

Corporate Governance

Our award-winning corporate governance arrangements have been further enhanced to reflect contemporary best practice.



ASX Principles of

Good Corporate Governance

Fully Comply

- 1 **Lay solid foundations for management and oversight** ✓
Recognise and publish the respective roles and responsibilities of Board and Management.
- 2 **Structure the Board to add value** ✓
Have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
- 3 **Promote ethical and responsible decision-making** ✓
Actively promote ethical and responsible decision-making.
- 4 **Safeguard integrity in financial reporting** ✓
Have a structure to independently verify and safeguard the integrity of the company's financial reporting.
- 5 **Make timely and balanced disclosure** ✓
Promote timely and balanced disclosure of all material matters concerning the company.
- 6 **Respect the rights of shareholders** ✓
Respect the rights of shareholders and facilitate the effective exercise of those rights.
- 7 **Recognise and manage risk** ✓
Establish a sound system of risk oversight, management and internal control.
- 8 **Encourage enhanced performance** ✓
Fairly review and actively encourage enhanced Board and Management effectiveness.
- 9 **Remunerate fairly and responsibly** ✓
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
- 10 **Recognise the legitimate interests of stakeholders** ✓
Recognise legal and other obligations to all legitimate stakeholders.

On 31 March 2003 the ASX Corporate Governance Council released its "Principles of Good Corporate Governance and Best Practice Recommendations" (ASX Principles). Companies are required to disclose in their Annual Reports whether their corporate governance practices follow the ASX Principles and if not, why not. Tasmanian Perpetual Trustees substantially complied with most of the ASX Principles at the time that they were first announced. Since that time, the Company has fully documented policies and procedures to demonstrate its compliance with the Principles of Good Corporate Governance. Significant work has been undertaken to fulfil the Board's corporate governance obligations and responsibilities to all stakeholders, as presented in this Corporate Governance Statement.

On 2 August 2007, the ASX Corporate Governance Council released its revised Corporate Governance Principles and Recommendations. The revisions are not wholesale changes to the existing Principles and do not commence operation until financial years commencing on or after 1 January 2008. Nevertheless, the Company has already completed its review of the new Principles and has met these principles as at the commencement of its 2008-09 financial year.

BOARD OF DIRECTORS

Role of the Board

The Board of Directors is accountable to shareholders for the overall performance and governance of the Company.

The Board is responsible for determining corporate policy, setting the Company's goals and strategic direction, assessing performance against budgets and strategies and monitoring the management of the business.

The Board also ensures that the appropriate controls, systems and procedures are in place to manage the risks of the business and to ensure compliance with all regulatory and prudential requirements.

The Board has developed a number of policy documents which clearly establish the relationship between the Board and management and describe their respective roles and responsibilities in a manner consistent with ASX Principle 1. These documents are available on the corporate governance section of the Company's website.

The Managing Director is responsible to the Board for the day-to-day operation of the Company. The Board provides time for discussion at each meeting without management being present.

Board Structure

The Board currently comprises seven non-executive Directors, including the Chairman, together with one executive Director, namely the Managing Director.

The names and individual profiles of the Board members are set out on pages 30 and 31 of this Report.

The Constitution of Tasmanian Perpetual Trustees Limited contains provisions relating to the retirement and appointment of Directors at the Annual General Meeting.

The Constitution also contains provisions which allow the Board to vary the number of non-executive Directors within certain limitations.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board includes a majority of non-executive independent Directors, a non-executive independent Chairman and has different persons filling the roles of Chairman and Chief Executive Officer/Managing Director.

The Board has reviewed the position and associations of each of the Directors in office at the date of this report and considers that six of the current non-executive Directors are independent. In considering whether a Director is independent, the Board has had regard to the independence criteria in ASX Principle 2, including materiality thresholds and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence and the independence of the other Directors, as appropriate.

The Chairman of the Company meets the independence criteria in ASX Principle 2. During the year the Company adopted a revised Definition of Independence. Nevertheless, prior to the change and under the pre-existing Definition, the Board considers that Mr d'Antoine is an independent Director in accordance with the independence criteria in ASX Principle 2, given his continued and demonstrated performance and ability to clearly act in the best interests of the Company, notwithstanding his length of service.

The non-executive Director who does not currently meet the criteria of independence is Mr Ian G Mansbridge, as within the last three years he has been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided. All other non-executive Directors of the Company are considered to be independent.

Board Skills, Knowledge and Experience

The Board, as currently constituted, has a sound knowledge and understanding of the financial services industry and has the range of competencies considered appropriate to the needs of the business.

Each year the Board, under the sponsorship of the Nomination Committee, reviews the key competencies required for optimal composition of the Board, having regard to the Company's activities in the financial services sector and the skills, knowledge and experience collectively required of its Directors. This work confirmed that there is a close alignment between optimal Board composition and the competencies of the Board as currently constituted.

