibilities

The Remuneration Committee will assist the Board in its oversight responsibilities by monitoring and advising on:

- Non-executive Director remuneration;
- Managing Director/Chief Executive performance review and fixed and variable at-risk incentive remuneration;
- executive remuneration and allocations of variable at-risk incentive remuneration to executives;
- incentive remuneration structures that link incentives to performance measures and targets that will drive shareholder value;
- employee equity plans;
- executive recruitment, retention, termination policies and succession planning;
- remuneration disclosure; and
- risk management and controls regarding remuneration.

Risk management

Tatts operates a risk management framework that provides the Board with a communication process to continually assure them that risks inherent in the operations and activities of the Group have been prudently managed.

The Board has delegated the review of risk management practices to the Audit, Risk and Compliance Committee. As part of this role, the Committee regularly reviews the effectiveness of the risk management system and reports to the Board on the risk management framework throughout the year. As part of this process, the Board adopted a formal policy to provide a system for managing risks and informing stakeholders.

Tatts' management team is responsible for identifying risks to the business, developing and implementing risk mitigation strategies and reporting the effectiveness of managing these risks to the Board. Internal Audit provides assurance to management, the Committee and the Board on the adequacy of the risk management and internal control systems. Management reports to the Committee on the material business risks and the extent to which they believe these risks are being managed, at least annually.

Management have identified risks in four core areas: strategic risk, operational risk, financial risk and compliance risk. By way of illustration, management identified a series of operational risks which include:

- narrow markets and reliance on licences;
- partners and others (e.g. racing industry, agents and lottery bloc);
- reliance on technology; and
- reputation/social responsibility.

Management have also identified particular internal controls to mitigate these risks which include:

- corporate planning and key strategic project implementation;
- the financial practices undertaken pursuant to the policies and procedures such as delegations of authority, budget monitoring and project performance reports;
- the operation and reporting structures of Tatts' compliance programs in relation to regulatory requirements of Tatts' businesses and industry practice which deal with specific areas of risk such as licensing requirements, contractual obligations, OH&S and Treasury risk (further information on Tatts' approach regarding responsible gambling, the environment and OH&S is contained on page 18);
- technology focused disaster recovery plans and security policy processes and practices and other technology related management structures; and
- an annual review of the insurance program to ensure adequate coverage of insurable risks.

Internal Audit develops an annual audit program in consultation with management and the Audit, Risk and Compliance Committee which focuses on testing the efficacy of operational, financial and compliance risks. Regular reports are provided to the Board.

For the 2011 financial year, management have reported to the Board, in accordance with ASX Recommendation 7.2, as to the effectiveness of the Company's management of the Group's material business risks. The Managing Director/Chief Executive and the Chief Financial Officer

have provided assurance to the Board, in accordance with ASX Recommendation 7.3, that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks. The Board notes that assurance from the Managing Director/Chief Executive and Chief Financial Officer can only be reasonable assurance rather than absolute. This is because of such factors as the need for judgement and limitations on internal controls.

Tatts will provide updates to its risk management framework on the Company's website at www.tattsgroup.com/investors

Key policies

Continuous disclosure policy

Tatts is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules and releasing relevant information to the market and shareholders in a timely and direct manner.

The Board has adopted a policy which is designed to ensure that information which is not generally available and which may have a material effect on the price or value of the Company's securities (price sensitive information) is identified and appropriately considered by the Board where relevant and senior executives for disclosure to the market. The policy is also designed to ensure accountability at a senior executive level for that compliance. The policy also sets out procedures which must be followed in relation to releasing announcements to the market and discussion with analysts, the media or shareholders.

A summary of the continuous disclosure policy is available on the Company's website at: www.tattsgroup.com/investors. Tatts' market announcements are also available on the Company's website after they are released to ASX.

Whistleblower policy

The Board has adopted a policy which outlines the steps which Directors and employees should take if they have a genuine suspicion of improper conduct (as described in the policy) regarding Group activities.

A summary of the whistleblower policy is available on the Company's website at www.tattsgroup.com/investors

Securities trading policy and remuneration hedging policy

The Board has adopted a policy which sets out the circumstances in which Directors and employees of the Group may deal in Company securities and enter

into transactions in products which operate to limit the economic risk of holding the Company's securities.

An overriding principle of the policy is that Directors and employees who possess price sensitive information must not deal in Company securities or enter into any transactions in risk limiting products. The policy specifies 'blackout periods' during which Directors and employees must not deal in Company securities or enter into transactions in risk limiting products, regardless of whether or not they are in possession of price sensitive information. The policy has limited exceptions (e.g. acquisitions under employee equity plans).

The Company has adopted a policy prohibiting key management personnel, their closely related parties and all other participants in any equity based incentive plan from entering into transactions which limit that individual's economic exposure to risk relating to an element of remuneration that has not vested or which has vested but remains the subject of a holding lock or other disposal restriction.

Both these policies have been reviewed and changes made to ensure compliance with the revised ASX Listing Rules issued during the 2011 financial year and the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011.

A summary of each of the securities trading policy and the remuneration hedging policy is available on the Company's website at www.tattsgroup.com/investors

Shareholder communication policy

The Board has adopted shareholder communication practices to promote effective communication, ready access to information and ease of participation in general meetings. The Company's website (www.tattsgroup.com/investors) contains all relevant material (including its policy) and the Company will provide a simultaneous web cast of the Annual General Meeting.

Diversity policy

The Board is committed to managing and promoting a culture of diversity in the workplace and has adopted a diversity policy which can be found on the Company's website at www.tattsgroup.com/investors

Code of Conduct

Tatts is committed to promoting ethical and compliant behaviour among Directors and employees. To this end the Board has adopted a Code of Conduct applying to all Directors and employees. The Code promotes:

- acting with honesty, integrity and fairness;
- acting in accordance with the law; and

- using the Group's property and resources appropriately which includes:
 - promotion of confidentiality;
 - avoidance of conflict of interest; and
 - seeking effective and efficient outcomes for the Group.

The code of conduct can be found on the Company's website at www.tattsgroup.com/investors

Chairman and Managing Director/ Chief Executive

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed on all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives.

The Chief Executive (CE) is responsible for implementing Group strategies and policies.

The Board charter specifies that there must be clear division of roles between the Chairman and CE.

Commitment

The Board held nine Board meetings during the year. The number of Board and Committee meetings held during each Director's period of appointment and attended by each Director is disclosed on page 33.

The commitments of Non-executive Directors are considered by the Governance and Nomination Committee prior to a Director's re-appointment to the Board and reviewed as part of performance assessment.

This Corporate governance statement should be read in conjunction with the Directors' report and the Remuneration report (contained in the Directors' report) as those reports also contain information required to be included by the ASX Recommendations.