

# CORPORATE GOVERNANCE STATEMENT

## EMECO HOLDINGS LIMITED (ACN 112 188 815)

For the year ended 30 June 2016

Emeco Holdings Limited (**Company** or **Emeco**) has followed each of the principles and recommendations set out in the 3rd edition of the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (**ASX principles and recommendations**) during FY16.

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

#### Roles and responsibilities of the board and senior executives

The Company's board charter, which has been adopted by the board, sets out the functions and responsibilities of the board, each director and the chair.

Under the charter, the board is accountable to shareholders for the overall performance of the Company and management of its affairs. Key responsibilities of the board include:

- developing, providing input into and final approval of, corporate strategy;
- evaluating, approving and monitoring the strategic and financial plans and performance objectives of the Company;
- determining the dividend policy and the amount and timing of all dividends;
- evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- evaluating and monitoring annual budgets and business plans;
- ensuring appropriate resources are available to senior executives;
- approving all accounting policies, financial reports and external communications by the Group;
- appointing, re-appointing or removing the Company's external auditors (on recommendation from the audit and risk management committee); and
- appointing, monitoring and managing the performance and remuneration of executive directors.

The charter sets a minimum number of board meetings and provides for the establishment of the audit and risk management committee and the remuneration and nomination committee. The charter also sets minimum standards of ethical conduct of the directors, which are further elaborated on in the Company's code of conduct, and specifies the terms on which directors are able to obtain independent professional advice at the Company's expense.

A copy of the board charter and the Company's code of conduct is available in the corporate governance section of the Emeco website (<http://www.emecogroup.com/view/investors/corporate-governance>).

The company secretary supports the proper functioning of, and is accountable to, the board.

Under the terms of the board charter, the chief executive officer is responsible to the board for the day-to-day management of Emeco and its controlled entities (**Group**). The board has formally adopted a structured delegated financial authority (**DFA**) which outlines the specific financial authority limits delegated to the chief executive officer. The board approves and monitors this delegation of financial authority.

The DFA ensures that contract commitments and expenditure is limited to:

- contractual commitments in the ordinary course of business;
- operational expenditure incurred in the day-to-day running of the business; and
- capital expenditure, being the purchase of assets for the purpose of deriving income.

The DFA also sets levels of permitted contractual and expenditure commitment delegated by the chief executive officer to employees across the Group. Authority limits have been set as a risk management tool to ensure adequate controls are in place when committing the Group to a contract or incurring costs.

The Company has written agreements with each director and senior executive setting out the terms of their appointment.

### **Director selection**

The remuneration and nomination committee (**RNC**) establishes the criteria for board membership and proposes director candidates for consideration by the board. In proposing candidates, the RNC has regard to the desired composition of the board and takes into account the skills required to both discharge the board's duties and to augment any skill set desirable on the board.

The board aims to achieve a mix of skills and diversity in its members. Candidates recommended for appointment as new directors are considered by the board as a whole. If it is necessary to appoint a new director to fill a vacancy on the board or to complement the existing board, a wide potential base of possible candidates is considered. The board has established the following criteria for the appointment of directors of the Company:

- No actual or potential conflicts of interest at the time of appointment.
- No prior adverse history, including bankruptcy, conviction for an offence of dishonesty or any other serious criminal conviction, ASIC or APRA disqualification.
- Deserved reputation for honesty, integrity and competence.
- Extensive experience at a senior executive level in a field relevant to the Group's operations and preferably with a listed company.
- High level strategic, financial and commercial capability.
- Available and willing to devote the time required to meetings and Company business and a real commitment to the Group and its success.
- Able to work harmoniously with fellow directors and management.
- Skills, experience and knowledge which complement that of incumbent directors.

Where the board puts forward a candidate for election as a director, the Company provides shareholders with biographical details, details of material directorships and material information in the Company's possession relevant to a decision on whether or not to elect a director. No persons have been put forward for Company directorships during FY16.

