

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

RCG CORPORATION LIMITED

ABN / ARBN:

85 108 096 251

Financial year ended:

30 JUNE 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://rcgcorp.com.au/>

The Corporate Governance Statement is accurate and up to date as at **24 August 2016** and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: **24 August 2016**

Name of Director or Secretary authorising lodgement: **Leanne Ralph**

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Board Charter at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> detailed at 1.2(a) Corporate Governance Statement 1.2(b) All material information relevant to a decision on whether to elect or not elect or re-elect a director is contained in the Company's AGM notice of Meeting at: <a href="http://rcgcorp.com.au/for-investors/asx-announcements/">http://rcgcorp.com.au/for-investors/asx-announcements/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> in our Board Charter at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so for 1.5 (c) in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> details of the outcomes of the performance evaluation undertaken during the year for the CEO and senior executives can be found in the Remuneration Report in the Annual Report. Refer <a href="http://rcgcorp.com.au/for-investors/annual-reports/">http://rcgcorp.com.au/for-investors/annual-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>2.1(a)(4) Corporate Governance Statement</p> <p>2.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="http://rcgcorp.com.au/for-investors/annual-reports/">http://rcgcorp.com.au/for-investors/annual-reports/</a></p> <p>Note: The Committee is a combined Nomination and Remuneration Committee.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here] ... and, where applicable, the information referred to in paragraph (b): Not Applicable ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a></p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>4.1(a)(4) Corporate Governance Statement and <a href="http://rcgcorp.com.au/for-investors/board-of-directors-senior-management/">http://rcgcorp.com.au/for-investors/board-of-directors-senior-management/</a></p> <p>4.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="http://rcgcorp.com.au/for-investors/annual-reports/">http://rcgcorp.com.au/for-investors/annual-reports/</a></p> <p>Note: The Committee is a combined Audit, Risk and Compliance Committee.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/">http://rcgcorp.com.au/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>7.1(a)(4) Corporate Governance Statement</p> <p>7.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="http://rcgcorp.com.au/for-investors/annual-reports/">http://rcgcorp.com.au/for-investors/annual-reports/</a></p> <p>Note: The Committee is a combined Audit, Risk and Compliance Committee.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (b):] ... the fact that it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should 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.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>8.1(a)(4) Corporate Governance Statement</p> <p>8.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer Refer</p> <p><a href="http://rcgcorp.com.au/for-investors/annual-reports/">http://rcgcorp.com.au/for-investors/annual-reports/</a></p> <p>Note: The Committee is a combined Nomination and Remuneration Committee.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> in the Remuneration Report section of the Annual Report at <a href="http://rcgcorp.com.au/for-investors/annual-reports/">http://rcgcorp.com.au/for-investors/annual-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at <a href="http://rcgcorp.com.au/for-investors/corporate-governance/">http://rcgcorp.com.au/for-investors/corporate-governance/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## RCG CORPORATION LIMITED

### CORPORATE GOVERNANCE STATEMENT

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This Corporate Governance Statement (**Statement**) outlines RCG Corporation Limited's (**RCG** or **The Company**) main corporate governance practices in place as at 24 August 2016.

This Statement also indicates the extent to which the Company conforms to the 3<sup>rd</sup> edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (the **Recommendations**).

The Company has posted copies of its corporate governance policies to its website in accordance with the Recommendations. All references to the Group's website are to: [www.rcgcorp.com.au](http://www.rcgcorp.com.au).

#### **PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

##### **Role and Responsibilities of the Board - Recommendation 1.1**

The Board is accountable to the Company's shareholders. It has overall responsibility for the performance of the Company, the execution of the Company's strategy, and the implementation of sound corporate governance policies and practices. The Company has adopted a Board Charter which formally sets out the functions and responsibilities of the Board. This enables the Board to perform its role more effectively and creates a system of checks and balances to provide a balance of authority.

The Board has the following specific responsibilities as outlined in the Charter:

##### *Governance*

- Oversight of the Company, including its control and accountability systems;
- Reviewing, ratifying and monitoring systems of risk management, internal control and legal compliance generally;
- Ensuring the Company's Code of Conduct is implemented and observed by all employees, contractors and professionals who have a business association with the Company;
- Reviewing safety and environment issues;

- Reviewing industrial relations issues and quality assurance; and
- Reviewing, ratifying and monitoring systems of risk management, internal control, and compliance for tax purposes

#### *Stakeholders*

- Driving corporate performance and delivering shareholder value;
- Authorising the release to the ASX of interim and final results; and
- Authorising the release to the ASX of other material information.

#### *Management*

- Appointing and removing the Chief Executive Officer (**CEO**);
- Approving remuneration of the CEO including the setting of performance targets;
- Approving the Company's remuneration policy;
- Ratifying the appointment and removal of senior management;
- Monitoring performance by executive management and the achievement of business objectives and financial performance; and
- Ensuring that appropriate resources are available to management to discharge its duties.

