

Corporate Governance Statement

The Tatts Group Limited (**the Company** or **Tatts**) Board of Directors (**Board**) recognises the importance of good corporate governance and its role in ensuring the accountability of the Board and management. This statement discusses compliance by the Company and its wholly owned subsidiaries (**the Group**) with the corporate governance framework set out in the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Board regularly reviews its corporate governance practices to ensure they meet the best interests of the Company and are consistent with the ASX Recommendations.

The information in this statement is current as at 17 August 2017 and has been approved by the Board.

This statement:

- outlines Tatts' corporate governance framework;
- is structured to align with the Principles as set out in the ASX Recommendations;
- includes cross-references to the Company's charters, policies and codes, details of which (and relevant summaries of which) are available in the Corporate Governance section of the Company's website www.tattsgroup.com; and
- should be read in conjunction with the Directors' Report and the Remuneration Report (contained in the Annual Report) as those reports also contain information required to be included by the ASX Recommendations.

The Board considers that the Company's corporate governance framework and practices have complied with the ASX Recommendations throughout the financial year ended 30 June 2017.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role and responsibilities of the Board and management

The Board is committed to act in the best interests of Tatts and 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 the Company and its shareholders;
- influence, approve and monitor corporate strategy;
- oversee Tatts and the management of Tatts;
- monitor and evaluate the performance of the Managing Director and Chief Executive Officer (**CEO**) and other executives;
- provide guardianship of Tatts' corporate values;
- approve and monitor financial reporting;

- oversee risk management and legal compliance; and
- oversee shareholder communications.

The Company has established the functions reserved to the Board and these are contained in the Board Charter. The Managing Director and CEO and senior executive group, who are accountable to the Board, are responsible for matters that are not specifically reserved to the Board (primarily being the day-to-day operation and management of the Group).

Chairman and Managing Director and CEO

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 Managing Director and CEO is responsible for implementing Group strategies and policies.

The Board Charter specifies that there must be clear division of roles between the Chairman and Managing Director and CEO, and also addresses:

- responsibilities of the Board;
- the 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.

Directors

Tatts conducts appropriate checks before it appoints a person, or puts forward to shareholders a new candidate for election, as a Director. These include checks as to the person's character, experience, education, criminal record, bankruptcy history, probity and any other relevant matters. In addition, gaming regulators require detailed probity and compliance investigations be undertaken on Directors.

Tatts also provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director in the notice of meeting provided to shareholders. Directors eligible for election or re-election are also invited to address the meeting and provide details of the relevant qualifications, experience and skills they will bring to the Board.

Any person appointed to 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.

Company Secretary

The company secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity policy

Tatts values and recognises the importance and benefits of having a diverse workplace. The Company is committed to fostering an inclusive culture to allow our team to perform at their best. To demonstrate the Company's commitment, Tatts' Diversity Policy outlines the responsibility of the Board and senior executives to create an inclusive culture and a diverse workplace. A copy of this policy is available on the Corporate Governance section of the Company's website www.tattsgroup.com.

Further information about Tatts' diversity initiatives, including Tatts' measurable objectives for achieving gender diversity and Tatts' progress during the 2017 financial year towards achieving those objectives can be found at www.tattsgroup.com and on pages 27 to 35 of the Annual Report.

Board performance evaluation

The Governance and Nomination Committee has established procedures to evaluate the performance of individual Directors, the Board as a whole and Board committees. When undertaken, the evaluation process begins with a review of the Directors' responses to questionnaires which seek views from Directors about Board structure, Board meetings and processes, the Board's relationship with management and the effectiveness of each of the Board committees. The results are then compiled on a confidential basis. The results of the evaluation (whether of an individual Director, the Board as a whole or Board committees) are discussed by each relevant committee and reported to the Board. The results of the individual evaluations are provided to the relevant Director and the Chairman (and for the Chairman, to the Chairman of the Audit, Risk and Compliance Committee).

A Board evaluation process (**Board Performance Evaluation**), an evaluation of individual Non-executive Directors (**Individual Evaluation**), and a review of the performance of each Board committee, would ordinarily have been undertaken during the 2017 financial year. However, in light of progress towards implementing the proposed combination of Tatts and Tabcorp Holdings Limited via a Tatts Scheme of Arrangement, which was initially announced on 19 October 2016, no evaluations took place during the 2017 financial year. The results of the Individual Evaluation undertaken in 2016 for those Directors standing for re-election at the 2017 Annual General Meeting were considered by the Board, as were each Director's external commitments, when determining whether to recommend those Directors for re-election.

