

Corporate Governance Statement

Ashley Services Group Limited
ACN 094 747 510

Current as is and approved by the Board on 31 August 2017

Corporate Governance Statement

Introduction

The practice of good corporate governance is vital in enhancing investor confidence in corporate accountability by demonstrating a commitment to transparency. Ashley Services Group Limited (**Company**) is committed to the principles of corporate governance.

The ASX Corporate Governance Council (**Council**) was first convened in August 2002 bringing together various business, shareholder and industry groups, each offering valuable insights and expertise on governance issues from the perspective of their stakeholders. Its primary work has been the development of the Corporate Governance Principles and Recommendations which were initially issued in 2003, then in 2007 (substantial re-write) and again in 2010.

Following another comprehensive review, a 3rd edition of Corporate Governance Principles and Recommendations ('ASX Recommendations') was issued in 2014 with an application for entities whose first full financial year started on or after 1 July 2014 ie: the year ending 30 June 2015.

The ASX Recommendations are intended to be a reference point for companies about their corporate governance structures and practices. A company may choose not to implement certain ASX Recommendations, provided that the company explains why it has not done so and what alternate approaches have been adopted.

The ASX Recommendations require companies to communicate their corporate governance practices through both the Annual Report and the company web page. This summary of our corporate governance practices forms part of this communication.

The relevant ASX Recommendations reference has been included below each point of this summary.

Board

Introduction

The role of the board (Board) is to oversee the management of the Company as well as provide strategic guidance. We have adopted a Board Charter (Charter) that is available on the company's website that formally sets out the functions and responsibilities of the Board, with the objective of the Board being able to perform its role more effectively. This creates a system of checks and balances to provide a balance of authority.

Responsibilities

The responsibilities of the Board, as set out in the Charter, include:

- Approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- ensuring the Directors inform themselves of the Company's business and financial status;
- establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- determining dividend policy and the amount, nature and timing of dividends to be paid (if any);
- approving and monitoring the progress of major capital expenditure, capital management and major acquisitions and divestitures;
- providing oversight of the Company, including its control and accountability systems;
- establishing written policies on compliance, risk oversight and management;
- assessing and determining whether to accept risks beyond the approval discretion provided to management;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control codes of conduct and legal compliance, in conjunction with the Company's Audit and Risk Management Committee, and ensuring they are operating effectively;
- appointing and removing the Managing Director (or equivalent) (**MD**), monitoring performance and approving remuneration of the MD and the remuneration policy and succession plans for the MD, where applicable and appropriate;
- ratifying the appointment of the Directors and, where appropriate or applicable, the Company's secretary (**Secretary**);

- ensuring that business risks facing the Company are, where possible, identified and that appropriate
- monitoring and reporting internal controls are in place to manage such risks; approving and monitoring financial and other reporting and disclosure, including the Company's budgets;
 - ensuring the Company complies with its responsibilities under the *Corporations Act 2001* (Cth), the Company's Constitution, the ASX Listing Rules and other relevant laws;
 - considering the Company's diversity policies (as set out in the Diversity Policy) and ensuring that the Company's workforce, including its Board of Directors, is made up of individuals with diverse skills,
 - values, backgrounds and experience to the benefit of the Company.
 - considering the social, ethical and environmental impact of the Company's activities, setting standards and monitoring compliance with the Company's sustainability policies and practices;
 - exercising due care and diligence and sound business judgment in the performance of those functions and responsibilities;
 - providing oversight and monitoring of Occupational Health & Safety (**OH&S**) issues in the Company and considering appropriate OH&S reports and information; and
 - ensuring appropriate resources are available to senior executives (including senior and key officers of the Company) (**Senior Executives**).

The responsibilities delegated by the Board to the Senior Executives include:

- managing day-to-day operations in accordance with the standards for social and ethical practices which have been set by the Board; and
- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives.

(ASX Recommendation 1.1)

Directors and Secretary

The Chair of the Board and Managing Director are separate roles assumed by Ian Pratt and Ross Shrimpton respectively. Ian Pratt is a non-executive Director.