#### *Strategy and financial management*

- Approving the strategic direction and related objectives of the Company;
- Approving the annual business plan and budgets;
- Approving and monitoring the progress of major capital expenditure;
- Approving acquisitions or disposals of major assets or businesses;
- Approving and monitoring capital management strategies including the payment of dividends and issuing of any securities or options;
- Monitoring the financial operations and solvency of the Company; and
- Monitoring the Company's management of tax risks and compliance with tax-related obligations.

Board Committees

The Board has established the following committees:

- Audit and Risk Committee – to protect the integrity of financial statements review and monitor the Group’s risk management framework (further details of which are discussed below);
- Remuneration and Nomination Committee – to ensure that the Company remunerates fairly and responsibly, and assist the board in board nomination matters (further details of which are discussed below);

Each of these committees operate in accordance with specific charters approved by the board which can be found on the Group’s website.

The applicable composition requirements and current membership of each of the board committees are set out below:

<b>Board Committee</b>	<b>Composition Requirements</b>	<b>Membership</b>
Audit and Risk Committee	At least three members, all of whom are non-executive and independent. The chairman should be an independent non-executive director. All members should be financially literate and at least one member must have financial expertise and some members must have an understanding of the industry in which RCG operates.	David Gordon (Chair); Ivan Hammerschlag; and Craig Thompson.
Nomination and Remuneration Committee	At least three members, the majority of whom are independent, non-executive directors. The chairman should be an independent – non-executive director.	Stephen Kulmar (Chair); Ivan Hammerschlag; David Gordon; and Craig Thompson.

The number of scheduled board and committee meetings held during the year and the number of meetings attended by each of the directors is set out in the table below:

	Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Ivan Hammerschlag	6	6	2	2	3	3
Hilton Brett	6	6	-	-	-	-
Michael Hirschowitz	6	6	-	-	-	-
Michael Cooper	6	6	-	-	-	-
David Gordon	6	6	2	2	3	3
Stephen Kulmar	6	5	-	-	3	3
Michael Hapgood	6	6	-	-	-	-
Daniel Agostinelli	6	6	-	-	-	-
Craig Thompson	6	6	2	2	3	3

**A:** Meetings eligible to attend    **B:** Meetings attended

Day to day management

The CEO oversees the day to day management of the business. He holds regular meetings with all his direct reports on both a formal and informal basis and tracks progress against budgets. He also has responsibility for developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives. Senior management has the authority and is responsible for all other actions, which have not been expressly reserved to the Board.

### **Information regarding directors - Recommendation 1.2**

RCG undertakes appropriate due diligence in respect of prospective candidates before appointing a person, or proposing to its shareholders a candidate, as a director. Further, RCG provides its shareholders with all material information to assist its shareholders in making a decision whether to elect or re-elect a director.

### **Agreements with directors and senior managers - Recommendation 1.3**

RCG has in place agreements with each director and senior manager, which outlines the terms of their appointment. Each of RCG's directors has signed a letter of appointment and each of RCG's senior managers are employed under employment agreements.

### **Accountability of the company secretary - Recommendation 1.4**

RCG's company secretary has a direct reporting line to the Chairman and all directors have direct access to the company secretary, who is appointed by, and accountable to, the Board on all governance matters.

### **RCG Diversity Policy - Recommendation 1.5**

The Company has established a Diversity Policy, a copy of which is posted on its website. The Diversity Policy must be adhered to under the Code of Conduct.

Diversity includes differences that relate to gender, age, ethnicity, disability, sexual orientation and cultural background. It also encompasses differences in background, life experience, style, skills, formal training and education and functional expertise. The Company is committed to establishing and actively encouraging diversity in its workforce. It recognises the benefits of a diverse workforce which brings together a range of skills, perspectives, talents and experience. The Company further recognises the importance of diversity at all levels of management in:

- Driving business results;
- Creating, implementing and refining business strategy; and
- Attracting and protecting the Company's employees.

The Diversity Policy is based on the following core principles:

- Meritocracy – decisions about recruitment, development, promotion and remuneration are based on performance and capabilities, and will be



made fairly and transparently.

- Diversity – a focused effort on promoting diversity is not inconsistent with a system based on meritocracy. Diversity, if implemented correctly stands to enhance performance and capabilities of the Company.
- Safety and support – as a Company we do not tolerate unlawful discrimination, bullying or harassment and seek to provide a safe work environment by taking action against individuals that engage in, or practices which promote, those behaviours.
- Work/life balance – the Company recognises the need for flexibility in the workplace to accommodate the diverse needs of its workforce and their families and will consider practices such as flexible working hours and leave policies.
- Business objectives – our commitment to diversity is an integral part of our ambitions for the Company and its commercial success, by attracting and retaining exceptional individuals and developing those individuals into leaders within the business.

