

Grant Thornton – Governance Framework Review

Recommendations and Actions of Directors

Principles of Good Corporate Governance	Observations based on interviews and our review of the Association’s Charter, Code of Conduct and Constitution	Recommendations	GBOTA Directors Actions
<p>1. Board Composition:</p> <ul style="list-style-type: none"> The Board should be of a size and composition that is conducive to making appropriate decisions. The Board should be large enough to incorporate a variety of perspectives and skills, and to represent the best interests of the company as a whole rather than of individual shareholders or interest groups. It should not, however, be so large that effective decision-making is hindered. The Board should be committed to adequately discharging its responsibilities and duties. To be effective a Board needs the right group of people, with an appropriate mix of skills, experience, and knowledge that fits the organisation. <p>Boards with a diverse mix of skills will be less likely to engage in “group think”.</p> <ul style="list-style-type: none"> A majority of the Board should be independent Directors. 	<ul style="list-style-type: none"> GBOTA’s Board consists of 10 Directors. In our view this is too many for the purpose and size of the Association, is making meetings difficult to control and is hampering decision-making. There is not a clear delineation of roles and responsibilities between the Board and Management with many Directors performing day-to-day operational tasks rather than providing oversight of the vision and strategic direction for the Association. All Directors have some experience in the Greyhound industry either as a breeder, trainer or owner. Few Directors have experience in running a business or have sat on other Boards. 	<ul style="list-style-type: none"> The Association should reduce the size of its Board to an appropriate number to enable it to discharge its duties effectively. We suggest five Directors of which at least three, including the Chair should be independent. Based on its Strategy and Business Plan, the Association should assess the skills that the Board needs to enable it to adequately discharge its responsibilities and duties and determine whether its existing Board members have these requisite skills. The Association’s Constitution needs to be amended to facilitate this change, including a revision to the process for the election and appointment of Directors to enable the Association to attract and retain Board members with the appropriate skills and capabilities. If however, the Constitution 	<ul style="list-style-type: none"> Directors have commenced their consideration of Board composition options. This consideration is taking place simultaneous with a wider consideration of how the NSW GBOTA needs to structure itself in order to best carry out its commercial and advocacy functions. This consideration will continue during December, 2015 and possibly January, 2016. Directors then intend to undertake a thorough consultation process with members regarding their preferred option(s) and recommendation(s). The recommendations of Grant Thornton remain under consideration. In both options proposed by Grant Thornton, Directors elected by the membership would be elected by the total membership as opposed to the current regional representation model. An alternative board structure which would involve a reduction

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<ul style="list-style-type: none"> An independent Director is a non-executive Director who is not a member of management and who 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 Chair should be an independent Director. The roles of Chair and Chief Executive Officer (CEO) should not be exercised by the same individual. Board members should be remunerated fairly and responsibly to attract and retain high quality Directors. 	<ul style="list-style-type: none"> Whilst the Association has appointed independent Directors, these are in the minority. In our view, the Board does not have the right mix of skills, experience, knowledge or diversity to represent the best interests of the Association as a whole rather than the interests of individual Directors or member interest groups. The current Constitution and more specifically the process for the election and appointment of Directors are hampering the Association's ability to attract and retain independent Board members with relevant skills. The Chair and the Chief Executive Officer (CEO) roles are exercised by different people however, 	<p>cannot be amended, we suggest that a new entity be formed once the outcome of the Special Commission of Inquiry into the Greyhound Racing Industry in New South Wales is known and a new Board of Directors be elected.</p> <ul style="list-style-type: none"> Given its not-for-profit status we do not concur that the Directors should be remunerated for their time in addition to the disbursements already granted. <p>Following receipt of the report on October 26, 2015, a further inquiry was made to Grant Thornton as to an alternative structure that included a majority representation of elected Directors. The following extract is provided from the Grant Thornton response on October 30, 2015.</p> <p>"In regards to the report on the Parliamentary Inquiry into the industry and the suggestion that the industry continues to have a say in its own future, there is an alternative structure or composition of the Board to the one recommended in our original</p>	<p>in Board size, the inclusion of two independent skills based Directors but retain a regional voting structure for elected Directors is also being considered.</p> <ul style="list-style-type: none"> Directors are mindful of the need for any changes to size of the current Board, its composition and election/appointment methodology will require the support of 75% of members partaking in the vote regarding for the said change, hence the commitment to a thorough membership consultation process.

