

Corporate Governance

INTRODUCTION

This statement outlines the key corporate governance practices approved by the Board of Eureka Group Holdings Ltd (“the Group”) and to which the Board collectively and the Directors individually are committed. This statement includes commentary on the Board’s response to the ASX Corporate Governance Principles and Recommendations, 3rd Edition (“ASX Recommendations”).

PRINCIPLE 1

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Functions and Responsibilities of the Board

The Board will at all times fulfill its overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, and in the long term interests of shareholders as a whole. The Board is responsible for the review and approval of the strategic direction of the Group and for the oversight and monitoring of its business and affairs. In addition, it is responsible for those matters reserved to it by law and reserves to itself the following matters and all power and authority in relation to those matters:

- The overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Oversight of the Group including its control and accountability systems;
- Monitoring Executive Management’s performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, investments, acquisitions and divestments and treasury functions;
- Approving and monitoring financial performance and other regulatory reporting; and
- The issue of any shares, options, equity instruments and other securities in the Company.

To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate.

The Board conducts periodic reviews of its performance and professional development. During the 2016 Financial Year the Board’s review of its performance focused on the matrix of skills required at Board level.

The Board is going through a process of renewal and board development to align its composition more closely with the skills matrix and with the ASX Recommendations on board composition.

PRINCIPLE 2

STRUCTURE THE BOARD TO ADD VALUE

The composition of the Board is determined according to the following principles:

- The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business (See Director Profiles);
- The Board believes that 5 Directors is an appropriate number. This may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified.

The Board does not currently reflect the ASX Recommendations that:

- The Chair be an independent non-executive director; and

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- A majority of Directors be independent.

The Board appointed Robin Levison initially as a non-executive Chair and then as Executive Chair. The change to Executive Chair reflected the Group's lack of a CEO/MD and the increased time demands on Mr Levison in connection with the Group's capital raising, investor relations activities and growth aspirations. There are 2 other Executive Directors, with the roles of Head of Real Estate and Chief Operating Officer. The Group has one Independent Director in Nirmal Hansra and one other non-executive Director out of a total of five directors.

The Board has instructed the Nomination and Remuneration Committee to undertake a search for a CEO & Managing Director and for an additional independent director.

The Board hopes to have completed or be well advanced in this process by the time of the AGM.

The Board proposes that

- the Chair will transition back to a non-executive role on appointment of a suitable CEO/Managing Director, and
- following the recruitment of a CEO/Managing Director, the Executive Directors over time will transition to purely management roles reporting to the Managing Director or non-executive director roles.

Each Director has the right to seek independent legal or other professional advice at the Company's expense. Prior approval from the Chair is required.

Committees

The Board may establish Committees to assist it in carrying out its function and for its effective and efficient performance, and will adopt a charter for each Committee established dealing with the scope of its responsibility and relevant administrative and procedural arrangements. Best practice guidelines issued by the ASX recommend the establishment of formal Audit, Risk, Nomination and Remuneration Committees.

The Board has established an Audit & Risk Committee and a Nomination and Remuneration Committee. Each is chaired by Nirmal Hansra, who is an Independent Director.

Each Committee is governed by a charter (available on the Company's website) which sets out matters relevant to the composition and responsibilities of these Committees,

PRINCIPLE 3

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Standards and Values

All Directors and Officers of the Company must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group and act in accordance with the long-term interests of the Group and its Shareholders. The Directors must comply with the Board Charter which specify the Code of Ethics to be applied in the exercise of their duties.

The Board has adopted a Diversity Policy that outlines the objectives in relation to gender, age, cultural background and ethnicity. The policy considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the Company, education programs to develop skills and experience in preparation for Board and senior management positions and processes to include review and appointment of directors. The Company promotes an inclusive workplace where employee differences in areas like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience that the Group's employees bring to the table encourage creativity and innovation in thought that better represents the Group's diverse customer base, ultimately driving improved business performance.

The policy does not currently include measurable objectives for achieving gender diversity as the Group has always had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. This is evidenced by the proportion of women employees in the Group as at 30 June 2016:

Women on the board	0%
Women in senior executive positions	0%
Women in the organisation	65%

Responsibility for diversity has been included in the Board Charter and the Nomination and Remuneration Charter.