If Tatts continues to be an ASX listed company throughout the 2018 financial year, the next review of the Board, committees and Non-executive Directors will occur in the 2018 financial year.

Directors are encouraged to raise any issues of concern regarding the performance of the Board, Board Committees or individual Directors with the Chairman, or if the concern relates to the Chairman, with the Chair of the Audit, Risk and Compliance Committee.

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 in the Remuneration Report, has taken place in the 2017 financial year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board meetings

Details of the number of Board meetings held during the 2017 financial year, and the attendance of Directors, are set out on page 51 of the Annual Report.

Board composition

Tatts' Constitution provides that the minimum number of Directors is three and the maximum number is nine. The Board currently comprises seven Directors being the six Non-executive Directors and the Managing Director and CEO. The Board is chaired by an independent, Non-executive Director.

Board Committees

To assist the Board in meeting its responsibilities, the Board currently has the following three committees:

- the Governance and Nomination Committee;
- the Audit, Risk and Compliance Committee; and
- the Remuneration and Human Resources Committee.

The Board Charter provides that the Board may establish other committees of the Board from time to time as may be necessary to deal with specific matters. Each of the committees has its own Charter which establishes the committee's terms of reference and operating procedures.

Governance and Nomination Committee

The Governance and Nomination Committee is chaired by Harry Boon, and its members are Kevin Seymour, Lyndsey Cattermole and David Watson. The qualifications of the members are set out on pages 40 to 41 of the Annual Report.

The committee is structured so that it:

- consists only of independent Directors;
- is chaired by an independent Director; and

- has at least three members.

Details of the number of committee meetings held during the 2017 financial year, and the attendance of the members of the committee, are set out on page 51 of the Annual Report.

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

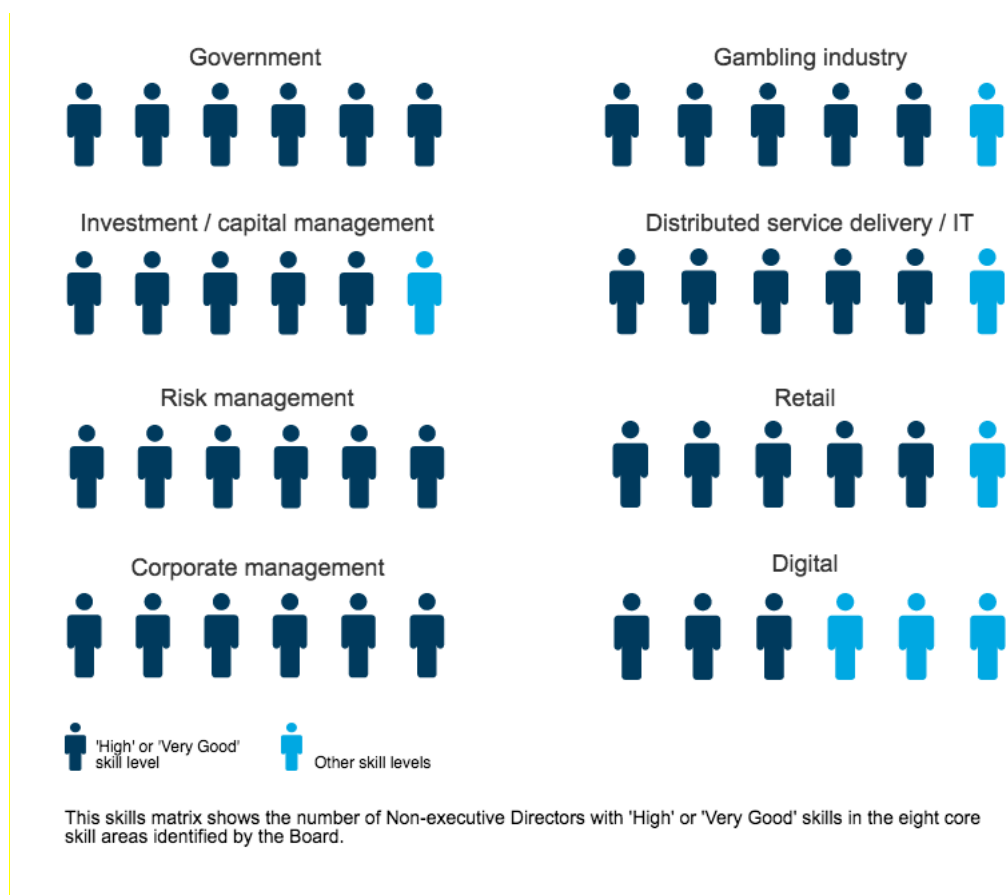
- Board composition (including necessary and desirable competencies, skills and experience of Directors) and succession planning;
- the identification of persons for appointment to the Board, and the re-election of Directors;
- the appointment of the Managing Director and CEO;
- the process of reviewing the independence of Directors;
- Board performance evaluation;
- a procedure to address the induction and education needs of Directors;
- corporate governance developments; and
- the development and implementation of the Group's Code of Conduct.