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	<p>the Chair is not an independent Director.</p> <ul style="list-style-type: none"> Board members are currently reimbursed for their disbursements and are not remunerated for their time. 	<p>report, that the Association may wish to consider.</p> <p>“This could be a Board that is made up of seven Directors (as opposed to the 5 originally suggested), of which four could be from the industry. However, it would preferable for 2 of these 4 to be specially skilled in finance or business development or whatever is deemed appropriate / required by the Association.</p> <p>“The remaining 3 Directors, one of which should be the Chair, should be independent i.e. from outside the industry.</p> <p>“This would provide the Association with a structure that maintains member control, but also gives you the right mix of skills needed to demonstrate good governance.</p> <p>“In regards to the appointment of Directors, it is best practice to establish a Nominations Committee as a sub-committee of the Board to drive the selection and appointment of Directors, although this is probably not practical for the Association. Therefore, in the Constitution the</p>	

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		<p>Board needs to clearly articulate the process that the Board will adopt for searching for and selecting new Directors. It is not uncommon for these appointments to be advertised or for organisations to appoint an executive search company to find Directors with the right competencies, whichever is practical. The key here, is the initial skills assessment as referred to earlier to determine what currently exists and what skills the Board needs going forward. This should not be a one-off exercise but regularly appraised.</p>	
<p>2. Roles and responsibilities:</p> <ul style="list-style-type: none"> • All Board members should be clear of their roles and responsibilities as an individual and as a Board. • The process for evaluating the performance of the Board, its committees and individual Directors should be formalised. 	<ul style="list-style-type: none"> • GBOTA's Governance Charter states that the role of the Board of Directors is to govern the Association and not to manage on a day-to-day basis. • It also states that the Board is responsible for: <ul style="list-style-type: none"> - Setting the Association's strategic direction - Setting policies - Establishing goals for management - Monitoring the achievement of goals 	<ul style="list-style-type: none"> • Each Director should receive adequate training on their expected roles and responsibilities including: <ul style="list-style-type: none"> - Induction training - Ongoing training and support around regulatory changes, industry trends etc. • A formal evaluation of the effectiveness of the Board should be conducted annually to determine whether the Board: 	<ul style="list-style-type: none"> • Directors have agreed that all future Directors of the NSW GBOTA will be required to undertake the Companies Directors Course with the Australian Institute of Company Directors (if they have not already done so or they have not demonstrated extensive experience in a Company Director's role). All current Directors are also able to undertake this course. A strong commitment to Continuing Professional Development will be emphasised in the up-dated Governance Charter and further

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	<p>directly and through the Directorate and any sub-committees.</p> <ul style="list-style-type: none"> • All Board members appear to have a clear understanding of their individual roles and responsibilities, however many of the Directors are involved in the day-to-day running of the Association and the running of the tracks rather than delegating this responsibility to Management. • In our view, the roles and responsibilities of the Board as a whole is not clear to all Directors. • Whilst the Association's Governance Charter and Code of Conduct for Directors encourages Board members to undergo continual professional development and that members should be provided with resources and training to address any skills gaps identified, most Directors did not receive any 	<ul style="list-style-type: none"> - Communicates effectively both internally and externally - Provides effective oversight of Management - Effectively monitors the implementation of the Association's Strategy and Business Plan. 	<p>considered in the Organisation Structure/Human Recourse Procedures/Policy review which is currently underway.</p> <ul style="list-style-type: none"> • The Board's current Governance Charter requires an annual Board effectiveness review. Directors have agreed that a formal evaluation take place during the first half of 2016 and that this evaluation will involve external independence.

