



CORPORATE GOVERNANCE STATEMENT

Introduction

This statement summarises the corporate governance practices that have generally applied in Jumbo Interactive Limited throughout the reporting period except where otherwise stated. It is structured along the same lines as the ASX Corporate Governance Council's Principles and Recommendations, with sections dealing in turn with each of the Council's corporate governance Principles and addressing the Council's Recommendations. This statement and the charters, codes and policies referred to herein are posted on the Company's website www.jumbointeractive.com and shareholders and other interested readers are welcome to refer to them. The Board will keep its corporate governance practices under review.

1. Lay solid foundations for management and oversight

The Council's first Principle states that companies should "*establish and disclose the respective roles and responsibilities of board and management.*" Jumbo has adopted a formal [Board Charter](#) that sets out the functions reserved to the Board and those delegated to the Chief Executive Officer. This enables the Board to provide strategic guidance for the Company and effective oversight of management.

Jumbo provides new Directors with a letter on appointment which details the terms and conditions of their appointment, provides clear guidance on what input is required by them, and includes materials to assist with induction into the Company.

The Company has a similar approach for all senior executives whereby they are provided with a formal letter of appointment setting out their terms of office, duties, rights and responsibilities as well as a detailed job description. The Board has delegated responsibilities and authorities to the CEO and other executives to enable management to conduct the Company's day to day activities. Matters which exceed defined authority limits require Board approval.

The Board is also responsible for the performance of the Company's executives, which is reviewed against appropriate measures and the performance of the Company as a whole, and through an annual appraisal process.

2. Structure the Board to add value

In its second Principle the Council states that companies should "*have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.*" Jumbo's Board is so structured, and its Directors adequately discharge their responsibilities and duties for the benefit of shareholders.

The Board presently comprises only two non-executive Directors (David Barwick, Chairman and Bill Lyne, also the Company Secretary) and the Chief Executive Officer (Mike Veverka). A fundamental requirement for the Jumbo Board is a deep understanding of business management and financial markets. All Board members meet this requirement, and bring a diverse range of skills and backgrounds. Additionally, Mr Veverka has had a very long involvement in key sections of the Company and brings considerable relevant expertise and knowledge to the Board.

The Board formally meets monthly throughout the year, and informally at least every six to eight weeks to address issues that may arise outside of the monthly meetings.

The qualifications, experience and relevant expertise of each Board member and their terms in office are set out in the Directors' Report section of the Company's Annual Report. All Directors, apart from the CEO, are subject to re-election by rotation at least every three years at the Company's Annual General Meeting.

The Board's view is that an independent Director is a non-executive Director who does not have a relationship affecting independence on the basis set out in the Council's guidelines and meets materiality thresholds agreed by the Board as equating to payments to them or related parties of 5% of the Company's annual revenue or representing 20% of the individual's business revenue.

The Board considers that David Barwick and Bill Lyne both meet these criteria. On the other hand, Mike Veverka is considered to not be independent because he is a substantial shareholder in Jumbo (i.e. holds more than 5% as defined in Section 9 of the Corporations Act) and is an executive officer of the Company. Consequently, the current structure meets the Council's recommendation that the majority of the Board should be independent, and the Board also considers the current composition is appropriate given the Company's and the Directors' backgrounds and the current and foreseeable structure and size of the Company.

During the year the Jumbo Board established a Nomination & Remuneration Committee. This Committee's composition is designed to meet the Recommendations and until recently had three independent non-executive Directors; however at the present time it only comprises David Barwick (as chair) and Bill Lyne. The Committee operates under a Board approved [Nomination & Remuneration Committee Charter](#).

The performance of the Board, its committees and the Directors is reviewed periodically by the Committee. The Committee's principal evaluation benchmark is the Company's financial performance compared to similar organisations and the industry in which it operates; but other than that no formalised annual evaluation process has yet been established for individual Directors given the small size of the Board.

Details of Committee meeting attendances are set out in the Directors' Report section of the Company's Annual Report. Minutes of all meetings are provided to the Board and its chair reports to the Board after each Committee meeting.