Under the Company's constitution the directors have the power to appoint directors to fill a vacancy or as an addition to the board. Mr Ian Testrow and Mr Gregory Hawkins were appointed as managing director and chief executive officer, and executive director finance respectively effective from 20 August 2015. Any director, except a managing director, appointed in this way must retire from office, and is eligible for re-election, at the next annual general meeting following his or her appointment. Mr Gregory Hawkins was elected at the 2015 annual general meeting under this provision.

Under the terms of the Company's constitution, all directors other than the managing director must retire from office or seek re-election by the third annual general meeting after his or her election or within three years, whichever is the later. Further, at least one director must retire from office at each annual general meeting, unless determined otherwise by a resolution of the Company's shareholders. Mr Peter Richards will seek re-election at the 2016 annual general meeting under these provisions.

The Company provides shareholders with the following material information in its possession relevant to a decision on whether or not to elect or re-elect a director in its notice of meeting:

- The director's biographical details, including relevant qualifications, skills and experience.
- Other material directorships held by the director.
- The term of office currently served by the director.
- Whether the board considers the director to be an independent director.
- Whether the board supports the election or re-election of the director.

### **Board, committee and director evaluation**

A review of the performance of the board is completed annually with the assistance of the RNC. The review is undertaken in accordance with the charter of the RNC using a questionnaire, the scope of which covers the performance of the board, its committees, the chair and individual directors. Directors' questionnaire responses are collated and analysed and then presented to, and discussed with, the board.

A performance evaluation for the board, its committees, the chair and individual directors took place in FY16 in accordance with this process.

### **Evaluating the performance of executives**

The performance of the chief executive officer is regularly monitored by the non-executive directors.

Reviews of the performance of each senior executive within the Emeco Group are conducted by the chief executive officer each year. These performance reviews provide the chief executive officer and each senior executive with the opportunity not only to review the senior executive's performance against a range of financial and operational benchmarks but also to review and assess the senior executive's personal and professional development objectives.

A review of the performance of each senior executive was undertaken.

The Group has formal induction procedures in place to introduce new senior executives to the Group and gain an understanding of the Group's financial position, strategies, operations, risks and other policies and responsibilities.

### **Diversity**

The Company has adopted a diversity policy. The principal objective of the diversity policy is to support a corporate culture of workplace diversity, and to work towards establishing a framework for diversity awareness and reporting. A copy of the diversity policy is available in the corporate governance section of the Emeco website.

The diversity policy requires the board to establish measurable objectives for achieving gender diversity. The RNC is responsible for assessing and reporting to the board on the Company's progress towards achieving its measurable diversity objectives on an annual basis.

Further details regarding:

- the Company's annual measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them; and
- the proportion of women employees in the Group, in senior executive positions and on the board,

are included in the Company's 2016 sustainability report (**Sustainability Report**) on page 4. A copy of the Sustainability Report is available in the sustainability section of the Emeco website (<http://www.emecogroup.com/view/sustainability>).

The Company's most recent gender equality indicators, as defined in and published under the *Workplace Gender Equality Act 2012*, can be found in Emeco's Australian Workplace Gender Equality Agency Report, which is available on the Emeco website (<http://www.emecogroup.com/view/sustainability/people-diversity>).

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

### **Remuneration and nomination committee**

The board has established the RNC, whose responsibilities include the following:

- Critically reviewing the performance and effectiveness of the board and its individual members.
- Periodically assessing the skills required to discharge the board's duties, having regard to the strategic direction of the Company.
- Reviewing the membership and performance of the committees and making recommendations to the board.

The charter of the RNC provides that the RNC must be made up of a minimum of three directors, including a majority of independent non-executive directors. The charter of the RNC is available in the corporate governance section of the Emeco website.