Directors regularly assess the number of boards they are on to ensure that they can allocate the time and attention necessary to fulfil their duties and responsibilities. Further, Directors are required to notify the Chairman prior to accepting an invitation to join another company's board. Commitments owing by Non-executive Directors to organisations other than Tatts are considered by the Governance and Nomination Committee prior to a Director's re-appointment to the Board of the Company and reviewed as part of their performance assessment. The process for re-election of incumbent Directors can be found on the Corporate Governance section of the Company's website at www.tattsgroup.com.

Skills matrix

The Company has developed a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. The skills matrix helps to identify any gaps in the collective skills of the Board that can then be addressed via professional development initiatives for Directors and in board succession planning.

The collective skills of the current Board and skills the Board is looking to achieve in its membership are in the areas of, but not limited to:



In respect of diversity, the Board recognises the importance and benefits of having, and looks to achieve in its membership, varying backgrounds, attributes and gender representation.

Independence of Directors

Each Director is required to apply independent judgement to decision making.

A Non-executive Director will be considered to be independent if that Director is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their 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, 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;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services or consultant to the Group;

- is, or has been within the last three years, in a material business relationship (eg, as a supplier or customer) with the Group, or an officer of, or otherwise associated with, someone in such a relationship;
- holds 5% or more of the votes attaching to Tatts shares (that is, a substantial shareholder) or has been a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- has a material contractual relationship with the Group other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of Tatts for such a period that his or her independence may have been compromised.

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 2017 financial year in respect of members of the Board. All current Non-executive Directors were considered to be independent.

The Board notes that five Non-executive Directors have served on the Board for ten or more years. The Board considers that each Non-executive Director continues to bring valuable expertise and independent judgement and none of them have formed associations with management or others that might compromise their ability to fulfil their role as an independent Director. By way of example, the non-executive Directors' collective and extensive experience in the affairs of Tatts, the industries in which the company competes, and in significant merger and acquisition transactions, continues to be valuable to Tatts and Tatts shareholders as the Company navigates the proposed combination between Tatts and Tabcorp Holdings Limited. Directors also discuss succession planning at Board meetings.

The Board has processes in place to ensure it operates independently of management. For example, executives are, where appropriate, excluded from Board discussions about executive remuneration and performance.

The Board notes that, in accordance with the ASX Recommendations, it has a majority of Directors (including the Chairman) who are considered to be independent.

Details, including the term of office, qualifications, experience and information on other directorships held by Directors can be found on pages 40 to 41 of the Annual Report.

Induction and professional development

Tatts has a program for inducting new Directors and provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

The Governance and Nomination Committee reviews whether the Directors as a group have the skills, knowledge and familiarity with Tatts and its operating environment required to fulfil their

role on the Board and on Board committees effectively and, where any gaps are identified, consider what training or development could be undertaken to fill those gaps.

Directors are encouraged to identify topics for professional development, including education and regular management briefings about key developments and emerging risks in the Group's business and in the industries within which the Group operates.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Code of Conduct

Tatts is committed to promoting ethical and compliant behaviour among Directors, senior executives and employees. To this end the Board has adopted a Code of Conduct applying to all Directors, senior executives 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 conflicts of interest; and
 - seeking effective and efficient outcomes for the Group.

In addition to the Code of Conduct, Tatts also has policies which govern, among other things:

- whistleblowing;
- anti-bribery and corruption;
- anti-money laundering and terrorism financing;
- securities trading;
- continuous disclosure;
- use of social media;
- workplace health and safety; and
- privacy.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit, Risk and Compliance Committee

The Chairman of the Audit, Risk and Compliance Committee is Brian Jamieson, and its members are Julien Playoust, Kevin Seymour and David Watson. The qualifications of the members are set out on pages 40 to 41 of the Annual Report.