(ASX Recommendation 2.5)

Independent Directors

A Director is deemed to be independent if they are a non-executive Director and:

- is not a substantial shareholder;
- is not employed in an executive capacity currently or within the Company in the last 3 years;
- is not a material consultant to the Company currently or within the last 3 years;
- is not a material supplier or customer of the Company;
- has no material contractual relationship with the Company;
- has not served on the Board for a period which could materially interfere with their ability to act in the best interests of the Company; and
- is free from any interest which could materially interfere with their ability to act in the best interests of the Company.

We assess the materiality thresholds referred to above on a case-by-case basis, the results of which are disclosed in the table below.

The current board is 33% independent and comprises 33% non-executive/67% executive Directors. The company is satisfied it has the appropriate blend of skills and experience on the Board and its Committees to oversee all matters presented.

| Name of Director | Independent? Y/N | Any relationship affecting independence? | Skills and experience relevant to the position | Term of office |
|------------------|------------------|---|--|----------------------------|
| Ian Pratt | Y | No | Accounting and Finance, Governance | 1 October 2015 - present |
| Ross Shrimpton | N | Managing Director and Substantial shareholder | Strategy, management, training and labour hire industry expertise. | 12 October 2000 – current. |
| Chris McFadden | N | Executive Role (CFO) | Strategy, management, accounting and finance expertise. | 13 January 2017 - present |

(ASX recommendations 2.2, 2.3, 2.4)

The Board does not currently have a majority, independent Directors and accordingly, the company does not comply with Recommendation 2.4.

The company is satisfied, given its size and operations, that it has the appropriate blend of skills and experience on its Board (and Committees, to meet its current requirements.

The Board and Nomination Committee regularly review the blend of the skills and balance of board and Committee members and resolved in the 2017 financial year to assess the future requirements in the 2018 financial year.

This recruitment process for any Director includes numerous reference checks, a bankruptcy checks and criminal record (all states and territories of Australia and the AFP) check of any candidates offered roles and to be put forward to shareholders for election as a Director. In addition, shareholders are provided with all relevant information, when resolutions concerning Director's appointment are to be put to them.

All Directors (and senior management roles) have written agreements that set out, inter alia, the terms of their respective employment. Further, all new Directors undertake a detailed induction programme that covers inter alia, company history and information, policies and procedures and ASX requirements. In addition, the Nomination Committee considers training and professional development requirements of Directors.

The company is satisfied it has the appropriate blend of skills and experience on the Board and its Committees to oversee all matters presented.

(ASX Recommendations 1.2(a), 1.3 and 2.6)

Secretary

Ron Hollands was appointed company secretary 31 July 2014. Ron is a qualified Chartered Accountant and holds a Bachelor of Business from University of Technology, Sydney, and an MBA from MGSM and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

He is an experienced public company secretary and is well versed in all aspects of the role in an ASX listed public company environment.

Ron Hollands is accountable to the Board and its Committees via the respective Chairman on all matters to do with the proper function of the Board and its Committees.

(ASX Recommendation 1.4)

Establishment and Composition of Committees

| Member | Nomination Committee | Audit and Risk Management Committee | Remuneration Committee |
|----------------|----------------------|-------------------------------------|------------------------|
| Ian Pratt | X | X | X |
| Ross Shrimpton | X | X | X |
| Chris McFadden | X | X | X |

Ian Pratt is chair of all three (3) Committees and is considered an Independent Director (refer above).

Ian Pratt is the most appropriate of all Directors however to chair this Committee given his 40+ years' experience as a Chartered Accountant and his expertise with ASX listed public companies.

The qualifications and experience of all Committee members are disclosed in the Annual Report.

The company is satisfied it has the appropriate blend of skills and experience on its Committees to oversee all matters presented.

The Board has established the following committees:

- (1) Nomination Committee – to deal with the appointment and removal of the Company's Directors.