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	<p>formal induction or training upon becoming a Director.</p>		
<p>3. Board effectiveness:</p> <ul style="list-style-type: none"> • Board effectiveness can be enhanced through: <ul style="list-style-type: none"> - Careful forward planning of Board related activities - Meetings being run in an efficient manner - Regular assessments of Board performance - Board succession planning - The use of appropriate sub-committees. <p>Committees make recommendations for action to the full board, which retains collective responsibility for decision making.</p>	<ul style="list-style-type: none"> • Board meetings are not currently being run effectively or efficiently with some Board meetings lasting for up to 12 hours, this is despite Board meetings being held monthly. • Board members do not receive agendas or papers for each Board meeting in sufficient time in advance of the meetings to enable them to adequately prepare. • There is no Board succession planning in place. • Whilst the Association's Constitution allows for the establishment of Sub-Committees of the Board, these had not been established at the time of conducting our review. • We have not seen any evidence from our review to suggest that the performance of the Board or its members has been subject to regular 	<ul style="list-style-type: none"> • A formal calendar of meetings should be established so that the Board has clarity on its activities for the year ahead. • Board agendas should clearly articulate the requirement of the Directors on each agenda item i.e. for decision, to note or for information so that the Board can give the appropriate attention to each agenda item. • The frequency of Board meetings should be re-evaluated. • Agendas and papers should be issued at least a week in advance of each Board meeting. Minutes of these meetings should be provided within a week after each meeting. Minutes should include any action items for follow-up at the next meeting. • As part of the evaluation or assessment of the skills of the Board recommended earlier 	<ul style="list-style-type: none"> • Directors currently agree to a 12 month schedule for Board meetings. A 12 month plan involving all supporting committee meetings has also been prepared. Directors will continue to conduct 10 to 12 Board meetings a year, supported by monthly committee meetings of the Audit and Finance Committee, quarterly meetings of the Racing and Regulatory, Business Development/Marketing and Membership Committees and an annual meeting of the Remuneration committee. Time limitations for all meetings and agenda items are also being built into considerations. • The agendas of Directors' Meetings are being re-framed in line with the recommendations. The re-framing includes, and will include, adjustments required due to the supporting committee framework and required with changes to the Organisation Structure. Minutes are now being prepared where-by arising actions are reinforced.

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	assessment.	<p>in this report, the Association should prepare a succession plan for Directors that are intending to retire or have held long term directorships.</p> <ul style="list-style-type: none"> The proposed Sub-Committees of the Board should be established as soon as practically possible to allow the Board to focus on the vision and strategy of the Association, rather than on operational matters. A formal evaluation of the effectiveness of the Board should be conducted annually as suggested by the Charter and Code of Conduct. 	<p>Supporting documents that define the action, person responsibility and track completion have also been put in place.</p> <ul style="list-style-type: none"> Recommended circulation timelines for agendas and minutes are supported. These are to be strictly adhered to from January 1, 2016. Board succession planning will be considered as the future Board composition model is determined. Directors have committed to the supporting Committee structure and a formal evaluation of Board effectiveness.
<p>4. Risk oversight & management:</p> <ul style="list-style-type: none"> The Board should be responsible for the governance of risk. 	<ul style="list-style-type: none"> The Association's Governance Charter and Code of Conduct for Directors describe the Board of Directors' responsibility for Risk Management. They also state that the Executive Officer is charged with implementing appropriate risk management systems within the Association. 	<ul style="list-style-type: none"> The Association should develop a formal Risk Management Framework which details its policy and plan for the: <ul style="list-style-type: none"> Formal identification, assessment and monitoring of its risks and risk profile (including fraud risks) Regular review of risks by the Board. 	<ul style="list-style-type: none"> Directors have agreed that various risk management procedures and policies be reviewed with the intention of formalising a Risk Management Plan. This is currently being progressed and is to be further considered at the January 2016 Directors' meeting. Risk Management is to be included as a formal agenda item for all Directors' Meetings thereafter.

