

MyState Limited (MYS) Governance framework

The following sets out the framework for governance for MYS. While the framework takes into account the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations* and *APRA Prudential Standard APS 510*, it provides a reference point only and the specific details are contained in the Constitution and the various charters and policies. If a document is publicly available, the website address is provided below. Further information can also be obtained from the governance statement in the annual report.

MyState Limited (MYS) is the Non Operating Holding Company (NOHC) of MyState Financial Limited (MSF) an Authorised Deposit taking Institution (ADI) and Tasmanian Perpetual Trustees Limited (TPTL) a Registered Superannuation Entity (RSE).

The Australian Prudential Regulation Authority (APRA) requires MYS as NOHC of an ADI to comply with the prudential obligations that apply directly to the ADI. To this end the Board of MYS adopted an interim governance framework whereby the appropriate Board policies of MSF apply upwards to MYS with the exception of a series of governance policies listed below (*and for the purposes of the APRA NOHC submission are attached to this document*) that explicitly detail the specific roles and functions of the board and its sub committees as listed in this document:

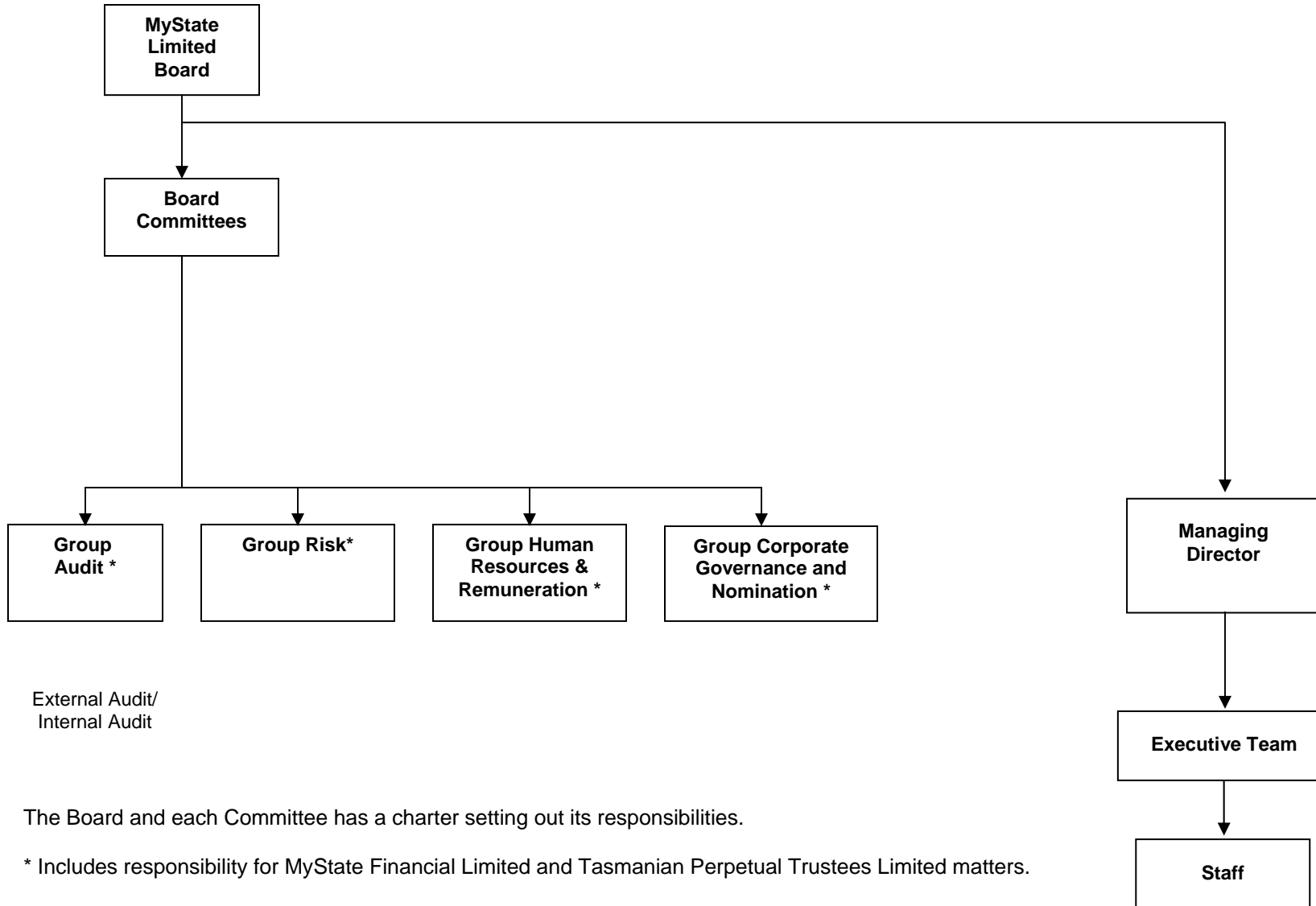
1. Role of the Board
2. Role of the Chairman
3. Role of Individual Directors
4. Role of the CEO
5. Definition of Director Independence
6. Board Evaluation
7. Group Audit Committee Charter
8. Group Risk Committee Charter
9. Group Corporate Governance and Nomination Committee Charter
10. Group Human Resources and Remuneration Committee Charter
11. Dividend Policy
12. Market Disclosure and Communications Policy
13. AML CTF Policy
14. Risk Management Policy
15. Fit and Proper Policy
16. Directors and Officers Dealing in Company Shares

