

**Corporate Governance Statement**

**Ashley Services Group Limited**  
**ACN 094 747 510**

Current as is and approved by the Board on 16 August 2018

## Annexure A - 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 3<sup>rd</sup> 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 2018 - 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 2018 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.

The company annually in its Remuneration Report discloses its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The company will disclose whether or not it has an equity-based remuneration scheme that permits participants to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

**(ASX Recommendations 1.2(a), 1.3, 2.6, 8.2 and 8.3)**

**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:

Nomination Committee .  
Remuneration Committee  
Audit and Risk Management Committee

The Company does not comply with all aspects of Recommendations 2.1 (a), 4.1 (a) (1) and (2), 7.1 (a)(1) and 8.1 (a) (1) in that the majority of the members of the Committees are not Independent Directors and that Ian Pratt chairs to Board and the Audit and Risk management Committee.

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, 4.1,7.1 ,8.1)**

### **Attendance at Committee Meetings**

Member	Nomination Committee (1 meeting held in FY18)	Audit and Risk Management Committee (2 meetings held in FY18)	Remuneration Committee (2 meetings held in FY18)
Ian Pratt	1	2	2
Ross Shrimpton	1	2	2
Chris McFadden	1	2	2

Note:

1. Board and Committee Meetings held during the period and meetings attending by Directors and Committee Members are disclosed in the 2018 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:

- reviewing the integrity and the effectiveness of the internal audit;
- overseeing the independence of the external auditors; and
- 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.

Annually, before the Board approves Financial Statements, the CEO and CFO will make signed and written declarations that:

- the financial records for the financial year have been correctly maintained;
- the financial statements and notes for the financial year comply with the relevant accounting standards;
- the financial statements and notes for the financial year give a fair and true view of the financial position and performance of the Company; and
- any other matters in relation to the financial statements that are materially relevant;

***(ASX Recommendations 4.1(a), 4.2 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 to establish an Internal Audit function in the year ended 30 June 2015. Following a tendering process, Pricewaterhouse Coopers (PWC) were appointed 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.

The Company will annually disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

***(ASX Recommendation 7.4)***

### ***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 2018 nor was this disclosed the 2018 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)***

### ***Diversity and Board and Senior Executive Performance***

The company has a Diversity Policy which is available on its website. To date, the board or a committee have not set measurable objectives for achieving gender diversity and to assess annually both the objectives and the company's progress in achieving them.

The Company will annually provide information in its Annual Report on the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board of the Company.

Annually, the Company will submit its annual report to the Workplace Gender Equality Agency and confirm its compliance with the Workplace Gender Equality Act 2012 (Act).

### ***(ASX Recommendation 1.5)***

The performance of the Board and Senior Executives in the 2018 financial year has been reviewed against both quantitative and qualitative measures and Directors and Senior Executives provided feedback on the discharge of their responsibilities.

### ***(ASX Recommendation 1.6)***

### ***Continuous Disclosure***

The Company has a Continuous Disclosure Policy that is available on its website

### ***(ASX Recommendation 5.1)***

### ***Code of Conduct***

The Company has a Code of Conduct for its Directors, senior executives and employees that is available on its website

### ***(ASX Recommendation 3.1)***

### ***Rights of shareholders***

The Company has a website that it keeps up to date with its Policies, Charters and ASX Announcements. This includes a Shareholder Communication Policy.

The Company has a relatively flat management structure, one benefit of which is the ease in which shareholders can access the Board and Management.

Shareholders, via the Company Share Registry, have the option to receive communications via mail or email.,

***(ASX Recommendation 6.1, 6.2 and 6.3)***