The Company does not comply with all aspects of Recommendation 2.1 (a) in that the majority of the members of the Nomination Committee are not Independent Directors.

The company is satisfied, given its size and operations, that it has the appropriate blend of skills and experience on its Board (and Committees, to meet its current requirements.

(ASX Recommendation 2.1)

- (2) Audit and Risk Management Committee – to protect the integrity of financial reports

The Company does not comply with ASX Recommendations 4.1 (a) and 7.1 (a) in that the majority of the members of the Audit and Risk Management Committee are not Independent Directors.

(ASX Recommendations 4.1 and 7.1)

- (3) Remuneration Committee – to ensure that the Company remunerates fairly and responsibly.

The Company does not comply with ASX Recommendations 4.1 (a) and 7.1 (a) in that the majority of the members of the Audit and Risk Management Committee are not Independent Directors.

(ASX Recommendation 8.1)

Attendance at Committee Meetings

| Member | Nomination Committee (1 meeting held in 2016/17) | Audit and Risk Management Committee (5 meetings held in 2016/17) | Remuneration Committee (4 meetings held in 2016/17) |
|-----------------|---|---|--|
| Ian Pratt | 1 | 5 | 4 |
| Ross Shrimpton | 1 | 5 | 4 |
| Marc Shrimpton | 1 | 4 | 3 |
| Stewart Cummins | N/A | N/A | N/A |
| Chris McFadden | 0 | 1 | 1 |

Note:

1. Stewart Cummins was not a member of any Committees and resigned as a Director on 26 September 2016.
2. Chris McFadden was appointed a Director on 6 April 2017 and is a member of all the above Committees.
3. Marc Shrimpton was a member of all the above Committees until his resignation as a Director on 20 April 2017.
4. Board and Committee Meetings held during the period and meetings attending by Directors and Committee Members are disclosed in the 2017 Annual Report.

(ASX Recommendations 2.1, 4.1, 7.1 and 8.1.)

Appointment and Removal of Directors

Nomination Committee

The Nomination Committee regulates the tenure, size and composition of the Board. Below is a summary of the Nomination Committee's role and responsibilities, structure and membership requirements.

Members

Members of the Nomination Committee are appointed and removed by the Board. Members of the Nomination Committee must have an appropriate level of understanding of:

- the principles of corporate governance;
- the Company's businesses and organisation structure;
- the functions of the Board and the various roles and responsibilities of Directors and other key executive positions; and
- Company management, at a senior management level.

Responsibilities

Responsibilities of the Nomination Committee include:

- recommendations for the appointment and removal of Directors;
- assessing Director competencies;
- evaluating the Board's performance; and
- review of Board succession plans.

Meetings

The Nomination Committee will meet as frequently as required and at least twice a year. Any member of the Nomination Committee may call a meeting. A quorum at such meetings consists of at least 2 members.

Charter

The Nomination Committee Charter is available for viewing on the company's website.

(ASX Recommendation 2.1 (a))

Appointing new Directors to the Board

Nominations for new Directors are made by the Nomination Committee and considered by the Board. Assessment criteria include background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities.

All newly appointed Directors who are appointed by the Board must stand for election by shareholders at the next annual general meeting.

Independent advice

In order to facilitate independent judgment in decision making, each Director has the right to seek independent professional advice at the Company's expense.

Financial reporting

An Audit and Risk Management Committee has been established by the Board to protect the integrity of financial reports. The importance of an Audit and Risk Management Committee is universally recognised in the practice of good corporate governance and plays a key role in focussing the Board on matters relevant to the integrity of financial reporting.

(ASX Recommendations 4.1 and 7.1)

Charter of the Audit and Risk Management Committee

The charter of the Audit and Risk Management Committee sets out its role and responsibilities, structure and membership requirements. The Audit and Risk Management Committee Charter can be viewed on the company's website.

Responsibilities

The responsibilities of the Audit and Risk Management Committee includes:

- (a) reviewing the integrity and the effectiveness of the internal audit;
- (b) overseeing the independence of the external auditors; and
- (c) the management of operational risk.