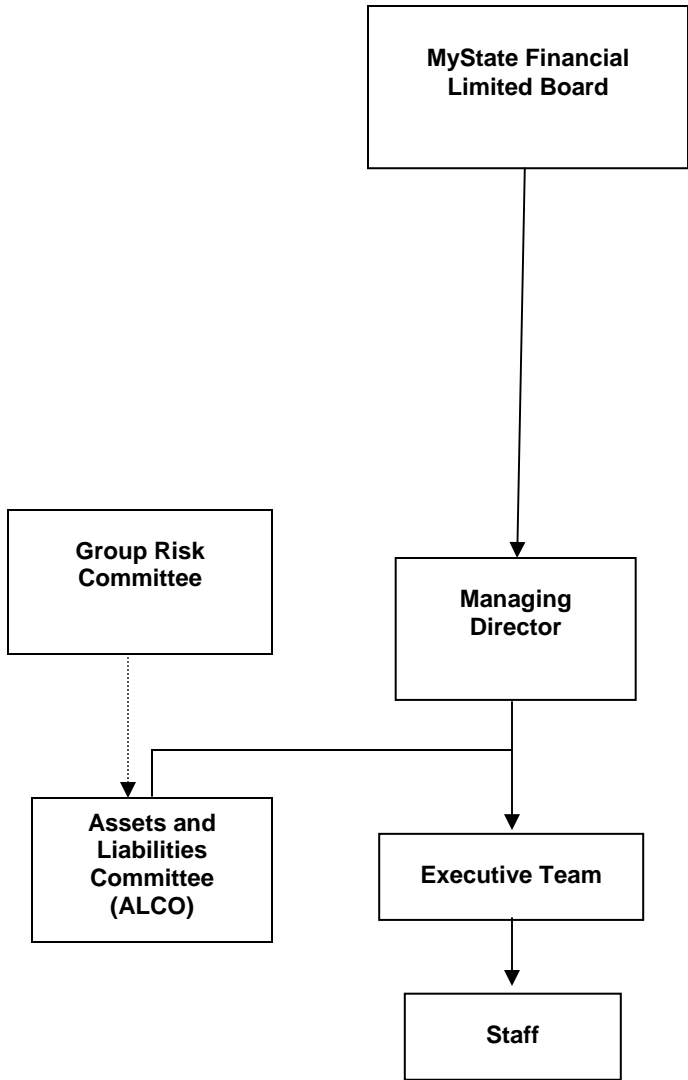
MYS is progressively upgrading it's policy framework.