The Board has a process of regular review of its overall effectiveness, whereby a detailed internal assessment is made of the Board's performance in meeting its various responsibilities, followed by action plans for those areas identified for further improvement. This annual review process is in accordance with ASX Principle 8 and extends to a review of individual Board member's performance.

Board Succession Planning

Recommendations for the appointment of new Directors are made by the Board's Nomination Committee for consideration by the Board as a whole.

If it becomes necessary to appoint a new Director to fill a vacancy on the Board, or to complement the existing Board, potential candidates are identified and assessed against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities.

A Director selected and appointed by the Board is required to retire at the next Annual General Meeting and is eligible for election by shareholders at that Annual General Meeting.

The appointment of a new Director by the Board is formalised with a detailed letter of appointment from the Chairman. A comprehensive induction process is also undertaken. These processes are designed to ensure that new Directors fully understand their role and are able to operate effectively from the date of their appointment.

Meetings of Directors

The Board meets formally at least 11 times a year and on other occasions, as required. Senior management attend and make presentations at Board meetings as considered appropriate and are available for questioning by Directors. Meetings sometimes include a review by Directors of the effectiveness of the meeting, as a means of continuously improving Board processes.

In April 2008, the Board held its annual strategic planning session with management, at which time the Company's three-year strategic plan was considered. At this session, the Board reviewed and endorsed strategies designed to continue the long term profitable growth of the Company.

The number of meetings attended by each of the Directors for the financial year ended 30 June 2008 is set out in the Directors' Report on page 41 of this Annual Report.

All Directors have unrestricted access to all employees of the Company and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Consistent with ASX Principle 2, each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

BOARD COMMITTEES

Board Committees assist the Board in the oversight and control of the Company. Each Committee operates under a formal charter approved by the Board and reviewed annually. The performance of each Committee is reviewed annually by the respective Committee and then further reviewed by the Board. Minutes of Committee meetings and Committee recommendations are provided to the Board. The Board Chairman and all other Directors are entitled to attend meetings of all Board Committees.

Audit Committee

The Audit Committee reviews and makes recommendations to the Board on the Company's financial reporting, the systems for internal control established by management and the Board and the quality and adequacy of the internal and external audit functions. The Audit Committee also actively monitors compliance with the relevant laws, including the Corporations Act, trustee company legislation, taxation laws, the requirements of ASIC, APRA and the ASX listing and business rules.

The internal and external Auditors have a direct line of communication with the Chairman of the Audit Committee. The Audit Committee is comprised of Mrs S Merridew (Chairman), Mr C A Eastaugh, Mr I G Mansbridge and Dr M J Vertigan (appointed 29 April 2008). Mr V R Smith retired from the Audit Committee on 29 April 2008. The Chairman of the Board is precluded from appointment as Chairman of the Audit Committee.

Business Risk and Compliance Committee

The Business Risk and Compliance Committee assists the Board in ensuring that the key business and financial risks and compliance requirements not covered by the activities of other Board Committees (such as monitoring the Company's performance against the Compliance Plans for the Managed Investment Schemes) are identified and assessed. The Committee ensures that appropriate controls are in place to effectively manage current and future risks and compliance requirements. The Business Risk and Compliance Committee is comprised of Mr M L Hampton (appointed Chairman 29 April 2008), Mr I G Mansbridge and Mr M E Scanlon. Mr V R Smith resigned as Chairman of the Committee upon his resignation as a Director on 29 April 2008.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee's primary responsibility is in recommending to the Board remuneration policy and arrangements for Directors, the remuneration and review of performance of the Managing Director and other Senior Executives, as well as the general remuneration practices of the Company, having regard to comparative remuneration in the financial services industry and independent advice. These processes are consistent with ASX Principle 8. The Human Resources and Remuneration Committee is comprised of Dr M J Vertigan AC (Chairman), Mr D J Bugg AM (appointed 29 April 2008), Mr N L d'Antoine and Mr M E Scanlon. Mrs S Merridew resigned from the Committee on 29 April 2008.

Investment and Mortgage Lending Committee

The Investment and Mortgage Lending Committee considers and makes recommendations to the Board on all aspects of investment and mortgage lending, including the development of appropriate investment and mortgage lending policies and practices, the monitoring of performance against those policies and practices, the effectiveness of the relevant internal control systems and financial performance monitoring of the various funds under management. The Investment and Mortgage Lending Committee is comprised of Mr N L d'Antoine (Chairman), Mr C A Eastaugh, Mr M L Hampton and Mr M E Scanlon.

Nomination Committee

The Nomination Committee's role is to undertake an ongoing assessment of the composition and effectiveness of the Board and manage the formal process used for the selection and appointment of new Directors.

