

MYSTATE LIMITED (MYS)

THE ROLE AND COMPOSITION OF THE BOARD

This document is designed to clearly set down the responsibilities of the Board of Directors (the Board) of MYS within the legislative framework and the Company's overall governance arrangements.

The major elements of the Board's role and composition fall into seven areas of accountability, each of which is addressed below. Taken together, they provide a clear definition of the role and composition of the Board.

Corporate Objectives, Strategies and Policies

The role of the Board is to:

- identify the broad objectives of the Company;
- contribute to, evaluate and approve strategies and policies which are directed towards achieving the Company's objectives;
- encourage the formulation and development of strategies, operational plans, policies and new business initiatives to be brought forward by management for Board consideration;
- empower management to implement the approved strategies, operational plans and new business initiatives;
- ensure corporate and operating policies, including policies relating to exposure to various risks, are in place that are appropriate for the business. Corporate and operating policies would include, but not be limited to those identified in Annexure B;
- ensure that an appropriate policy is in place for building and maintaining the capital adequacy of the business and for the use of its cash resources; and
- monitor the external environment, consider and respond to those factors which may affect the Company and identify ways in which external change can be used to enhance the business.

Corporate Plans, Budgets and Performance Monitoring

The role of the Board is to:

- review and approve strategic plans and budgets, including the setting of appropriate key performance indicators (KPI's);
- monitor performance against the approved strategic plans, budgets and KPIs and take corrective action where necessary; and

- ensure the establishment and implementation of a process for the identification, monitoring and mitigation of risk.

Internal Controls

The role of the Board is to:

- ensure and monitor that an effective system of internal control is in place, including systems for:
 - short-term planning and budgeting;
 - performance reporting, both to management and Board;
 - accounting and financial reporting;
 - internal audit;
 - adherence to the Company's corporate and operating policies (see Annexure B); and
 - monitoring compliance across the business with all applicable laws and regulations.
- ensure compliance with all corporate and operating policies through regular reports from management;
- establish an audit committee to oversee the external and internal audit scope and processes and consider and review audit reports.

Chief Executive Officer and Senior Executive Positions

The role of the Board is to:

- appoint the Managing Director/Chief Executive Officer, set the remuneration of the Chief Executive Officer and monitor his/her performance annually.
- review and approve the Senior Executive structure of the Company, with recommendations brought forward by the Chief Executive Officer.
- review and approve the appointment and remuneration of the Senior Executives reporting to the Chief Executive Officer and monitor their performance annually;
- review and approve succession plans for the Chief Executive Officer and Senior Executives of the Company;
- review and approve major human resources initiatives and changes to the organisational structure.

Shareholders/Investors

The role of the Board is to:

- review and approve the annual financial statements of the Company and of each of its Managed Funds, to ensure that they are all in conformity with Australian Accounting Standards and represent a true and fair view of the Company's/Managed Funds' results and financial position;

- recommend external auditors for appointment by shareholders, to ensure that the scope of the audits are adequate, to oversee the internal and external audit processes and to review audit reports;
- determine dividends payable;
- approve all product disclosure statements/prospectuses issued by the company and any amendments thereto;
- report to the shareholders and to the market on the affairs of the company;
- demonstrate full and open disclosure in the Company's dealings with all stakeholders and to the wider community generally; and
- authorise all significant public announcements by the Company.

Board Composition

The composition of the Board is based on the following:

- The Board shall comprise Directors with a range of backgrounds and experience;
- The Board will always have a majority of Directors who are non-executive and are judged by the Board to be independent of judgement and character and free from material relationships with the Group and other entities and people that might influence or would be perceived by shareholders to influence such judgements;
- The Board will have the balance of non-executive and executive Directors that is effective for the promotion of shareholder interests and the governance of the Group;
- The qualifications for Directors of the Group are: unquestioned honesty and integrity; a proven track record of creating value for shareholders; time available to undertake the responsibilities (Individual Board members should devote the necessary time to the tasks entrusted to them. All Directors should consider the number and nature of their directorships and calls on their time from other commitments); an ability to apply strategic thought to matters in issue; a preparedness to question, challenge and critique; and a willingness to understand and commit to the highest standards of governance of the Group;
- The Board will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate to achieve the Group objectives;
- Non-executive Directors will be engaged through a letter of appointment;
- The Board will determine the level of remuneration paid to its members within any limits approved by shareholders;

- The Board considers that diversity includes differences that relate to gender, age, ethnicity, disability, sexual orientation and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills;
- The Board will maintain an appropriate mix of relevant skills, expertise and diversity. This enables it to discharge its responsibilities and deliver the Group objectives, as well as seek new ways of driving performance through innovation and entrepreneurship; and
- Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.

Board Effectiveness

The role of the Board includes to:

- regularly review and assess its own performance;
- assess the balance of competencies of its members and identify new members of quality as required;
- establish appropriate Board Committees to assist the Board in the carrying out of its responsibilities and monitor the effectiveness of those Committees;
- ensure the Board has access to external advisors with appropriate skills and experience in all relevant areas of the law and in the business and financial affairs of the Company.

THE ROLE OF THE BOARD

Annexure A

Relevant Legislation

The Company must comply with a broad range of legislation in conducting its activities. The principal legislation with which the Company must comply is listed below.

Note: A brief synopsis of each item of legislation will be included in the Directors Manual.

APRA Prudential Standards

The Banking Act 1959

Trustee Companies Act 1953

Trustee Act 1898

Trustee Amendment (Investment Powers) Act 1997

Environmental Legislation

Wills Act 2008

Intestacy Act 2010

Corporations Act 2001

The Financial Services Reform Act (2001)

Trade Practices Act

National Consumer Credit Protection Act 2009

Managed Investments Act

Australian Securities Exchange Requirements

Anti-Money Laundering and Counter-Terrorism Financing Act 2006

Superannuation Industry (Supervision) Act 1993

Other Legislation (equal employment opportunity, industrial relations, OH&S, taxation, superannuation etc)

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Annexure B

Corporate and Operating Policies

The Company's Corporate and Operating policies referred to in "The Role and Composition of the Board" include but are not limited to the following:

Ethical Standards of the Company

Share Trading Policy

Delegations of Authority to the Chief Executive Officer and to each level of management

Regulatory Compliance

Risk management in lending, funds management and investment activities

Risk management in the provision of Trustee services and related activities

Accounting, Financial and Public Reporting

Insurance

Capital Structure and Funding Sources

Management structure and staffing levels

Staff remuneration policy and remuneration levels

Human Resources issues (OH&S, EEO etc)