1. Governance structure

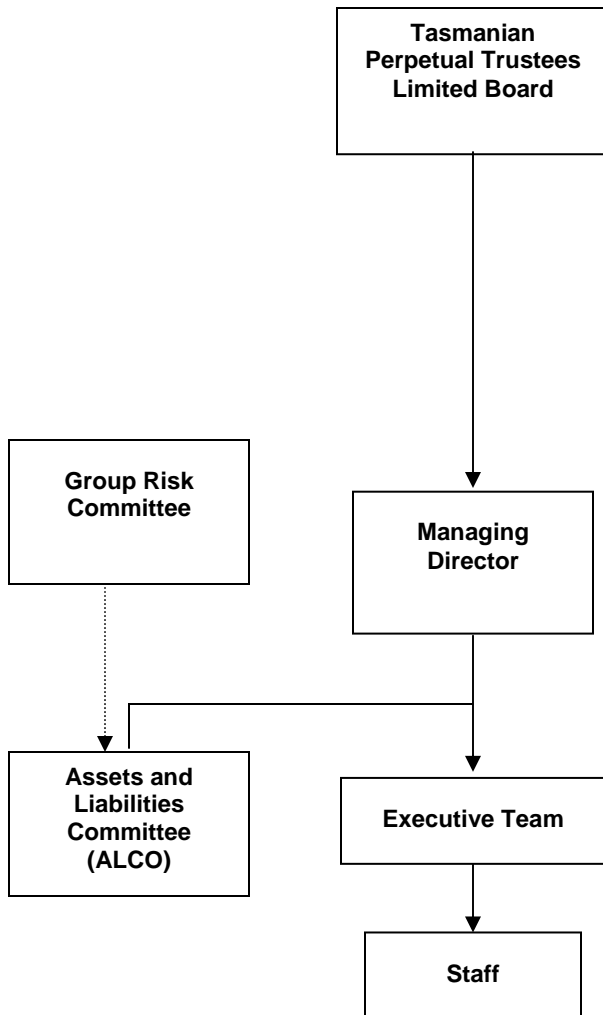
1.1 Overview

The governance structure is as follows:





The Board and each Committee has a charter setting out its responsibilities.



The Board and each Committee has a charter setting out its responsibilities.

1.2 Board

The division of responsibility between Board and Management is decided by the Role of the Board document where all matters not expressly reserved to the Board are delegated to the Managing Director/Chief Executive Officer (MD/CEO) (who may sub-delegate). In addition, specific Board approved delegations have been established with respect to group capital and operating expenditure, loan approvals, credit risk and operational risk management. The delegations are monitored through Board and Committee reporting arrangements. The delegations are subject to periodic review by the Board or relevant Board Committee.

Responsibilities of the Board include approving strategic and financial objectives and monitoring the implementation of the strategy and objectives of the MYS Group. The Role of the Board document is supported by the following Board policies.

- Role of the Chairman
- Role of Individual Directors
- Role of the Managing Director/Chief Executive Officer
- Definition of Director Independence
- Non-executive director appointment (refer Constitution)
- Board Renewal Policy (refer Constitution and Group Corporate Governance and Nomination Committee Charter).
- Fitness and Propriety Policy
- Board Evaluation Policy
- Remuneration policies
- Codes of Conduct

Specific compliance with APRA Prudential Standards APS 510 is as follows:

Para No.	Requirement	MYS Document/Undertaking
5	Must have a formal Charter	MYS Role of the Board
6	Clearly set out Delegation of Authority	MYS Board Committee Charters
7	Must ensure appropriate range of skills	MYS Fit and Proper Policy
8	ADI Senior Management must be resident in Australia	MYS Governance and Policy Statement and MSF People and Culture Policy
9	Board and Senior Management must be available to meet with APRA	MYS Governance and Policy Statement. In addition MYS Fit and Proper Policy states no impedance.
10	ADI Board must provide Auditors with opportunity to meet with them or APRA	MYS Governance and Policy Statement
11	In assessing Independence the Board must apply definition set out in Attachment A	MYS Definition of Independence