The Company is committed to creating a culture within the workplace that reflects the core principles of its diversity policy. Everyone within the Company has a responsibility to embrace the diversity principles within their own sphere of responsibility. Ideally, the standard of behaviour expected from the Board, Senior Management and the Company's employees is as follows:

- The Board will endeavour to promote and drive diversity across the whole of the business;
- The Senior Management will implement the diversity principles at a team level, and foster a work environment where bullying, harassment and discrimination are not tolerated; and
- Employees are expected to work collaboratively and to treat their colleagues and customers with respect, and at all times to be aware of the Company's policies regarding diversity and to comply with those policies.

A matter of central importance in the Company's Diversity Policy is enhancing the gender balance at all levels of the Company. In particular, the Company endeavours to:

- Actively encourage women to apply for vacant positions;

- Provide flexible working arrangements subject to operational requirements; and
- Promote opportunities for selection and promotion in a manner designed to attract qualified women.

As at 31 July 2016, the total number of employees and the proportion of employees who are women and men are as follows:

Level	Total number	% of women	% of men
Board	9	0%	100%
Senior Management <sup>*</sup>	31	29%	71%
Other employees	2,506	61%	39%
<b>Total</b>	<b>2,546</b>	<b>61%</b>	<b>39%</b>

\* Senior Management is defined as those individuals who collectively participate in determining and implementing major operational and strategic initiatives at the business unit level and who are responsible for the results of their respective business units.

The Company has not yet established gender diversity targets as there is a strong commitment to ensuring and actively encouraging diversity in the workplace, which includes gender diversity, and ensuring the most qualified and appropriate person is engaged for each position. In addition, at each Board meeting the Directors review a gender diversity report in order to ensure that the policy is being effectively implemented in order to ensure gender diversity across the business.

### Evaluation of the performance of the Board, its Committees and individual Directors - Recommendation 1.6

The members of the Board, actively led by the Chairman with the input and support of the CEO and Company Secretary, evaluate the performance and efficient functioning of the Board, its Committees and its members on an ongoing basis.

A formal board performance review has not been undertaken during the year ended 26 June 2016 as there have been a number of recent board changes in conjunction

with the acquisition of Accent and Hype. Carrying out a review of the board's performance will be considered in the coming 12 months

### **Evaluation of the performance of the CEO, Finance Director and executive Directors - Recommendation 1.7**

The Remuneration and Nomination Committee is responsible for setting the performance criteria for executive Directors, communicating those criteria to the executives and for assessing their performance against those criteria. In setting and measuring Executive performance, the Remuneration and Nomination Committee:

- Ensures that the interests of the employee and the shareholders are aligned.
- Ensures that performance hurdles, targets and KPI's are set so as to motivate the executives to achieve measurable outcomes that progress the long term objectives of the Company.
- Ensures that a performance review with the CEO and each of his direct reports at least once per annum during the course of which at least the following topics are covered:
  - The Executive's performance relative to the KPI's set at the previous review;
  - Any development objectives for the Executive flowing out of the review;
  - Revised or updated KPI's for the next review period;
  - The amount of, and basis for, any increase in base remuneration; and
  - The amount of, and basis for, any incentive or bonus awards.

The aforementioned assessment was carried out for each of the executive Directors and each of the senior managers during the year ended 26 June 2016.

### **PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE**

#### **Nomination Committee - Recommendation 2.1**

Following the completion of the acquisition of Accent Group Limited, the Board reconstituted and renamed the Remuneration Committee as the Remuneration and Nomination Committee. This committee is responsible for, and will advise the Board on, all remuneration and nomination matters.

Under the Remuneration and Nomination Committee Charter, the Committee is to develop criteria for Board membership and to identify suitably skilled, qualified and experienced individuals for director nomination.

The specific matters the Committee may consider in carrying out their responsibility include:

- The appropriate size, composition and skills of the Board;
- Developing criteria for Board membership and assessing the skills required on the Board;
- Reviewing the skills represented on the Board and determining whether those skills meet the required skills as identified;
- Review the time required from a non-executive Director and whether Directors are meeting that requirement;
- Induction and continuing professional development programs for Directors to develop and maintain the skills and knowledge needed to perform their role effectively;
- Revising the membership of the Board;
- Making recommendations to the Board on candidates it considers appropriate for appointment and reappointment;
- Reviewing the retiring non-executive Director's performance and making recommendations to the Board as to whether the Board should support the nomination of a retiring non-executive Director; and
- Current industry codes and best practice.

In addition, the Committee is responsible for preparing and updating when required, a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The rules governing the appointment, removal and remuneration of Directors are provided for in the Company's Constitution and the *Corporations Act, 2001 (Cth)* (**Corporations Act**). Notwithstanding these rules and responsibilities of the Committee under the Charter, the following principles have been adopted:

- The Directors may agree between them to appoint a new Director. The

appointment must be ratified by the shareholders at a general meeting.