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Dealings in Securities

The Constitution permits Directors to acquire Securities in the Company. Directors may only deal in, or procure the dealing in Securities in accordance with the Share Trading Policy (available on the Company's website).

PRINCIPLE 4

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Audit & Risk Committee is established by the Board to assist it and report to it in relation to the matters with which it is charged with responsibility. The role of the Audit & Risk Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Audit & Risk Committee has responsibility for reviewing the risk management framework and policies within the Group and monitoring their implementation. Details of meetings and members are provided in the annual report.

The Audit & Risk Committee currently has 2 members:

- Nirmal Hansra (independent director) (Chair of Committee) and
- Lachlan McIntosh (non-executive director)

Mr Robin Levison (executive Chair of the Board) has a standing invitation to attend the Audit & Risk Committee meetings, as his accounting qualifications are important to the functions of this Committee. The blend of experience and skills assembled on the Committee is considered appropriate for the Group at this stage of its development.

The Executive Directors and Chief Financial Officer provide a statement to the Board half yearly to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Financial Reporting

The external auditors are selected according to criteria set by the Audit & Risk Committee which include most significantly:

- The lack of any current or past connection or association with the Group or with any member of Senior Management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Group;
- Their general reputation for independence and probity and professional standing within the business community; and
- Their knowledge of the industry within which the Group operates.

Audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Group.

The Board approves an annual budget prepared by Management and reviewed and commented on by the Audit & Risk Committee. Actual results, including profit and loss statement, balance sheet and cash flow statement, are reported on a monthly basis against budget, and revised forecasts for the year are prepared regularly.

Price Sensitive Information, and generally all information reasonably required by an investor to make an informed assessment of the Group's activities and results, is reported to the ASX in accordance with continuous disclosure requirements, which are considered as a standing agenda item at each regular meeting of the Audit & Risk Committee as well as of the Board.

Quality and Integrity of Personnel

The Company's policies are detailed in the Group Operating Policies and Procedures Manuals which are issued to all staff members as part of employment and induction training. Formal appraisals are conducted at least annually for all employees.

Investment Appraisal

The Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal, and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Operating Unit Controls

Financial controls and procedures, including information systems controls are detailed in the Group Operating Policies and Procedures Manuals.

PRINCIPLE 5

MAKE TIMELY AND BALANCED DISCLOSURE

The Board understands and respects that prompt disclosure of price sensitive information is integral to the efficient operation of the ASX's securities market and complies with guideline of continuous and ongoing disclosure. Such disclosures are made through the ASX and also shown on the Company's website in a regular and timely manner.

PRINCIPLE 6

RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders through the distribution of financial reports, announcements through the ASX and a comprehensive website. Shareholders are encouraged to attend the Annual General Meeting at which the Board through the Chair provides a business update. The Company's auditors are also present at this meeting to answer shareholders' questions.

PRINCIPLE 7

RECOGNISE AND MANAGE RISK

The Board and Management clearly recognise that the Group's continued growth and success is dependent on responsibly managing its risks.

The Board and Management are responsible for the identification of significant business risks and review of the major risks affecting each business segment and development of strategies to mitigate these risks. Major business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.

The Executive Directors and Chief Financial Officer provide a statement to the Board to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board bears ultimate responsibility for setting the Group's risk appetite and satisfying itself that the Group's risk management framework is effective.

PRINCIPLE 8

REMUNERATE FAIRLY AND RESPONSIBLY

The Group is committed to ensuring that it has both competitive remuneration practices and sound remuneration policies that offer appropriate and fair rewards and incentives in order to attract, motivate and retain key staff.

The Board remunerates its Directors and Executives consistent with the size of the Group and market rates. The remuneration of Directors and Executives is fully disclosed in the annual report.

The Board has established a Nomination and Remuneration Committee that operates under its Board approved charter.

The Nomination and Remuneration Committee currently has 2 members:

- Nirmal Hansra (independent director) (Chair of Committee) and
- Lachlan McIntosh (non-executive director)

Adopted by the Board on 24 August 2016

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