Para No.	Requirement	MYS Document/Undertaking
15	Board must have minimum of five directors at all times	MYS Constitution
16	Must have majority of independent directors	MYS Governance and Policy Statement. In addition MYS hereby agrees that the Board will have a majority of independent Directors at all times.
17	Chair must be an independent director of ADI	MYS Role of the Chairman
18	A majority of Directors present and eligible to vote must be non-executives.	MYS Constitution
19	Chair cannot have been Chief Executive during previous 3 years	MYS Role of the Chairman
20	The chair must be available to meet with APRA on request	MYS Role of the Chairman
21	A majority of directors must be ordinarily resident in Australia	MYS Governance and Policy Statement. In addition MYS hereby agrees that a majority of Directors will be resident in Australia.
24	Board representation must be consistent with a regulated institution's shareholding. Where a shareholding constitutes not more than 15% of a regulated institution's voting shares, there should not be more than one Board member who is an associate of the shareholder where the Board has up to six directors, and not more than two Board members who are associates of the shareholder where the Board has seven or more directors. A director is taken to be an associate of a shareholder for the purposes of this clause, if the director is an associate of the shareholder, or the shareholder is an associate of the director, according to the definition of associate in clause 4 of Schedule 1 of the Financial Sector (Shareholdings) Act 1998. That definition is to be applied for the purposes of this clause as if subparagraph (1)(l) of that definition were omitted.	MYS Governance and Policy Statement. In addition MYS hereby agrees that to comply with APS 510 paragraph 24.
33	Must establish and maintain a written Remuneration Policy	MYS Group Human Resources and Remuneration Committee.
34	Remuneration Policy to be approved by the Board	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
35	Remuneration arrangements include measures of performance, the mix of fixed, variable, cash and equity and the timing of payment eligibility.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
36	Performance based components of the policy must encourage behaviour to focus on long-term financial soundness and the risk management framework of MYS.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
37	Performance based remuneration components to align with prudent risk taking and adjusted for business activity, business risk and measurability of outcomes.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board

Para No.	Requirement	MYS Document/Undertaking
38	Remuneration Policy to enable Board to adjust performance based components down to zero if necessary to protect financial soundness of business or to respond to significant unexpected events.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
39	Remuneration Policy must set out who is covered by the Policy.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
40	Remuneration Policy must cover a service contract between providers of risk management services, compliance, internal audit or financial control services including exceptions.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
41	APRA may determine an individual or class of individuals to be covered by the ADI Remuneration Policy.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
42	Remuneration Policy to prevent hedging for economic exposure to equity price risk before the equity linked remuneration is fully vested. The Policy must set out specific actions for a breach of this requirement.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
43	Remuneration Policy must be structured to ensure independence of function for risk and financial control personnel.	MYS Group Human Resources and Remuneration Committee Remuneration Policy/Board
45	Remuneration Policy must form part of the risk management system as required under Prudential Standard APS 310 Audit and Related Matters.	MYS Group Risk Committee/Board
46	Remuneration Policy to be provided to APRA on request.	MYS Group Human Resources and Remuneration Committee.
47	ADI to have a Board Remuneration Committee unless approved otherwise in writing by APRA.	MYS Group Human Resources and Remuneration Committee/Board
48	The Board Remuneration Committee must have at least three independent non-executive Directors from the ADI on the Committee. The Chairperson must be an independent Director of the ADI.	MYS Group Human Resources and Remuneration Committee Charter
49 - 50	The Board Remuneration Committee must have a clear Charter and terms of reference outlining the Committee's roles responsibilities and terms of operation.	MYS Group Human Resources and Remuneration Committee Charter
51	The Board Remuneration Committee must have free and unfettered access to independent risk, financial control and other personnel when carrying out their duties.	MYS Group Human Resources and Remuneration Committee Charter
54	Members of the Board Remuneration Committee must be available to meet with APRA on request.	MYS Group Human Resources and Remuneration Committee

Para No.	Requirement	MYS Document/Undertaking
55	Must have Audit Committee.	MYS Group Audit Committee Charter
56	Audit Committee must have at least 3 non-executive members.	MYS Group Audit Committee Charter
57 & 58	Audit Committee chair must be independent director of ADI and can't be Chair of Board.	MYS Group Audit Committee Charter
59	Must have Charter that states responsibility for oversight of APRA statutory reporting requirements.	MYS Group Audit Committee Charter
60	Audit Committee must assess auditor engagement annually and ensure independence.	MYS Group Audit Committee Charter
61	Audit Committee must regularly review internal and external audit plans to ensure they cover all material risks and financial reporting requirements. Must also regularly review audit findings.	MYS Group Audit Committee Charter
62	The Audit Committee must ensure the adequacy and independence of both the internal and external audit functions.	MYS Group Audit Committee Charter
63	Audit Committee must have unfettered access to and vice versa.	MYS Group Audit Committee Charter
64	Audit Committee must establish and maintain policies for confidential reporting of concerns and ensure employees are aware of these policies.	MYS Group Audit Committee Charter
65	Audit Committee must be available to meet with APRA on request	MYS Group Audit Committee Charter
66	Audit Committee must invite external auditor to meetings of the Audit Committee	MYS Group Audit Committee Charter
67	Internal auditor must have a reporting line and unfettered access to Audit Committee.	MYS Group Audit Committee Charter
68	Must have independent and adequately resourced internal audit function.	MYS Group Audit Committee Charter
69	Objectives of internal audit function must include evaluation of the adequacy and effectiveness of the financial and risk management framework of the ADI.	MYS Group Audit Committee Charter
70 - 73	Assessing auditor independence.	MYS Group Audit Committee Charter
74 - 76	A member or a director of the ADI's audit firm may not be appointed a director or senior manager of the ADI until two years after ceasing to provide professional services to the ADI.	MYS Group Audit Committee Charter
77	Individual who plays a significant role in the Audit of an ADI must be rotated unless APRA grants exemption.	MYS Group Audit Committee Charter
78	Must have procedures for assessing (at least annually) Boards performance relative to its objectives - must have in place a procedure for annually assessing the performance of individual directors.	MYS Group Corporate Governance and Nomination Committee Charter