- The principal criterion for the appointment of a new Director is that such person is able to add significant value to the group and its business through having relevant skills and experience.
- The Board also recognises the benefits of diversity in driving business results and setting business strategy and will take this into account in its appointment of new Directors. The Board will comprise Directors with complementary and appropriate skills necessary to discharge the duties of the Board in accordance with the Charter.
- The maximum remuneration of non-executive Directors is the subject of Shareholder resolution in accordance with the Company's Constitution and the Corporations Act as applicable. The apportionment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company (e.g. perform the role of Chairman of the Board or a Board Committee).

The Nomination and Remuneration Committee's current membership is set out earlier in this Statement and the independence of the members is discussed below.

### **Board skills matrix - Recommendation 2.2**

The board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The full biographies of all directors are included in the Director's Report in the Annual Report, which highlight the extensive specialist retail experience, brand strategy, legal and corporate advisory experience that the board collectively holds.

The table below sets out the skills and experience considered by the board to be important for its directors to collectively possess. This information presented has been taken from the board's current skills matrix that was created during the 2016 financial year.

Each of the skills listed is a competency that the board believes it requires to effectively discharge its duties. The board via the use of its skills matrix has assessed the relevant level of each competency on the board and although collectively some

competencies and skills have a higher expertise or skill level than others, the board is of the opinion that collectively it has an adequate skill level for all competencies to discharge its duties.

In addition to the skills and experience set out in the table below, the board considers that each director has the following attributes:

- Honesty and integrity;
- The ability to think strategically;
- The time available to devote to RCG’s business;
- A willingness to question and challenge; and
- A commitment to the highest standards of governance.

‘All directors are expected to use their range of relevant skills, knowledge and experience and to apply their judgement to all matters discussed at Board meetings.

SKILL	DESCRIPTION
Strategy	Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions.
Finance	The ability to analyse financial statements and reporting, critically assess the financial performance of the group, contribute to budget planning and efficient use of capital and resources.
Operations	A broad range of commercial and business experience in business systems, practices, improvements, risk and compliance, sales, technology and human resources.
Sales and marketing	Clear understanding of retail selling and marketing, developing and implementing sales and marketing teams and strategies, recruiting, running and incentivising sales teams, and setting sales budgets and targets.

Capital markets	Expertise in considering and implementing efficient capital management including alternative capital sources and distributions, yields and markets.
Industry experience	Experience and broad understanding of the retail footwear and apparel industry, including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
Mergers and acquisitions	Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments.
People and performance	Appreciation for the best practices in HR planning and management with familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management.
Legal and compliance	Ability to identify key risks to the group in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.
ASX governance	Knowledge and experience in best practice ASX and Corporations Act, governance structures, policies and processes.
Technology	Expertise in the area of technology that the Group should be aware of and utilising, including keeping abreast of new and emerging technology.
Corporate history	The board has a good understanding of recent corporate background including organisational structure, litigation, key contracts and relationships, performance and capital structures.

While the current board composition meets the Group’s needs, this skills and experience analysis will assist to identify opportunities for Director training and development and to inform skills gaps that may be addressed through future board appointments.

### Director independence - Recommendations 2.3 and 2.4

At the date of this report, the current members of the board are:

- Ivan Hammerschlag (Non-executive Chairman), (appointed 19 October 2006)
- Hilton Brett (Chief Executive Officer Director), (appointed 19 December 2006)
- Michael Hirschowitz (Executive Director), (appointed 1 July 2006)
- Michael Cooper (Executive Director), (appointed 14 May 2004)
- David Gordon (Non-executive Director), (appointed 19 October 2006)
- Stephen Kulmar (Non-executive Director), (appointed 14 August 2007)
- Michael Hapgood (Non Executive Director),(appointed on 27 May 2015)
- Daniel Agostinelli (Executive Director),( (appointed on 27 May 2015)
- Craig Thompson (Non-executive Director), (appointed on 27 May 2015),
- Daniel Gilbert (Executive Director), (appointed on 4 August 2016)

The number of Directors as specified in the Company's constitution is a minimum of three. At no relevant time has the Company had less than this number.

As at the date of this report, the Board comprises ten directors. Five of the Directors are full-time executives of the Company being Hilton Brett, Michael Hirschowitz, Daniel Agostinelli, Michael Cooper and Daniel Gilbert. These directors are not considered independent by virtue of their positions as executives in the Company.

Michael Cooper has announced his intention to resign effective at the 2016 Annual General Meeting, leaving four executive directors in office.

There are currently five non-executive directors, Ivan Hammerschlag, David Gordon, Stephen Kulmar, Craig Thompson and Michael Hapgood, and the Board considers each of them to be independent directors.