Meetings

The Audit and Risk Management Committee will meet as frequently as required and at least twice a year. Any member of the Audit and Risk Management Committee may call a meeting. A quorum at such meetings consists of at least 2 members.

Expertise

Every member of the Audit and Risk Management Committee can read and understand financial statements and at least 1 member is a qualified accountant or other financial professional with experience in financial and accounting matters.

Reporting

The Audit and Risk Management Committee reports to the Board at the first Board meeting subsequent to each Audit and Risk Management Committee meeting. Each report contains all matters relevant to the Audit and Risk Management Committee's role and responsibilities.

(ASX Recommendations 4.1(a) and 7.1 (a))

External Auditing and Internal Audit

The Audit and Risk Management Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and the terms of their engagement. The Audit and Risk Management Committee annually reviews the performance of the external auditors and the Company's policy on maintaining the independence of the external auditor. The independent external auditor reports directly to the Audit and Risk Management Committee and Board.

The independent external auditor is invited to attend all Annual General Meetings and is available to answer questions from shareholders concerning their annual audit.

(ASX Recommendation 4.3)

The Audit and Risk Management Committee resolved in establish an Internal Audit function in the year ended 30 June 2015. Following a tendering process, it was agreed to appoint Pricewaterhouse Coopers (PWC) for a 3 year period as the company's internal auditor. PWC worked with management to identify key risks and will conduct testing in these areas and report on the completion of their work.

It was decided however in the 2016 financial year to temporarily suspend PWC's work. The Committee is satisfied that amongst its members and with management input, they have the requisite skills and experience to adequately periodically assess risks and rectify and material threats to the company.

(ASX Recommendation 7.3)

Risk Management Policy

In order to recognise and manage risk, we have established an internal compliance system under which risk is identified, assessed, monitored and managed. This structure is designed and implemented by the Audit and Risk Management Committee as one of its key responsibilities is to oversee the establishment and implementation of the risk management system.

All material risks affecting the Company, including both financial and non-financial matters, are considered and reviewed regularly by the Audit and Risk Management Committee.

Assessment of effectiveness

The effectiveness of the risk management system is reviewed by the Audit and Risk Management Committee at least annually.

A part of this system of assessment is the establishment of an internal audit function whose purpose is to analyse the effectiveness of the Company's risk management and internal compliance and control system. The internal audit function is independent of the external auditors and reports to management.

In order to create an environment for identifying and capitalising on opportunities, the Board has established a sound system of risk oversight and management. To encourage management accountability in this area, the Senior Executives are required to design and implement the risk management and internal control system to manage the Company's material business risks and report on whether those risks are being managed effectively.

The Audit and Risk Management Committee makes best endeavours to review the company's risk management framework at least annually to satisfy itself that it continues to be sound.

No review of the company's risk management framework occurred in the year ended 30 June 2017 nor was this disclosed the 2017 Annual Report. The Committee is satisfied that amongst its members and with management input, they have the requisite skills and experience to adequately periodically assess risks and rectify and material threats to the company.

Accordingly, the company did not comply with Recommendation 7.2.

(ASX Recommendation 7.2)

MD and CFO assurances

Both the MD and CFO are required to provide written assurances to the Board that the financial reports submitted to the Board present a true and fair view of the Company's financial position and operational results and that the Company's risk management and internal compliance and control system is operating efficiently and effectively.

(ASX Recommendation 4.2)

In the Annual Report, the company will disclose, if applicable and appropriate, whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages/intends to manages those risk.

(ASX Recommendation 7.4)

Remuneration and performance

Summary of performance evaluation

The performance of the Board and Senior Executives is reviewed regularly against both quantitative and qualitative measures to ensure that the Directors and Senior Executives obtain adequate feedback on the discharge of their responsibilities.

Disclosure is made concerning each reporting period in the Annual Report, whether a performance evaluation of the board was undertaken in the respective reporting period. Senior Executive performance was reviewed in the 2017 financial year but Board and Director performance was not.