The Company also complies with the Recommendations for Directors in relation to independent professional advice, information access and contact with the Company Secretary.

The Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of Jumbo. However, they must first request approval from the Chairman, which must not be unreasonably withheld. If withheld then it becomes a matter for the whole Board.

The Company Secretary attends all Board and committee meetings, is responsible for monitoring adherence to Board policy and procedures, and is accountable on governance matters.

3. Promote ethical and responsible decision-making

In Principle 3 the Council states that companies should “*actively promote ethical and responsible decision-making*”. To this end, Jumbo has formally adopted a [Code of Conduct](#) covering Directors and officers. The Code is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately, and ethical matters such as acting with integrity, exercising due care and diligence in fulfilling duties, acting in the best interests of the Company and respecting the confidentiality of all sensitive corporate information. If a Director or officer becomes aware of unlawful or unethical behaviour by anyone in the Company then he is obliged under the Code to report such activities to the Chairman.

The Board has also recently approved a [Whistleblower Policy](#) pursuant to which employees who have genuine suspicions about improper conduct feel safe to report it without fear of reprisal.

In addition, Directors recognise the legal obligations relevant to their role and the reasonable expectations of shareholders, other stakeholders and the wider financial community.

The Company realises the benefits that can arise to the organisation from diversity in the workplace covering gender, age, ethnicity and cultural background and in various other areas. So, the Board has recently established a [Diversity Policy](#) which details the Company’s approach to promoting a corporate culture that embraces diversity when selecting and appointing its employees and Directors.

This Policy outlines the need for the Board to establish measurable objectives for achieving gender diversity throughout the Company over the longer term, and progress towards achieving them will be assessed annually by the Board and disclosed in future Annual Reports. In this regard, the Company already has one woman in senior management and, until recently, one of the Directors was a woman.

Jumbo also has a documented [Share Trading Policy](#) for Directors, key management personnel and other staff and consultants which was revised in December 2010 and released on the ASX. The Policy prohibits Directors and other persons from dealing in the Company’s securities during stated ‘closed’ and ‘prohibited’ periods and whilst in possession of price sensitive information. Otherwise, those persons may generally deal in securities during stated ‘trading windows’ and at other times provided they obtain the prior consent of the Board Chairman (or, in the case of the Chairman himself, from the chair of the Audit Committee).

The Board will ensure that restrictions on dealings in securities are strictly enforced.

4. Safeguard integrity in financial reporting

The Council states that companies should “*have a structure to independently verify and safeguard the integrity of their financial reporting.*” Jumbo has an established Audit Committee which operates under an [Audit Committee Charter](#). The role of this committee is to ensure the truthful and factual presentation of the Company’s financial position and to monitor and review on behalf of the Board the effectiveness of the Company’s control environment, reporting practices and responsibilities in the areas of accounting, risk management and compliance. To assist this process, as required by Section 295A of the Corporations Act, the CEO and the Chief Financial Officer must certify to the Board in writing that the Company’s financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards.

The committee’s Charter includes information on procedures for the selection and appointment of the external auditor and rotation of the engagement audit partner. The external auditor is required to attend the Company’s Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

In accordance with the Council’s Recommendations the Audit Committee’s Charter requires it to have three non-executive Directors, with a majority being independent, which has been the case until recently. However, currently it has only two members, being the non-executive Directors, Bill Lyne (as chair) and David Barwick, both of whom have strong finance and accounting backgrounds, experience and appropriate technical expertise. The qualifications of the Committee and meeting attendances are set out in the Directors’ Report section of the Company’s Annual Report.

Minutes of all Committee meetings are provided to the Board and its chair also reports to the Board after each Committee meeting.

5. Make timely and balanced disclosure

In this Principle the Council states that companies should “*promote timely and balanced disclosure of all material matters concerning the company.*” Jumbo is committed to the promotion of investor confidence by ensuring that trading in the Company’s securities takes place in an informed market. And to assist compliance with continuous disclosure requirements under the ASX Listing Rules, the Company has a [Continuous Disclosure Policy](#) in place to ensure that material price sensitive information is identified, reviewed by management and disclosed to the ASX and published on the Company’s website in a timely manner. The CEO is accountable for compliance with this policy.