Notwithstanding the tenure of Mr Hammerschlag, Mr Gordon and Mr Kulmar, the Board considers these directors to be independent. The rationale for this determination is they are non-executives, not substantial shareholders, conduct themselves at arms length in their engagement with the Company and bring their



considerable skillsets to bear on matters before the Board. The approach of these directors to matters of the board is always independent in both appearance and in fact.

Mr Hapgood and Mr Thompson are substantial shareholders in the Company and are therefore not deemed to be independent under the ASX Recommendations. However as non-executive directors, they are completely independent from day to day operations of the business and are therefore able to bring clarity and independent thought to all matters before the board. They draw on their considerable skillsets to act in the best interests of the company and its shareholders.

Whilst the current structure does not comply with Recommendation 2.4, the composition of the Board has been determined having regard to the nature and size of the Company's operations, the skill set of the Directors both individually and collectively and the best interests of shareholders. The Board is comprised of members with strong retailing, wholesaling, financial and corporate experience and is considered to be appropriate given the size and nature of activities of the Company.

While the Board constantly reviews its composition, it considers the recent appointment of Daniel Gilbert to be crucial to the successful and smooth integration of Hype DC Pty Ltd into the RCG group and important to RCG's continued growth and operations.

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

Using the information provided in the Recommendations as a guide, the Board regularly assesses whether or not each non- executive Director is independent. If a Director's independence status changes, this is disclosed to the market in a timely manner.

### **Chairman - Recommendation 2.5**

The Board Charter requires the Chairman of the Board to be elected on his merits with reference to his experience, track record and the needs of the Company. The Board considers that Ivan Hammerschlag, the Company's Chairman, is an independent Director and as he is also not the Company's CEO, the Company complies with Recommendation 2.5.

### Induction of new directors - Recommendation 2.6

The following protocols are in place to ensure that the Board is able to perform appropriately and discharge its duties efficiently:

- New Directors are fully briefed on the business, its financial position, any material risks, the structure and functions of the Board and the structure of Management and are provided with a copy of the Company's Corporate Governance documentation. A director induction plan is in place to facilitate this.
- Directors are given direct access to Management and the Company Secretary. These individuals are to provide Directors with any and all information reasonably requested of them in a timely and comprehensive fashion
- Directors are given the opportunity to seek reasonable independent, external advice at the Company's expense if circumstances warrant such advice
- The Chairman and CEO have regular contact with the Company's major shareholders and take on board feedback concerning the performance of the Board and its members
- The Company offers Directors an opportunity to undertake external professional development programs

### PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

#### RCG Code of Conduct - Recommendation 3.1

The RCG Code of Conduct (the **Code**) governs the conduct of RCG and its subsidiaries and its directors, employees, consultants and all other people when they represent the Company. A copy of the Code has been posted on the Company's website.

A summary of the key provisions of the Code is as follows:

- The Company, its employees and associates must comply, at all times, with all laws governing the Company's operations. They must also conduct the Company's operations in keeping with the highest legal, moral and ethical standards.
- All employees must conduct the business of the Company with the highest

level of ethics and integrity.

- Any breach of applicable laws, prevailing business ethics or other aspects of the Code will result in disciplinary action.
- All employees must immediately report any circumstances, which may involve a deviation from the Code.
- Any employee who deals with agents, contractors or consultants who represent the Company must make them aware of the Code and that RCG expects them to conduct their business in accordance with the Code.
- Senior Management and all Directors will be required to personally certify compliance with the Code on an annual basis.
- All employees are to be provided with a safe work environment that complies with the relevant Occupational Health and Safety laws.
- Employees should not be placed in unnecessary danger nor be asked to carry out potentially dangerous tasks for which they have not been properly trained.
- Employees are not to be discriminated against on the basis of their race, beliefs or gender.
- Employees are not to be harassed, bullied or enticed in an inappropriate, unethical or unlawful manner.
- All Employees are entitled to fair and reasonable treatment by their supervisors and all other employees.
- Bribes, kickbacks, inducements or similar payments must not be made.
- Employees must not seek or accept any type of compensation, fee, commission or gratuity from a third party in connection with the Company's operations.
- Employees must not give, seek or accept any gift, entertainment or other personal favour or assistance which goes beyond common courtesies associated with accepted ethical and general commercial practice.
- Employees are responsible for taking all prudent steps to ensure the protection of RCG assets and resources. Employees must ensure that RCG assets and resources are used only for the purposes of the Company and in

accordance any appropriate authorisations.