Further, the Annual Report will disclose the process used for evaluating the performance of senior executives and whether it was undertaken in the period reported.

(ASX Recommendations 1.6 and 1.7)

Remuneration policy

The remuneration policy is designed to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration is intimately connected to performance and is intended to be appropriate for the results delivered. The Company's policies are designed to attract and maintain talented and motivated Directors and employees as well as raising the level of performance of the Company.

(ASX Recommendation 8.2)

The Board has the discretion to reward eligible employees with the payment of bonuses, share options and other incentive payments. These incentive payments are designed to link rewards to performance and are determined by both financial and non-financial imperatives.

The company does not permit participants in equity based remuneration schemes to enter into transactions which limit the economic risk or participating in the scheme.

(ASX Recommendations 8.2 and 8.3)

Amounts of remuneration of 5 highest paid executives and non-executive Directors are disclosed in the 2017 Annual Report.

It is recommended that the remuneration packages of non-executive Directors are generally fee based. Non-executive Directors do not participate in the schemes designed for the remuneration of executives, nor do they receive options, bonus payments or any retirement benefits other than statutory superannuation.

(ASX Recommendation 8.2)

Remuneration Committee

The role of the Remuneration Committee is to review the remuneration policies and practices of the Company to ensure that the Company remunerates fairly and responsibly. Such policies are designed to attract and retain talented and motivated Directors.

The members of the Remuneration Committee have an appropriate understanding of the principles of corporate governance, the disclosure requirements under the *Corporations Act 2001* (Cth) (**Act**) and the complexities involved in negotiating and determining executive remuneration packages.

Responsibilities

The Remuneration Committee's responsibilities include providing the Board with advice and recommendations relating to:

- the executive remuneration policy;
- the non-executive remuneration policy;
- remuneration packages for executive Directors and Senior Executives;
- merit recognition arrangements; and
- termination arrangements.

Meetings

The Remuneration Committee will meet as frequently as required and no less than twice a year. Any member of the Remuneration Committee may call a meeting. A quorum for a Remuneration Committee meeting consists of at least 2 members.

Charter and remuneration policies and practices

The Remuneration Committee Charter is available for viewing on the company's website.

The company discloses in its Annual Report its policies and practices concerning non-executive Director remuneration and remuneration of executive Directors and other senior management. This includes any equity based remuneration scheme and that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

(ASX Recommendations 8.1, 8.2, and 8.3)

Code of Conduct

Summary of Code of Conduct (Code)

The Company seeks to be recognised as an organisation committed to the highest ethical standards in business. The Code provides an outline of the standards of ethical behaviour expected of Company Directors and key executives and provides for the accountability of unethical practices. A copy of the Code is available on the company's website

The conduct of the Directors and Senior Executives is governed by the following principles:

- responsibilities to shareholders and the financial community
 - the Company values communication with its shareholders, other stakeholders, and the public at large. Full, fair and timely disclosure of relevant information is made to shareholders and the ASX;
- employment practices
 - integrity and professionalism – to act honestly and with integrity in all dealings of the Company;
 - active compliance with the law;
 - achieving gender diversity set by the Board in accordance with the diversity policy (including the proportion of women employees in the whole organisation, women in senior executive positions and on the Board) – to disclose progress towards achieving them;
 - conflicts of interest – to fully disclose any matters which may lead to conflicts of interest; and

- confidential information – complying with the restrictions on the use of non-public information except where disclosure is either authorised or mandated by law;
- fair trading and dealing
 - the Company will not engage in anticompetitive practices that unlawfully restrict the free market economy.

As part of the active promotion of ethical behaviour any behaviour that does not comply with this Code must be duly reported. Protection will be provided for those who report violations in good faith.

(ASX Recommendation 3.1)

Policies

Summary of Shareholder Communication Policy

The Company's communications strategy (contained in the Shareholder Communication Policy) is designed to empower shareholders by giving them access to balanced and understandable information on the Company. The Company is required under the Act and the ASX Listing Rules to keep the market fully informed of all information that could materially effect the value of its securities.