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	<ul style="list-style-type: none"> • However, we have not seen any evidence from our review to suggest that the Association has a formal Risk Management Plan in place. • From our review of the Agenda and Minutes for a sample of Board meetings we did not need see any evidence to suggest that the Board is focussed on the risks facing the Association or risk management. 	<ul style="list-style-type: none"> • The Board should ensure that the implementation of the risk management plan is monitored continually and should be a standing item on the agenda of each Board meeting. 	
<p>5. Setting vision, purpose & strategy:</p> <ul style="list-style-type: none"> • The Board should inform and approve the strategy and ensure that the strategy is aligned with the purpose of the Association, the value drivers of its operations and the interests and expectations of its stakeholders. 	<ul style="list-style-type: none"> • The Association's Governance Charter and Code of Conduct for Directors suggests that it is the responsibility of the Board to approve the Corporate Strategy of the Association and that a Business Plan for each of the Association's tracks should be updated and approved each year. • However, we have not seen any evidence from our review to suggest that the Board has approved a Strategy that is aligned with the purpose of the 	<ul style="list-style-type: none"> • The Board should facilitate the preparation and approval of a Strategic Plan for the Association as a matter or priority. • Whilst it might be appropriate to wait for the outcome of the Special Commission of Inquiry into the Greyhound Racing Industry in New South Wales before doing so, we suggest that this is not delayed pending the outcome of that review. • The preparation of a Strategic Plan provides a useful 	<ul style="list-style-type: none"> • Business Plans are in place for all Association racing operations. These have been supported by corporate objectives being reviewed periodically. • Directors have also progressed consideration of a Strategic Plan. To this end, Strategic Priorities of the Association have been determined at an independently moderated workshop. The Strategic Plan is being progressed but a further review will take into account progression of the GRNSW Strategic Plan and outcomes of the Special Commission of Inquiry.

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	<p>Association, its value drivers of its operations, or the interests and expectations of its members.</p> <ul style="list-style-type: none"> • Most Directors appear to be performing day-to-day operational tasks rather than informing and providing oversight on the vision and strategic direction for the Association. 	<p>opportunity for the Association to revisit its purpose, why it exists, what its vision is for the future and how it's going to deliver that vision with a well-defined and clearly articulated strategy for the next 5 to 10 years.</p>	
<p>6. Integrity & accountability:</p> <ul style="list-style-type: none"> • The Board needs to have a system in place that helps them make decisions and that the integrity (reliable) of the financial statements and key financial information is maintained. 	<ul style="list-style-type: none"> • The financial results of the Head Office as well as individual track performance are discussed at each Board meeting. • One of the Association's independent Directors is a Certified Public Accountant which should assist the Board in understanding and challenging the integrity of the financial reports presented before it. • The Association's Governance Charter and Code of Conduct for Directors suggests that the Executive Committee is responsible for overseeing and appraising the quality of 	<ul style="list-style-type: none"> • The Board should clearly articulate to the Executive Officer and Management the amount, format and quality of financial information it expects. • Directors should be provided with the appropriate education and training they need to enable them to understand and ask the appropriate questions of the financial information presented to them. 	<ul style="list-style-type: none"> • The agendas of the Audit and Finance Committee are being re-framed. This process will be reflective of all input provided by Directors. • Directors have agreed to provide education and training to any member of the Directorate requiring assistance in this regard.