- Employees must not, without authority, directly or indirectly state that they are representing RCG or its public position in respect of any matter.
- Employees must not directly or indirectly engage in any activity which could by association cause RCG public embarrassment or other damage.
- Employees must not use their position for personal benefit independent from the business of the Company.
- Employees must not take advantage of any property or information belonging to RCG.
- No employee, or any family member or companion over which the employee has influence, may directly or indirectly have any equity interest in, or have a significant beneficial connection with, any business or individual which competes with, is a supplier, customer or franchisee of RCG without the prior written consent of the Chairman or his nominee. Passive shareholdings in listed companies of not more than 5% are permitted.
- Employees must not engage directly or indirectly in any outside business activity involving commercial contact with, or work for the benefit of, RCG customers, franchisees, suppliers or competitors without the prior written consent of the Chairman or his nominee.
- Employees have a duty to notify the Company Secretary of any actual or potential conflicts of interest.
- Employees must not disclose confidential RCG information to any third party without the prior consent of a Director.
- Employees must maintain the confidentiality of all Company documents and must not disclose any information contained within the documents to any third party without the prior consent of a Director.
- Employees must not use RCG information for the purpose of directly or indirectly obtaining personal gain.
- Employees must abide by the “RCG Share Trading Policy” which forms part of these Corporate Governance Principles and Practices.

## PRINCIPLE 4 - SAFEGUARDING INTEGRITY IN CORPORATE REPORTING

### Audit Committee - Recommendation 4.1

An independent Audit and Risk Committee has been established by the Board to protect the integrity of financial reports as well as to monitor and review the effectiveness of the Company's structures in the areas of operational risk and legal and regulatory compliance. The importance of an Audit and Risk Committee is universally recognised in the practice of good corporate governance and plays a key role in focusing the Board on matters relevant to the integrity of financial reporting.

#### Role and responsibilities

The Audit and Risk Committee has adopted an Audit and Risk Committee Charter which sets out the roles and responsibilities as well as the structure and composition of the Audit and Risk Committee. According to the Charter, which is available to view on the Company's website, the role of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to:

- The reliability and integrity of information for inclusion in the Company's financial statements;
- Enterprise-wide risk management;
- Review of legal and regulatory risks including audit, accounting, tax and financial reporting risks;
- Compliance with legal and regulatory obligations including audit, accounting, tax and financial reporting obligations;
- The integrity of the Company's internal control framework; and
- Safeguarding the independence of the external auditors.

#### Membership

The members of the Committee are appointed by the Board.

The Audit Risk and Compliance Committee's current membership, the independence of the members and details of Audit Risk and Compliance Committee meetings and attendance by each Committee member are set out earlier in this Statement and the Directors Report in the Annual Report.

The qualifications and experience of the members of the Audit Risk and Compliance Committee are outlined in the Directors Report in the Annual Report and below:

**David Gordon (Chair of the Committee):** David was a former M&A partner at Freehills and corporate advisory firm Wentworth Associates. He is also the founder of Lexicon Partners, an independent advisory and investment firm. He has over 30 years' experience advising companies, funds and high net worth individuals on complex corporate transactions. David is the Chairman of Ten Network Holdings Limited. He has been a director of RCG since October 2006.

**Ivan Hammerschlag:** Ivan has had over 30 years of specialist retail experience, including as CEO and shareholder in Freedom Furniture prior to its IPO. He has also chaired, managed and invested in a number of other successful retail and other businesses and is currently the Non-Executive Chairman of Smartpay Limited. Ivan has been Chairman of RCG since October 2006.

**Craig Thompson:** Craig is a co-founder of Accent Group and is a widely experienced company director having been intimately involved in business in multiple sectors. Craig has held directorships in listed and private companies in media, insurance, finance, retirement villages, retailing and on- line trading sectors. Craig was appointed Non-Executive Director on 19 March 2015.

#### **CEO and CFO assurance - Recommendation 4.2**

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 both the CEO and CFO (in this case the Finance Director) provide written assurance to the Board, prior to approval of the Company's financial statements for each financial period in the financial year ended 26 June 2016, that in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of RCG's financial position and performance, and that this opinion has been formed on the basis of a sound system of risk management and internal control which operates effectively.

#### **External auditor - Recommendation 4.3**

RCG's external auditor attends the Company's annual general meetings and is available to answer questions from Shareholders on the conduct of the audit and the preparation and content of the auditor's report.

The appointment of, and dealings with, the Company's external auditor has been delegated to the Audit and Risk Committee by the Board. This includes:

- Recommending to the Board the appointment, reappointment or replacement of the external auditor;
- Agreeing to the fees to be paid to the auditor;
- Reviewing and approving the audit plans of the auditor;
- Reviewing the overall scope of the audit, including identified risk areas and any additional agreed-upon procedures;
- Considering the overall effectiveness and independence of the auditor;
- Resolving any disagreements between Management and the auditor regarding financial reporting; and
- Monitoring and noting compliance by the auditor of the independence requirements imposed by the Corporations Act.

## **PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE**

### **RCG Continuous Disclosure Policy - Recommendation 5.1**

The Company has established a Continuous Disclosure Policy, a copy of which is posted on its website. The objective of this policy is to ensure that the management and delivery of price sensitive information by RCG is done in a comprehensive and efficient manner that complies with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act.