The members of the RNC in FY16 were Ms Smyth (commenced as chair on 22 April 2016), Mr Richards (commenced on 13 January 2016), Mr Cahill and Mr Brennan (ceased as chair and member on 22 April 2016). Each member's attendance at the two meetings held by the RNC in FY16 is set out at page 22 of the

Company's 2016 annual report (**Annual Report**). A copy of the Annual Report is located on the Emeco website (<http://www.emecogroup.com/view/investors/annual-reports>).

### Board membership

In FY16 the board was comprised, for the most part, of six directors. Of these, four, including the chair, were independent non-executive directors.

Independent directors are expected to bring independent views and judgment to the board's deliberations. All of the Company's independent directors satisfy the criteria for independence set out in the ASX principles and recommendations. In considering whether a director is independent, the board has regard to the relationships affecting his or her independent status and other facts, information and circumstances that the board considers to be relevant.

The board assesses the independence of new directors upon appointment and reviews the independence of the directors annually and as appropriate. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of the Company, the director, and the person or entity with which the director has a relationship.

The directors, who were not considered to be independent due to their involvement in the management and operations of the Group in FY16, were Mr Testrow, the Chief Executive Officer and Managing Director, Mr Hawkins, the Executive Director, Finance and Mr Lewsey, the previous Chief Executive Officer and Managing Director. Mr Lewsey ceased his directorship with the Company effective on 20 August 2015 and Mr Hawkins ceased his directorship with the Company effective on 19 August 2016.

The table below sets out details of the status of each of the directors:

**Table 1: Status of directors**

Director	Date of appointment	Independent?	Non-Executive?	Seeking re-election at 2016 AGM?
Peter Richards	14/06/2010	Yes	Yes	Yes
Ian Testrow	20/08/2015	No	No	No
John Cahill	15/09/2008	Yes	Yes	No
Erica Smyth	15/12/2011	Yes	Yes	No
Alec Brennan [A]	16/08/2005	Yes	Yes	No
Gregory Hawkins [B]	20/08/2015	No	No	No
Kenneth Lewsey [C]	4/11/2013	No	No	No

[A] Mr Alec Brennan ceased as a director on 22 April 2016.

[B] Mr Gregory Hawkins ceased as a director on 19 August 2016.

[C] Mr Kenneth Lewsey ceased as a director on 20 August 2015.

## Director skills, experience and expertise

The following table sets out the key skills and experience of the current directors and the extent to which they are represented on the board and its committees:

**Table 2: Skills and experience**

		Board (Total 4 directors)	Audit & risk management committee (Total 3 directors)	Remuneration & nomination committee (Total 3 directors)
<b>Strategy &amp; sustainability</b>	Strategic skills. Contributes to the formulation, testing and approval of a business strategy. Alert to opportunities, risks and trends.	4 directors	3 directors	3 directors
<b>Finance</b>	Financial skills and credentials. Aware of financial risk. Understands financial reporting requirements and financial regulations.	3 directors	3 directors	3 directors
<b>Marketing &amp; growth</b>	Understands growth and marketing strategies or has marketing skills.	3 directors	2 directors	2 directors
<b>Corporate governance</b>	Background in corporate governance and compliance. Familiar with corporate legislation and statutory requirements.	2 directors	2 directors	2 directors
<b>Operations &amp; asset optimisation</b>	Understands operational improvements and extracting maximum value from existing assets.	4 directors	3 directors	3 directors
<b>Human capital</b>	Experience in setting management performance goals, overseeing and managing performance, developing executive bench strength and succession plans.	4 directors	3 directors	3 directors
<b>External engagement</b>	Experience with external stakeholder groups (community, regulators, government), including networks and ability to exert influence.	2 directors	2 directors	2 directors
<b>Industry knowledge</b>	Expertise and knowledge pertinent to the industries or environments in which the Company operates.	3 directors	2 directors	2 directors
<b>Technical knowledge</b>	Skills and expertise in products or technologies relevant to the Company.	2 directors	1 directors	1 directors
<b>Corporate finance</b>	Experience and skills associated with mergers, acquisitions, demergers, capital raising and debt financing.	3 directors	2 directors	2 directors
<b>Legal</b>	Expertise in corporate law or legislation relevant to the Company.	1 directors	1 directors	1 directors
<b>International business</b>	International business experience from working with multinational companies and international expansion.	4 directors	3 directors	3 directors
<b>Information technology</b>	Expertise in IT strategy and system design, procurement and implementation and understands associated risks.	2 directors	2 directors	2 directors

The directors and a brief description of their skills, experience and expertise are set out at pages 19 to 21 of the Annual Report.