The Nomination Committee is comprised of Dr M J Vertigan AC (Chairman), Mr N L d'Antoine and Mrs S Merridew (appointed 29 April 2008). Mr V R Smith resigned from the Nomination Committee upon his resignation as a Director on 29 April 2008.

CONDUCT AND ETHICS

The pursuit of excellence in all areas of activity has been embraced by the Board, with the highest ethical standards expected from its own members, management and staff in all dealings, a respect for the privacy of customers and observance of the law.

The Board has adopted a Corporate Code of Conduct and Code of Personal Conduct to guide the Directors and each employee of Tasmanian Perpetual Trustees and promote high ethical and professional standards and responsible decision-making.

The Codes of Conduct are aimed at maintaining the highest ethical standards, behaviour and accountability across the Company. Employees and Directors are expected to respect the law; respect confidentiality; properly use Company assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of shareholders; contribute to the Company's reputation as a good corporate citizen; and, act with honesty, integrity, decency and responsibility at all times.

Both the Corporate Code of Conduct and the Code of Personal Conduct are consistent with ASX Principles 3 and 10 and both Codes have been posted to the corporate governance section of the Company's website.

In the event that a potential conflict of interest arises, Directors are required to disclose their interest and withdraw from all deliberations concerning the matter. The Board observes due care in relation to loans from any Fund to Directors and management and their associates. Fees paid to companies or partnerships related to Directors are in strict accordance with accepted commercial practice.

FINANCIAL REPORTING

Consistent with ASX Principle 4, the Company's financial report preparation and approval process for the financial year ended 30 June 2008, involved both the Managing Director and Chief Financial Officer providing a written statement, to the best of their knowledge and belief, that the Company's financial report presents a true and fair view, in all material respects, of the Company's financial condition and operating results and is in accordance with applicable accounting standards.

For the year ended 30 June 2008, the Company has in place a process whereby the Managing Director and the Chief Financial Officer state to the Board in writing that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

REMUNERATION POLICIES

Non-executive Directors

The Company's non-executive Directors receive only fees (including statutory superannuation) for their services and the reimbursement of reasonable expenses. The fees paid to the Company's non-executive Directors reflect the demands on and responsibilities of those Directors. The advice of independent remuneration consultants is taken to establish that the Directors' fees are in line with market standards. Non-executive Directors do not receive any shares, options or other securities in addition to their remuneration and are not eligible to participate in the Company's Employee Share Plan or any other incentive plan. They do not receive any retirement benefits (other than compulsory superannuation).

The aggregate remuneration paid to all the non-executive Directors may not exceed the \$450,000 amount fixed by shareholders at the October 2004 Annual General Meeting. This "fee pool" is only available to non-executive Directors, as Board membership is taken into account in determining the remuneration paid to Executive Directors as part of their normal employment conditions.

The non-executive Directors currently receive \$45,000 each per annum including statutory superannuation and any relevant Board Committee fees. The Chairman is

paid \$104,000 per annum including statutory superannuation, inclusive of all Board Committee fees.

Members of Board Committees receive the following additional remuneration each per annum plus statutory superannuation:

Committee	Member	Chairman
Audit	\$3,700	\$7,300
Business Risk & Compliance	\$3,700	\$4,700
Investment and Mortgage Lending	\$7,300	\$11,500
Nomination	\$2,100	\$4,700
Human Resources and Remuneration	\$2,100	\$4,700

In addition to Board Committee work, Tasmanian Perpetual Trustees' Directors who are appointed to serve on the Tasmanian Banking Services Limited joint venture Board receive \$6,000 per annum inclusive of statutory superannuation and \$12,000 per annum inclusive of statutory superannuation as Chairman of that Company, such payments being for extra services and falling outside of the Tasmanian Perpetual Trustees non-executive Director fee cap. These fees are paid by Tasmanian Perpetual Trustees.

The structure and disclosure of the Company's remuneration of non-executive Directors is consistent with ASX Principle 9.

Executive Directors and Senior Executives

The Managing Director and senior executives of the Company are remunerated on the basis of a reward structure that reflects their contribution to Company performance. Each receives a fixed component of remuneration, together with a variable component which depends upon the achievement of short-term incentive goals set annually for each executive. A long-term incentive component was established in August 2002, which is based on the concept of reward for sustained superior performance over rolling three-year periods through the allocation of fully paid shares in the Company.

These arrangements reflect contemporary remuneration practices and are consistent with ASX Principle 9. Further details are set out in the Remuneration Report on pages 43 to 48 and in Note 31 on pages 78 to 81 of the Financial Statements.