The overarching principle of this policy is governed by Listing Rule 3.1, which requires the Company to immediately notify the ASX of any information that a reasonable person would expect to have a material effect on the price or value of RCG's quoted securities, provided that the information does not fall within the exception to disclosure under the Listing Rules. The Policy provides for the exceptions to Listing Rule 3.1 as outlined in Listing Rule 3.1A. The Policy also takes into account the clarification provided by ASX Guidance Note 8 in dealing with Listing Rule 3.1.

The Board is responsible for ensuring that RCG complies with its continuous disclosure obligations. To this end, the Board is responsible for implementing and overseeing compliance with the Continuous Disclosure Policy. In practice, the Board delegates responsibility for making "routine" continuous disclosure to a

Disclosure Sub-Committee. The Disclosure Sub-Committee comprises the Chairman, the CEO and the Company Secretary. Where disclosure is not “routine”, the input from all relevant Board members is sought before disclosure is made. The Disclosure Sub-Committee can and does seek outside expert advice in relation to disclosure matters from time to time.

The Company Secretary is appointed and removed by the Board and is responsible for:

- Ensuring that RCG complies with its continuous disclosure obligations;
- Communicating with the ASX in relation to Listing Rule matters;
- Overseeing and coordinating disclosure of information to ASX;
- Together with the CEO, coordinating the disclosure of information to analysts, brokers, shareholders, the media and the public; and
- Educating directors, officers and employees on RCG disclosure obligations, by reference to the listing Rules and the Company’s Continuous Disclosure Policy.

## **PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **Information about RCG - Recommendation 6.1**

RCG provides a summary of the directors, and their biographical information, on the Company’s website, as well as copies of the Company’s constitution, its board charter, charters of its board committees and the various other policies referred to in this Corporate Governance Statement.

Further, the Company posts all the announcements it makes to the ASX on its website and makes them available for viewing for at least three years from the date of the announcement.

### **Shareholder Communication and Investor Relations - Recommendation 6.2**

The Company has established a Shareholder Communication Policy, a copy of which is posted on its website. The purpose of the Shareholder Communication Policy is to promote effective communication with shareholders and encourage effective participation at General Meetings.

The Company is committed to maintaining direct, open and timely communications with all shareholders. The Board’s policy is that shareholders are



informed of all material developments that impact on the Company. Information is communicated to shareholders by the Company through:

- The publication of the annual and interim financial reports;
- Disclosures to the ASX and ASIC;
- Notices and explanatory memoranda of general meetings;
- Updates and announcements to inform shareholders of key matters of interest issued on a needs basis;
- Presentations to analysts (which are made available to all shareholders via the website); and
- The Annual General Meeting.

### **Shareholder meetings - Recommendation 6.3**

RCG's annual general meetings are convened at least once a year, usually in November. In relation to its meetings of shareholders, an explanatory memorandum on the resolutions is included with the notice of meeting and unless specifically stated in the notice of meeting, all shareholders are eligible and are encouraged to vote on all resolutions. A copy of the investor presentation is released to the ASX upon the commencement of the annual general meeting and the outcome of voting on resolutions at the meeting are released to the market after the conclusion of the meeting. Both documents are also posted on the Group website.

In the event that shareholders cannot attend formal meetings, they can lodge a proxy in accordance with the Corporations Act by mail or online.

### **Electronic communication with shareholders - Recommendation 6.4**

RCG's shareholders are able to receive communications from, and send communications to, RCG and its security register electronically.

## **PRINCIPLE 7 - RECOGNISE AND MANAGE RISK**

### **Risk Committee - Recommendation 7.1**

In order to recognise and manage risk the Company has established an internal compliance system allowing risks to be identified, assessed, monitored and managed. The board is responsible for ensuring that sound risk management strategy and policies are in place. The board has delegated to the Audit and Risk Committee the responsibility for identifying and overseeing major risks and the

establishment and implementation of the risk management system.

All material risks affecting the Company, including both financial and non-financial matters, are considered by the Audit and Risk Committee. All Directors and senior management are encouraged to review the business for risk on an ongoing basis and to raise any risk issues of concern with members of the Audit and Risk Committee. These protocols form the basis for the risk management system.

This committee has at least one meeting per year to review and assess the Group's risk management framework and to review the implementation, management and maintenance of appropriate enterprise-wide risk management systems, policies and procedures, reporting protocols and internal controls.

The Audit and Risk Committee's current membership and the independence of the members are set out earlier in this Corporate Governance Statement. Details of Audit and Risk Committee meetings and attendance by each Committee member are outlined earlier in this Statement and in the Directors Report Contained in the Annual Report.

### **Management of risk - Recommendation 7.2**

The Company has implemented controls at the Company and operating group levels that are designed to safeguard the Company's interests and ensure the integrity of its reporting. These include accounting, financial reporting, tax risk management systems, safety, health and environment and other internal policies and procedures, which are directed at ensuring the Company fully complies with all regulatory requirements and community standards.