Regular shareholder communication

The Company is committed to maintaining direct, open and timely communications with all shareholders. The use of electronic communication provides broader access to Company information by investors and stakeholders and a greater opportunity for more effective communication. It also provides improved access for shareholders who are unable to attend meetings.

At a minimum, the shareholder will receive the following;

- annual results (ordinarily announced in August);
- the Annual Report (ordinarily released in September)
- an invitation to the annual general meeting (AGM) and all accompanying papers (ordinarily scheduled to occur in October);
- any reports/other information disclosed at the AGM (ordinarily within a week of the occurrence of the AGM); and
- interim and half-yearly results (ordinarily released in February).

All the above information and all governance information is available on the company's website. The company's website is user friendly and easy to operate and encourages shareholders with any questions or concerns to ask and they will be assured of a prompt, detailed response.

LINK Market Services (company's share registry) provides postal and/or electronic transmittal of all company communications.

Part of the Company's communication strategy involves making it easier for shareholders to participate in general meetings. All shareholders will be invited to attend the AGM and the Chair's report will be forwarded to all shareholders.

The Company will also request that the external auditor attend the AGM and be available to answer shareholder questions about the audit as well as the preparation and content of the audit reports.

The Chair will encourage and seek concerns or questions from shareholders at the AGM.

(ASX Recommendations 4.3, 6.1, 6.2, 6.3 and 6.4)

Summary of the Continuous Disclosure Policy

The purpose of the Continuous Disclosure Policy is to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Company. Such information must be presented in a clear and balanced way to not omit any material information.

These policies are designed to ensure that the Company meets its continuous disclosure obligations under the ASX Listing Rules.

Type of information that needs to be disclosed

Listing Rule 3.1 states that any information that a reasonable person would consider having a material effect on the value of the Company's securities must be disclosed. Examples of such information include a change in revenue, asset values or significant transactions.

Disclosure Officer

The Board has appointed the Secretary to act as the disclosure officer (**Disclosure Officer**) to be responsible for communications with the ASX and to decide what information must be disclosed. The Disclosure Officer holds the primary responsibility for ensuring that the Company complies with its disclosure obligations.

In addition, the Directors, employees or consultants are all responsible for reporting price sensitive information that is not generally available to the Disclosure Officer.

Accountability

Contravention of the continuous disclosure obligations can result in a series of penalties under the Act ranging from civil penalties to criminal liability.

(ASX Recommendation 5.1)

Summary of the Diversity Policy

The purpose of the Diversity Policy is to assist the Company to achieve its objectives and deliver outcomes for its stakeholders, by enabling it to attract and retain the most qualified and experienced individuals to its workforce.

The Company aims to ensure that its workforce, including our board of Directors, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company.

The Policy applies to all Directors, Senior Executives, employees, whether full-time, part-time, casual or temporary, as well as to contractors and consultants.

The Policy sets out the guidelines by which the Company endeavours to increase diversity throughout the Company, including at Board level.

Statement of principles

The Company is committed to:

- equality of opportunity throughout the organisation;
- recruiting and retaining the best candidates for positions; and
- treating individuals with respect.

Board responsibilities

The Board is charged with establishing measurable objectives for achieving diversity, particularly gender diversity, within the Company and at the Board. The Board is to assess the performance of the Company annually in achieving the objectives, and review the objectives themselves annually.

The Board will consider diversity in the selection of board members and will consider the issue of diversity in developing its selection criteria and process for candidates for membership of the board.

Management responsibilities

Management is charged with achieving the diversity objectives by the Board and is responsible for reporting to the Board on the progress towards and the achievement of the diversity objectives.

Reporting

In its Annual Report, the Company will report on the objectives set by the Board and the Company's achievements or progress towards achieving those objectives. The Company will also report on the proportion of female women employees in the whole organisation, women in Senior Executive positions and women on the Board of the Company.

(ASX Recommendation 1.5)