Para No.	Requirement	MYS Document/Undertaking
79	Must have a formal policy on Board renewal.	MYS Group Corporate Governance and Nomination Committee Charter
80 - 81	No prospective, current or former employee or contractor (including a professional service provider) of the ADI may be prevented from disclosing information to APRA.	MYS Group Corporate Governance and Nomination Committee Charter

1.3 Board committees

The Board has adopted Board Committee Charters for all Board Committees. The matters covered in the charters include composition, quorum, attendees and access to information and review of rules, charter and performance. The following is an overview of the requirements in relation to composition and the Committee responsibilities.

Committee	Composition requirements	Responsibilities
Group Audit	At least 3 members. All independent directors. An independent chair, who is not chairman of the Board	The role of the Committee is to provide assistance to the Board in relation to the following. <ul style="list-style-type: none"> • External audit function • Internal audit function • Statutory financial reporting • Internal control framework
Group Human Resources & Remuneration	At least 3 members. A majority of independent directors An independent chair.	The role of the Committee is to provide assistance to the Board in relation to the following: <ul style="list-style-type: none"> • Board and Executive remuneration policy. • Key human resources policies.
Group Risk	At least 3 members. A majority of independent directors. An independent chair.	The role of the Committee is to provide assistance to the Board in relation to oversight of the establishment, implementation, review and monitoring of risk management systems and policies for the following. <ul style="list-style-type: none"> • Balance sheet and off-balance sheet risk. • Operational risk including regulatory compliance, business continuity and fraud risk. • Group Credit Risk • Group Liquidity Risk • Group Market Risk • Group Balance Sheet Risk • Group Capital Management • Economic Environment • Regulatory Oversight
Group Corporate	At least 3 members.	<ul style="list-style-type: none"> • Corporate governance matters generally

Governance & Nomination	A majority of independent directors. An independent chair	
------------------------------------	--	--

1.4 Management

The Managing Director/Chief Executive Officer and Board has appointed an Executive Team that provides centralised oversight of the activities of MYS.

The following Board policies apply specifically in relation to executives, including the Managing Director.

- Fitness and Propriety Policy

2. Ethical decision-making and regulatory compliance

The MYS Group's corporate values provide a framework to guide interactions with customers, shareholders, suppliers and the community. The values are achievement, excellence, equality, integrity, loyalty, respect and trust. These values have been incorporated in Codes of Conduct.

The following policies support ethical decision-making and regulatory compliance.