The Committee is structured so that it:

- consists only of Non-executive Directors;
- consists of a majority of independent Directors;
- is chaired by an independent chairman (who is not the Chairman of the Board); and
- has at least three members.

The Committee assists 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;
- whether the Group's accounts are consistent with relevant 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;
- the Group's overall risk management program;
- the adequacy of the entity's corporate reporting processes;
- whether the entity's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the entity;
- the appropriateness of the accounting judgements or choices exercised by management in preparing the entity's financial statements;
- the appointment or removal of the external auditor;
- the rotation of the audit engagement partner;

- the scope and adequacy of the external audit;
- the independence and performance of the external auditor;
- any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- the appointment or removal of the head of internal audit;
- the scope and adequacy of the internal audit work plan; and
- the objectivity and performance of the internal audit function.

Details of the number of Committee meetings held during the 2017 financial year, and the attendance of the members of the Committee, are set out on page 51 of the Annual Report.

Managing Director and CEO and CFO Declaration

The Managing Director and CEO and the Chief Financial Officer provide assurance to the Board, in accordance with ASX Recommendation 4.2 and section 295A of the *Corporations Act 2001* (**Corporations Act**) that, in their opinion:

- the financial records of Tatts have been properly maintained in accordance with the Corporations Act;
- the financial statements and notes for the relevant financial period comply with the accounting standards and give a true and fair view of the financial position and performance of Tatts; and
- the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board notes that assurance from the Managing Director and CEO 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.

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.

The Company ensures that its external auditor attends the Company's Annual General Meetings, and is available to answer shareholders' questions relevant to the audit including:

- 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.

The Audit, Risk and Compliance Committee regularly meet with the external auditor without management. The Chairman of the Audit, Risk and Compliance Committee also meets with Tatts' Chief Auditor on a regular basis.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Tatts is committed to complying with its continuous disclosure obligations, including the release of relevant information to the market and shareholders in a timely and direct manner as required by the Corporations Act and the ASX Listing Rules.

The Company's Continuous Disclosure Policy is designed to ensure:

- that information that is not generally available and that 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 practicable, and senior executives for disclosure to the market; and
- compliance by senior executives and other employees with ASX Listing Rule disclosure requirements.

The policy also sets out procedures that must be followed in relation to the release of announcements to the market and discussions with analysts, the media or shareholders.

Tatts' market announcements are available on the Investors section of the Company's website after they are released to ASX.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Company website

The Company provides information about itself and its governance, including its Shareholder Communications Policy, on its website at www.tattsgroup.com/Investors.

The Company provides a simultaneous audio webcast of the Annual General Meeting (**AGM**).

Investor Relations

Tatts' investor relations program facilitates active engagement with shareholders at the AGM, meeting with them upon request and responding to any enquiries they may make from time to time. It also involves a detailed program of scheduled and ad hoc interactions with institutional investors, private investors, sell-side and buy-side analysts and the financial media.

The program assists investors and other financial market participants to gain a greater understanding of Tatts' business, governance, financial performance and prospects. The investor relations program also provides an opportunity for investors and other financial market participants to express their views to Tatts on matters of concern or interest to them. These views are distilled and communicated to the Board.

Tatts' investor relations program runs in tandem with a wider stakeholder engagement program involving interactions with stakeholders.

Shareholder participation at meetings

To facilitate and encourage participation at annual general meetings, Tatts provides for:

- live audio webcasting of meetings so that shareholders can hear proceedings online; and
- the provision of a direct voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.

Tatts affords shareholders who are not able to attend the AGM and exercise their right to ask questions about, or make comments on, the management of Tatts the opportunity to provide questions or comments ahead of the AGM. Where appropriate, Tatts endeavours to respond to the more frequently asked questions at the AGM.

Communications

Tatts gives shareholders the option to receive communications from, and send communications to, Tatts and its security registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance committee (as discussed under Principle 4 above) reviews and makes recommendations to the Board in relation to:

- the adequacy of the Company's processes for managing risk;
- any incident involving fraud or other breakdown of the Company's internal controls; and
- the Company's insurance program, having regard to the Company's business and the insurable risks associated with the Group's business.

Review of risk management framework

The Board has adopted a formal Risk Management Policy to provide a system for managing risks and information to stakeholders. Under the policy, the Board has delegated the review of risk management practices to the Audit, Risk and Compliance Committee.