Comprehensive practices are in place such that:

- Capital expenditure and revenue commitments above a certain size obtain the correct approval;
- Financial exposures are controlled;
- Safety, health and environment standards and management systems are monitored and reviewed to achieve high standards of performance and compliance; and
- Business transactions are properly authorised and executed.

The effectiveness of the risk management system is reviewed by the Audit and Risk Committee on an ongoing basis. The Audit and Risk Committee are responsible for

ensuring that the appropriate senior managers have established and implemented a risk management system throughout the organisation.

At each Board meeting, the Finance Director is included in his Finance Report a report on any material risk items identified since the last Board meeting and a comprehensive review of the steps taken to mitigate or remove material risk items identified. All risk items, including any identified weaknesses in internal controls, are thoroughly discussed. The Board provides the necessary guidance and authority to the relevant personnel to attend to the risk item or refers the item to the Audit and Risk Committee.

In addition to the above, the Company's external auditors provide the Audit and Risk Committee with a report detailing any identified risk items at the completion of each half-year and full-year review. The report is discussed by the Audit and Risk Committee together with the auditors and any material items are referred to the Board.

The Audit and Risk Committee undertook a review of the Company's risk management framework during the reporting period. It is intended that this framework will be subject to another review during FY17, together with the consideration of risk matters on an ongoing basis.

### **Internal audit - Recommendation 7.3**

Given the nature and size of the business and the relative frequency with which the non-executive Directors interact with all levels of management, an internal audit function has not been established. For the same reasons a separate Risk Committee has also not been established, however the Audit and Risk Committee, as outlined in the paragraphs above, carries out the functions of a Risk Committee.

### **Disclosure regarding material exposure to specific risks - Recommendation 7.4**

The Company is subject to risk factors that are both specific to its business activities and that are of a more general nature.

The Company does not currently have any material exposure to environmental or social sustainability risks. RCG manages its risk exposure in accordance with its internal enterprise wide risk management framework.

## **PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY**

### **Remuneration Committee - Recommendation 8.1**

The Company has established a Remuneration and Nomination Committee which is responsible for regularly evaluating the performance of the executive Directors and other senior managers. The evaluation is based on specific criteria including the Company's business performance, short and long term strategic objectives and the achievement of personal objectives by the executive Directors and other senior managers.

The Remuneration and Nomination Committee has adopted a Remuneration and Nomination Committee Charter. A copy of the Charter can be found on the Company's website.

#### *Role and responsibilities*

The role of the Remuneration and Nomination Committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to:

- The Company's remuneration, recruitment, retention and termination policies for senior management including the CEO, CFO and other senior executives;
- Remuneration policies for non-executive Directors;
- Executive equity grants; and
- Nomination responsibilities outlined earlier in this Statement.

#### *Membership*

The members of the Committee are appointed by the Board. The Nomination and Remuneration Committee's current membership and the independence of the member's are set out earlier in this Corporate Governance Statement. Details of Nomination and Remuneration Committee's meetings and attendance by each Committee member are also outlined earlier in this Statement and in the Directors Report contained in the Annual Report.

### **Remuneration policies - Recommendation 8.2**

The Company's 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 employees as well as raising the level of performance of the Company.

#### Remuneration of Executives Directors

RCG's remuneration policy is designed to attract, motivate and retain employees, including senior management, and ensure that the interests of the employees are aligned with those of the shareholders. In discharging its duties, the Committee reviews and makes recommendations to the Board on the remuneration of the CEO, Finance Director, executive Directors and other senior managers, including:

- Short and long-term remuneration, including both fixed remuneration and performance-based remuneration;
- Any termination payments; and
- Appropriate grants of securities under the Employee Option Plan and Employee Share Scheme

In making its recommendations the Committee ensures that:

- Remuneration is set with reference to prevailing market rates for similar positions, adjusted to account for experience, productivity and ability;
- Remuneration packages are designed to motivate senior management to pursue the long-term growth and success of the Company: and
- A clear relationship exists between performance and remuneration

#### Remuneration of non-executive Directors

Non-executive Directors are remunerated by way of fees which are set with reference to the prevailing market rates. They do not participate in the schemes designed for the remuneration of executives, nor do they receive bonus payments or any retirement benefits other than statutory superannuation. A Director Option Plan has been established in which non-executive Directors are entitled to participate, but any issue of options under that Plan must first be approved by shareholders.

For details of the Group's remuneration structure, please refer to the Remuneration Report contained within the Annual Report.

### Share trading and hedging risk - Recommendation 8.3

The Company's Share Trading Policy provides that its Directors, senior management, employees and people connected to employees must not enter into any transaction that operate to limit the economic risk associated with holding securities in the Company prior to the vesting of those securities.

**This Corporate Governance Statement was approved by a resolution of the board on 24 August 2016.**