- MYS Code of Conduct
- Dealing in Company Shares
- MSF Complaints Policy

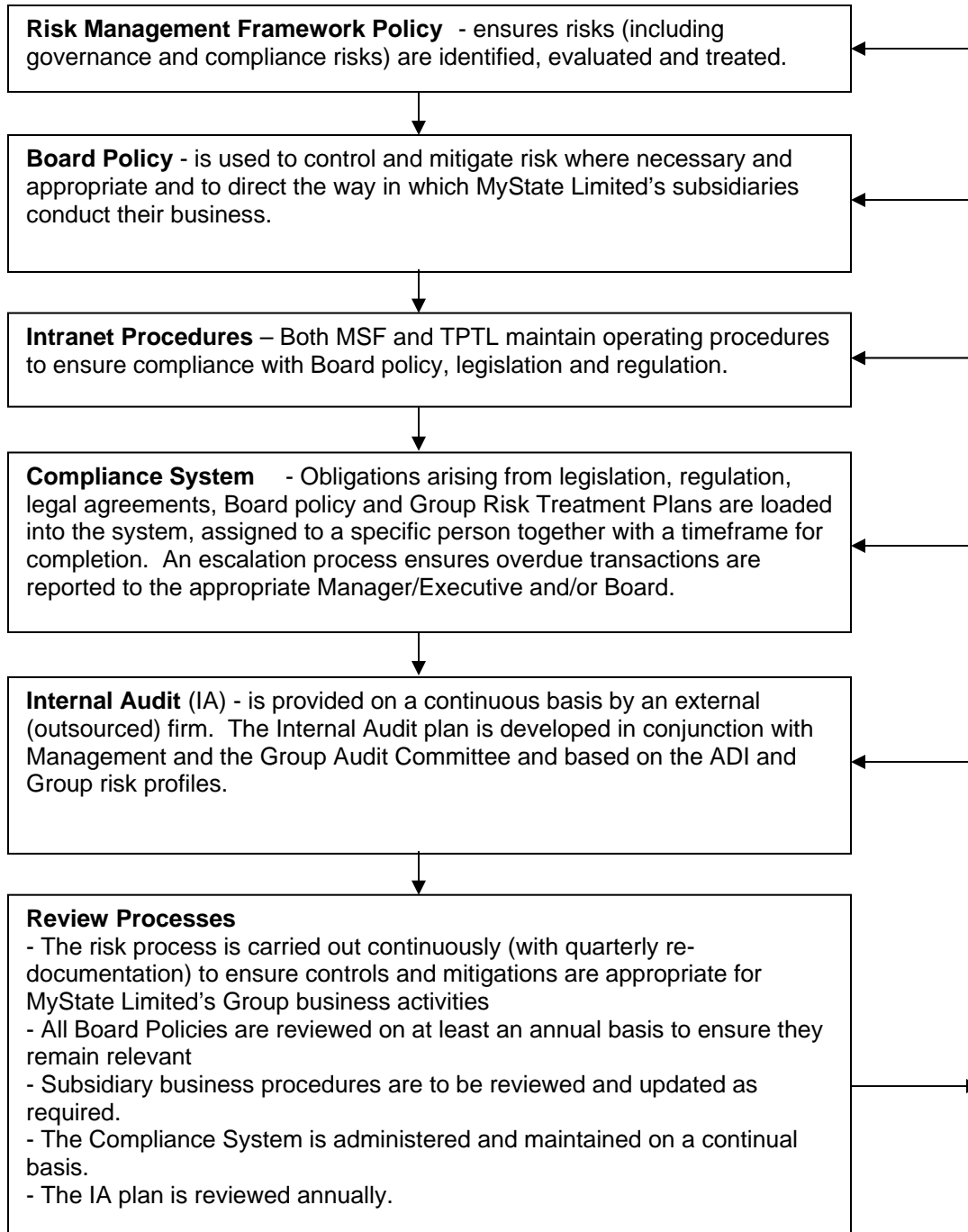
3. Risk management

The Board is responsible for overseeing the establishment, implementation, review and monitoring of risk management systems and policies. It has established an integrated framework of Committee policies and controls to identify, assess, monitor and manage risk. The Managing Director and Executive Team are responsible for implementing the policies and controls.

The following policies establish and support the risk management system.

- MYS Risk Management Policy
- MSF and TPTL Disaster Recovery Plan and Business Continuity Plans
- Codes of Conduct
- Complaints Handling Procedures

Integrated Governance System



4. Financial safeguards

As discussed above, the Board has established a Group Audit Committee, with a charter setting out the responsibilities of the Committee.

The Group Audit Committee has oversight responsibility for the internal audit function and approves the internal audit strategic plan.

The Group Audit Committee also has oversight responsibility in relation to the external auditor. Among other things it recommends to the Board the policy in relation to auditor independence and approves the annual audit engagement terms.

The MD/CEO and CFO both provide annual signoffs to the Board in relation to financial matters.

5. External communications

The Board has established a strict delegation framework to regulate external communications and facilitate compliance with ASX listing rule disclosure requirements.