The design, operation and assessment of the effectiveness of controls relating to material risks is assessed primarily through declarations made by management who are responsible for the operation of those controls, together with assurance activities undertaken by Tatts' internal audit

team. Tatts uses an enterprise wide risk and compliance system which contains the key risk and other regulatory and compliance obligations for the Group and which facilitates risk and compliance reporting to the Audit, Risk and Compliance Committee and the Board.

Management reviews and updates key risks in the context of changes to the business environment each year. The Audit, Risk and Compliance Committee has in the FY17 reporting period reviewed Tatts' risk management framework and is satisfied that it continues to be sound.

Internal Audit function

Tatts' Chief Auditor reports to the Managing Director and CEO and is accountable to the Audit, Risk and Compliance Committee for Tatts' internal audit function.

Tatts' management team is responsible for identifying risks to the business, developing and implementing risk mitigation strategies, and reporting to the Board on the effectiveness of risk management. Tatts' internal audit team provides assurance to management, the Audit, Risk and Compliance Committee and the Board on the adequacy of the risk management and internal control systems. Management reports at least annually to the Audit, Risk and Compliance Committee on the material business risks and the extent to which risks are being managed. Management has identified risks in the following core areas: strategic risk, operational risk, financial risk and compliance risk. By way of illustration, management monitors a series of operational risks including:

- the management and retention of licences;
- the operations of commercial partners and other stakeholders (for example, organisations in the racing industry, agents and lottery blocs);
- disruption to technology and organisational processes;
- disruption through social media and cyber attacks; and
- reputation, corporate social responsibility, and customer satisfaction.

Management has also identified particular processes and internal controls to mitigate these risks including:

- corporate planning and the successful implementation of key strategic projects;
- 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 embedded in Tatts' compliance programs in relation to regulatory requirements of Tatts businesses and industry practice that deal with specific areas of risk such as licensing requirements, contractual obligations, cyber security, anti-money laundering and counter-terrorism financing, workplace health and safety (**WH&S**) and Treasury risk. (Please note that further information on Tatts' approach regarding responsible gambling, the environment and employees, including WH&S, and community support is contained in Tatts' Sustainability Report on pages 26 to 37 of the Annual Report);

- technology focussed 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.

The internal audit team also 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 Audit, Risk and Compliance Committee and the Board.

Economic, environmental and social sustainability

Tatts monitors its exposure to risks, including economic, environmental and social sustainability risks. Tatts' material business risks, including economic, environmental and social sustainability risks, and details about how Tatts manages those risks are contained on pages 47 to 51 of the Annual Report and in the Sustainability Report on pages 27 to 37 of the Annual Report.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board and the Remuneration and Human Resources Committee are primarily responsible for the oversight of the Company's remuneration framework and policies. Comprehensive information on Tatts' remuneration policies and practices is contained in the Remuneration Report (see pages 52 to 69 of the Annual Report).

Remuneration and Human Resources Committee

The Chairman of the Remuneration and Human Resources Committee is Julien Playoust, and its members are Harry Boon, Brian Jamieson and Lyndsey Cattermole. The qualifications of the members are set out on pages 40 to 41 of the Annual Report.

The committee is structured so that it:

- consists only of independent Directors;
- is chaired by an independent chairman; and
- has at least three members.

The Managing Director and CEO is invited to attend meetings where requested by Committee members.

Details of the number of Committee meetings held during the 2017 financial year, and the attendance of the members of the Committee, are set out on page 51 of the Annual Report.

The Remuneration and Human Resources Committee assists the Board in its oversight responsibilities by monitoring and advising on:

- Non-executive Director remuneration;
- the Managing Director and CEO's performance review and the allocation of fixed and variable

at-risk incentive remuneration;

- executive remuneration and the allocation 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;
- risk management and controls regarding remuneration;
- superannuation arrangements;
- procedures for reviewing the measurable objectives for achieving diversity; and
- the effectiveness of the Diversity Policy.

Remuneration policies

Comprehensive information on Tatts' remuneration policies and practices regarding the remuneration of Non-executive Directors and the senior executive group is contained in the Remuneration Report which can be found on pages 52 to 69 of the Annual Report.

Securities trading policy, and remuneration hedging policy

The Board has adopted policies that set out the circumstances in which Directors and employees of the Group may deal in Company securities, and enter into transactions in products that operate to limit the economic risk of holding the Company's securities.

An overriding principle of the Securities Trading 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 (for example, acquisitions under employee equity plans). The Board may also decide to impose 'blackout periods' at any time.

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