The directors consider that collectively they have the relevant skills, experience and expertise to fulfil their obligations to the Company, its shareholders and other stakeholders.

All directors are expected to develop and maintain the skills and knowledge required to perform their role as directors effectively and discharge their duties to the Company. The Company has formal induction procedures in place to introduce new directors to the Company and gain an understanding of the Group's financial position, strategies, operations, risks and other policies and responsibilities. Professional development opportunities to further develop the skills and knowledge required to effectively perform as directors of the Company are provided regularly and considered on an ongoing basis.

Under the board charter, a director is entitled to seek professional advice at the Company's expense on any matter connected with the discharge of his or her duties in accordance with the procedure set out in the charter, a copy of which is available in the corporate governance section of the Emeco website.

All directors have unrestricted access to the general counsel and company secretary and employees of the Group as and when required. Subject to law, the directors also have access to all records of the Company and information held by Group employees and external advisors. Directors are provided, on an "as needed" basis, with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group. The board receives regular detailed financial and operational reports from senior executives to enable it to carry out its duties.

### **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY**

The Company considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves ethically in all of their commercial dealings on the Company's behalf. The Company has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors.

The Company has adopted, amongst other policies designed to promote ethical and responsible decision making, a code of conduct which applies to all directors, officers, employees, consultants and contractors of the Group.

The objectives of the code of conduct are to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Group;
- employees are aware of their responsibilities under their contract of employment and always act in an ethical and professional manner; and
- all persons dealing with the Group, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of Emeco.

Under the code of conduct, employees of the Group must, amongst other things:

- act honestly and in good faith at all times and in a manner which is in the best interests of the Company as a whole;
- conduct their personal activities in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company;
- always act in a manner that is in compliance with the laws and regulations of the country in which they work;

- report any actual or potential breaches of the law, the code of conduct or the Company's other policies to the company secretary; and
- not permit or condone the making of payments, gifts, favours, bribes, facilitation payments or kick-backs in the expectation of preferred treatment for themselves or the Company.

A copy of the code of conduct is available in the corporate governance section of the Emeco website.

The Company actively promotes and encourages ethical behaviour and protection for those who report violations of the code of conduct or other unlawful or unethical conduct in good faith and ensures that matters are dealt with promptly and fairly.

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict.

The board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the Company. A director is required to notify the Company of any new material personal interests or change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the *Corporations Act 2001* (Cth) (**Corporations Act**).

## **PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **Audit and risk management committee**

The board has established an audit and risk management committee (**ARMC**) to support and advise the board in fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company in connection with:

- the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct; and
- implementing and supervising the Company's risk management framework.

The ARMC charter requires the committee to be made up of a minimum of three directors, all of whom must be non-executive directors and the majority of whom must be independent. During FY16, the committee was comprised of a minimum of three independent non-executive directors, all of whom have financial expertise. Members of the ARMC are Mr Cahill (Chair), Mr Richards, Ms Smyth (commenced 13 January 2016) and Mr Brennan (ceased 22 April 2016). The qualifications of the ARMC members are set out at pages 19 to 21 of the Annual Report.

The ARMC charter sets out the roles and responsibilities of the committee and is available on the Emeco website. A review of the charter was undertaken during FY16.

In FY16, the ARMC held six meetings. Each committee member's attendance at these meetings is set out at page 22 of the Annual Report. The other directors, including the managing director and chief executive



officer, the executive director finance, company secretary and any other persons considered appropriate may attend the meetings of the ARMC by invitation. The ARMC also meets from time to time with the external auditor in the absence of management.

