

THE INSYNC SURVEYS REVIEW

2 May 2011

Dear Staff

I am writing to you as a follow up to the staff meeting last Friday during which the results of the cultural review were presented and the plan moving forward was outlined.

As you are aware, earlier this year the Board of Directors commissioned an independent review of the workplace culture and anonymous claims of bullying at VMIA. The review was recently completed by Insync Surveys (Insync) and the results were presented to the Board last Thursday.

All VMIA employees were invited to participate in the review. Ninety per cent of current employees and 27 former employees participated in confidential interviews as part of the Insync review. This is an excellent participation rate and on behalf of the Board, I would like to thank everyone who was involved in the process. I can assure you the Board has listened and we place the utmost importance on the views expressed during the review.

The overall finding of the Insync review is there is not a culture of fear or intimidation at VMIA, although there have been instances of bullying and other counter-productive behaviour.

In their interviews with Insync, around 20 per cent of employees described having experienced situations which appear to meet the definition of workplace bullying. Insync did not have the authority to conduct a full investigation of individual cases but the most common situations described by the employees interviewed involved unjustified criticism or complaint. Another 20 per cent of employees interviewed reported experiencing other instances of counter-productive behaviour at VMIA. Insync characterised the examples of negative workplace behaviour reported in the interviews as moderate in terms of frequency and severity, although this is not to downplay the impact on the individuals who experienced them.

The Board will not tolerate bullying and together with the VMIA Executive team we will be addressing the issues identified in the Insync review.

VMIA has been through a period of transformational change in recent years as the organisation has taken on new responsibilities and strengthened its commercial focus. This process of change has resulted in some important successes in terms of financial performance and client service levels. We were pleased to see many employees said in their interviews with Insync that they were proud of VMIA's achievements. Nonetheless, the Insync review also suggests, despite investments by VMIA in people and systems, the impact of the changes has at times been disruptive and stressful for a number of staff.

VMIA's Chief Executive Officer, Steve Marshall, and the Executive team are committed to building overall employee trust and engagement. The Executive have been tasked by the Board to work with you to develop a comprehensive plan to improve the organisation's workplace culture.

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Building on the Insync review and the numerous positive suggestions we have received from employees in the review process, this plan will address the following areas:

1. Changing the organisation's management style to be more people focused, including the provision of training and mentoring to the Executive to support this transformation.
2. Appointing a change management expert with a dual reporting line to the CEO and the Board to guide the cultural change program.
3. Appointing a new General Manager HR.
4. Establishing a best practice model for handling grievances.
5. Reaffirming our organisational values and linking them to desired workplace behaviours.
6. Improving practices and processes of recruitment, retention and performance management.
7. Strengthening the linkage between performance in workplace culture and the individual Key Performance Indicators of the Executive team.
8. Improving communication across the organisation in order to reduce silos.
9. Increasing the transparency and granularity of the people issues reported to the Board.
10. Ongoing Board reporting mechanisms relating to workplace culture, including independent reviews of the workplace culture in the next six and 12 months and director participation in opt-out exit interviews for employees leaving the organisation.

The Board and Executive understand that in order to be an effective organisation we need to create a working environment where VMIA employees feel secure, valued and empowered. We are confident that by working with staff to develop and implement the above cultural change program we will make some significant progress in building a positive workplace at VMIA. Such a major cultural change program will take some time to realise, but it will be a top priority for the organisation.

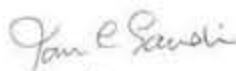
As you know Robert Ray stepped down as Chairman last Friday. He originally resigned in January this year, but the incoming Minister for Finance asked him to extend his role until the end of April. I am now the acting Chairman of the Board.

I would like to take this opportunity to thank Robert for his contribution as Chairman over the past 14 months as the organisation has continued to improve and deliver strong results in its core business of insurance and risk management and to wish him well in his future pursuits.

The project of overseeing improvement in the workplace culture at VMIA will be continued by the rest of the Board, led by me as acting Chairman, and Joan Fitzpatrick, Director and Chair of the Remuneration and Capability Committee.

I would like to reiterate our thanks to the great number of current and former VMIA employees who participated in the review. If you have any questions or feedback on the Insync review and our change management program, I would encourage you to raise them with the Executive team.

I have no doubt the organisation will go from strength to strength in the coming years and continue to do great work in the protection of Victoria's State-owned assets and achieving excellence in risk management for the benefit of all Victorians.



Ian Gaudion
Acting Chairman

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