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	<p>the external audit and internal control procedures of the Association, including financial reporting and practices.</p> <ul style="list-style-type: none"> Despite this, many Directors raised concerns regarding the volume of information included in the papers for each Board meeting and their ability to fully understand and interpret the integrity of the financial statements and key financial information presented to them. 		
<p>7. Association building</p> <ul style="list-style-type: none"> The Board has a role to play in enhancing the capacity and capabilities of the Association. They should identify the resources they need to deliver on their purpose and plan as to how those resources will be made available to, and best managed, by the Association. 	<ul style="list-style-type: none"> From our discussions with Directors, it is evident that there are resourcing issues at some of the tracks, with heavy reliance often placed on volunteers or Directors in resolving day to day operational issues. The Board is not taking the lead in ensuring that the Association is adequately resourced with people with the right skills and experience to manage the day to day operations of the business. 	<ul style="list-style-type: none"> The Board should as part of its Strategic Planning, take the opportunity to review and assess how the operations of the business are currently resourced and whether the current operating model is sustainable. 	<ul style="list-style-type: none"> Directors do not believe that Directors are currently required to resolve day to day operational issue. Nevertheless, the Organisation Structure/Human Resource procedures/Policy review is to ensure that accountability for all operational issues falls to specific head office staff. Resourcing, skills assessments and refining of performance management requirements will be part of the review.
<p>8. Stakeholder engagement:</p>	<ul style="list-style-type: none"> Many of the Board members 	<ul style="list-style-type: none"> A formal Communication 	<ul style="list-style-type: none"> A Commercial and Business

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<ul style="list-style-type: none"> The Board helps an organisation to engage effectively with stakeholders. Better stakeholder engagement has the potential to provide useful information to the Board (e.g. how Association is doing, its purpose, possible risks or opportunities, strengths and weaknesses etc.) 	<p>are well known by the members of the Association members due to their regular interactions and regional visits. The members contact some of the Directors personally when they have any issues.</p> <ul style="list-style-type: none"> Stakeholder engagement is supported by the existing regional election of Board members. Most Directors have a passion for the industry and have a “grass roots” relationship with the members in their region. 	<p>Strategy should be prepared that articulates how the Board should and will engage with all of its stakeholders. This should assist in elevating the Board from the day to day interactions it is having with members to deal with operational issues.</p>	<p>Development Manager has been employed and is currently reviewing the Communication Strategy.</p> <ul style="list-style-type: none"> The Membership Servicing Committee is also reviewing membership communication options with the intention of making the Association procedure more able to react dynamically to membership needs and suggestions.
<p>9. Ethics & culture</p> <ul style="list-style-type: none"> The culture of an organisation could be thought of as its “personality”. It is represented by shared values, norms, practices and core beliefs that shape behaviour. The culture of an organisation will be influenced by the conduct and actions of the Board and individual Directors. 	<ul style="list-style-type: none"> The Association's Governance Charter and Code of Conduct for Directors define publicly the standards of behaviour with which the Directors and officials of GBOTA are required to comply. This includes details of the expectations in regards to any actual or perceived conflicts of interest. Our discussions with Directors have suggested that 	<ul style="list-style-type: none"> As recommended earlier in this report, the evaluation or assessment of the skills of the Board should include an assessment of the values and core beliefs of the existing Directors. 	<ul style="list-style-type: none"> The values and core beliefs of Directors will be further assessed at the December 2015 and January 2016 Directors' Meetings.

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	<p>the culture of the Association needs to change so that the values, practices and core beliefs of the Association are shared by all Directors.</p>		
<p>10. Association performance</p>	<ul style="list-style-type: none"> Our review of the agendas and minutes for a sample of Board meetings suggests that the Board has historically focussed on the Association's financial and operational performance, rather than on how the business is tracking against its strategic objectives. 	<ul style="list-style-type: none"> As recommended earlier in this report, a Strategic Plan for the Association should be prepared as a matter of priority and the emphasis of the Board shifted from its focus on operational matters to those of more strategic importance. 	<ul style="list-style-type: none"> Directors will consider this recommendation as part of the re-framing of Board agendas.