RISK IDENTIFICATION AND MANAGEMENT

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. These include:

- guidelines and limits for approval of operational, capital expenditure and investments;
- a Risk Management Policy with regular review of individual business unit risks as well as strategic risks facing the Company;
- a comprehensive annual insurance programme;
- policies and procedures for the management of financial risk and treasury operations including movements in interest rates;
- a formal planning process of preparing three year rolling strategic plans each year;
- annual budgeting and monthly reporting systems for all business units which enable the monitoring of progress against performance targets and the evaluation of trends; and
- disaster recovery management systems for all key business operations.

Management is ultimately responsible to the Board for the system of internal control and risk management. Both the Audit Committee and the Business Risk and Compliance Committee assist the Board in monitoring these issues.

Tasmanian Perpetual Trustees continues to have different firms provide internal and external audit services. KPMG provides outsourced internal audit services and monitors the internal control framework of the Company. The Audit Committee approves the strategic internal audit plan with the intention that planned audit activities are aligned to business risks. Internal audit reports are provided to the Audit Committee at scheduled meetings.

A comprehensive review of the Company's risk management systems and individual business unit risks was undertaken by KPMG in 2004 to identify areas for ongoing improvement and the Company has an extensive process in place to review and update its risk register and to manage identified risks and emerging issues. A high level risk review session was undertaken by KPMG in 2007 and involved the attendance of all Directors. The Company's risk records have subsequently been re-written and updated.

AUDIT GOVERNANCE AND INDEPENDENCE

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company has implemented policies and procedures to monitor the independence and competence of the Company's external auditors.

Appointment of Auditors

The Company's current external Auditor is Wise Lord & Ferguson. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee. If it becomes necessary to replace the external Auditor for performance or independence reasons, the Audit Committee will then formalise a procedure and policy for the selection and appointment of a new Auditor.

Independence Declaration

The *Corporations Act* requires external auditors to make an annual independence declaration, addressed to the Board of Directors, declaring that the auditors have maintained their independence in accordance with the *Corporations Act 2001* and the rules of the professional accounting bodies. Wise Lord & Ferguson's existing policy requires that its audit teams provide such a declaration and a declaration was provided to the Audit Committee for the financial year ended 30 June 2008.

Rotation of Lead External Audit Partners

In accordance with the *Corporations Act*, Wise Lord & Ferguson has a policy for the rotation of the lead audit partner for their clients. The lead audit partner for the Company was rotated on 1 July 2007 following the establishment of an orderly succession plan with Wise Lord & Ferguson.

Restrictions on the Performance of Non-Audit Services by External Auditor

In accordance with the *Corporations Act*, the Audit Committee considers and if thought appropriate provides prior approval to the provision of any non-audit services to the Company or its business by the external auditor. The Audit Committee has also adopted guidelines to assist in identifying the types of services that may compromise the independence of the external auditor.

Examples of services that could potentially compromise independence include valuation services and internal audit services.

The Audit Committee has assessed the other services provided by Wise Lord & Ferguson in the financial year and has concluded that the auditor's independence has not been compromised.

Attendance of External Auditor at Annual General Meeting

Consistent with ASX Principle 6, Wise Lord & Ferguson attend and are available to answer questions at the Company's Annual General Meeting.

SHARE TRADING

The Company's Constitution allows Directors to acquire shares in the Company. The Board has adopted guidelines which, in addition to the requirement that Directors not buy or sell shares when they are in possession of price sensitive information, limits dealing shares by Directors to within certain periods. The guidelines also require that Directors not deal on the basis of considerations of a short-term nature.

The Company's share trading policy is consistent with ASX Principle 3. A copy of the policy has been posted to the corporate governance section of the Company's website.

CONTINUOUS DISCLOSURE

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market and has adopted a comprehensive continuous disclosure policy covering announcements to the Australian Securities Exchange.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretary liaises with the Managing Director in relation to continuous disclosure matters.

The Company's continuous disclosure policy is consistent with ASX Principle 5. A copy of the policy has been posted on the corporate governance section of the Company's website.

ADDITIONAL COMPANY POLICIES

In addition to the continuous disclosure and share trading policies discussed above, the Company has implemented a wide range of policies. Where appropriate, these policies are supplemented by Company procedures and guidance releases that are designed to ensure the requisite standards of operation are maintained.

COMMUNICATIONS WITH SHAREHOLDERS

The Company places considerable importance on effective communications with shareholders.

The Company's communications strategy promotes the communication of information to shareholders through the distribution of the annual and half yearly reports, announcements through the Australian Securities Exchange and the media regarding changes in its business and the Chairman's address at the Annual General Meeting.

The Company considers how to use general meetings efficiently to communicate with shareholders and allows reasonable opportunity for informed shareholder participation at such meetings.

The Company posts all reports, Australian Securities Exchange and media releases and copies of significant business presentations and speeches on the Company's website.