In addition, all changes in Directors’ interests in the Company’s securities are promptly reported to the ASX in compliance with Section 205G of the Corporations Act and the ASX Listing Rules.

The Company’s Annual Report is also used to keep investors informed, particularly in its review of operations and activities.

6. Respect the rights of shareholders

In Principle 6 the Council states that companies should “*respect the rights of shareholders and facilitate the effective exercise of those rights*”. Jumbo supports its desire to provide shareholders with adequate information about the Company and its activities through a published [Communications Policy](#). It is also committed to electronic communications through its website, www.jumbointeractive.com, which provides access to all recent ASX announcements, shareholder updates, boardroom broadcasts, notices of meetings, explanatory memoranda, annual reports and key contact details, as well as comprehensive information about the Company and its products and operations. Shareholders and other interested parties may sign up to receive email notification of all ASX releases and other important announcements.

Company general meetings also represent a good opportunity for shareholders to meet with, and ask questions of, the Board of Jumbo and all shareholders are notified of such meetings and encouraged to attend.

As part of the Company’s management of investor relations the CEO does, at times, also undertake briefings with investors and analysts to assist their understanding of the Company and its operations, and provide explanatory background and technical information.

7. Recognise and manage risk

In this Principle the Council states that companies should “*establish a sound system of risk oversight and management and internal control*”. Jumbo maintains documented policies for identifying, assessing and monitoring risk, summarised in a [Risk Management Policy](#). Through the Audit Committee the Company monitors key business and financial risks, taking into consideration their likelihood and impact, and reviews and appraises risk control measures.

The CEO and senior executives have operational responsibility for risk management through Board approved guidelines. Some of these measures include formal authority limits for management to operate within, policies on treasury-related risk management, an information technology plan and a business continuity plan. The CEO reports to the Board on any departures from policy or matters of concern that might be seen as or become material business risks.

In addition, the CEO and CFO are required to state in writing annually to the Board that to the best of their knowledge the integrity of the Company’s risk management, internal control and compliance systems are sound and such systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

8. Remunerate fairly and responsibly

The Council’s final Principle states that companies should “*ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear*”. To this end the Board has established during the year a Nomination & Remuneration Committee, as noted above under Principle 2.

The Board considers that the Committee members are sufficiently qualified to consider and decide on remuneration matters. However, external professional advice may be sought from experienced consultants where appropriate to assist in their deliberations.

Non-executive Directors' remuneration is reviewed periodically with reference to comparable businesses and the trend in Directors' fees generally, with the object of ensuring maximum stakeholder benefit from the retention of an effective Board. Shareholders, at the Company's AGM, determine any increase in the aggregate fees payable to non-executive Directors, but it is those Directors who decide amongst themselves the split of such remuneration. The current maximum annual aggregate remuneration which can be paid to all non-executive Directors is \$250,000, last approved by shareholders in October 2009. In addition, shareholders have approved share option incentives for the non-executive Directors.

The CEO's remuneration is based on a fixed amount and may include short term incentives (calculated on audited figures) linked to the Company's financial performance and share options provided as long term incentives. The base amount is designed to attract and retain an appropriately qualified and experienced CEO, and any incentive element is to reward him for his contribution towards the Company's success.

Other senior executives are offered remuneration packages necessary to attract and retain appropriately qualified key personnel as well as being commensurate with the skill and attention required to manage an organisation of the size and scope of the Jumbo group as it is today and taking into account its plans and forecasts into the future. In addition, the Company has an Employee Option Plan in place and from time to time has granted options to deserving staff as a reward for performance. However, the Board prohibits transactions by executives which might limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Further information about the Jumbo remuneration policy, along with details of all emoluments of Directors and key management personnel can be found in the Remuneration Report section of the Directors' Report in the Company's Annual Report. There are no separate retirement benefits for non-executive Directors, other than statutory superannuation.