### **External auditor**

The Company's external auditor is Deloitte Touche Tohmatsu with Ms Leanne Karamfiles as the lead audit partner. Ms Karamfiles was first appointed as the lead partner responsible for Emeco for the 31 December 2015 interim audit. The lead audit partner attends and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the independent auditor's report at the Company's annual general meeting.

The effectiveness, performance and independence of the external auditor are reviewed by the ARMC. If it becomes necessary to replace the external auditor for performance or independence reasons, the ARMC will formalise a procedure and policy for the selection and appointment of a new auditor.

Section 307C of the Corporations Act requires the external auditor to make an annual independence declaration addressed to the board declaring that the auditor has maintained its independence in accordance with the Corporations Act and the rules of the professional accounting bodies. Deloitte Touche Tohmatsu has provided an independence declaration to the board for FY16. This independence declaration forms part of the directors' report and is provided on page 38 of the Annual Report.

In respect of the Company's FY16 financial statements, the board also received a declaration from the chief executive officer and the acting chief financial officer that, in their opinion, the financial records of the Company had been properly maintained and that the financial statements complied with the accounting standards and gave a true and fair view of the financial position and performance of the Company and that the opinion was formed on the basis of a sound system of risk management and internal control which is operating effectively.

During the year, Deloitte Touche Tohmatsu, the Group's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the ARMC to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing the risks and rewards.

Details of the amounts paid to the auditor of the Group, Deloitte Touche Tohmatsu and its network firms, for audit and non-audit services provided during the year are found in note 9 of the notes to the financial statements contained in the Annual Report.

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

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and disclosing to investors and other stakeholders all information about the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company has adopted a continuous disclosure policy which is available in the corporate governance section of the Emeco website.

The continuous disclosure policy specifies the processes by which the Company ensures compliance with its continuous disclosure obligations. The policy sets out the internal notification and decision making procedures in relation to these obligations, and the roles and responsibilities of the Company's officers and employees in the context of these obligations. It emphasises a proactive approach to continuous disclosure and requires the Company to comply with the spirit as well as the letter of the ASX continuous disclosure requirements. The company secretary is responsible for overseeing and coordinating the disclosure of information by the Company to the ASX and for administering the policy.

The policy specifies the Company representatives who are authorised to speak publicly on behalf of the Company and procedures for dealing with analysts. It also sets out how the Company deals with market rumour and speculation. Compliance with the policy is reviewed and monitored by the ARMC, and also by the board.

## **PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS**

The Company has designed and implemented an investor relations program through its adoption of a formal communications policy which describes the processes and systems implemented by the Company to facilitate effective two-way communication between the Company, its shareholders and investors. The communications policy is available in the corporate governance section of the Emeco website.

The Company acknowledges the importance of effective communication with its shareholders. The Company provides information about itself and its governance via its website. All public announcements are posted on the Company's website after they have been released to the ASX. The Company also places the full text of notices of meetings and explanatory material on its website, as well as copies of its annual report and the chair's address at the annual general meeting. A key events calendar is also located on the Company's website.

The Company offers to shareholders a number of options to receive electronic communications. Shareholders can elect to receive notification by email when payment advices, annual reports, notices of meetings and proxy forms are available online. They can also elect to receive email notification of important announcements.

The Company also encourages effective shareholder participation at general meetings, which is the major forum for shareholders to ask questions of the directors about the performance of the Group. To facilitate shareholder participation, the Company keeps informed about improved technology and electronic access for shareholders who are unable to be physically present at meetings.

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

### **Risk management policy**

The board believes that risk management is fundamental to sound management and that oversight of such matters is an important responsibility of the board. The board, with assistance from the ARMC, is responsible for ensuring there are adequate processes and policies in place to identify, assess and mitigate risk.

Emeco has adopted a risk management policy which is available in the corporate governance section of the Emeco website.

Emeco has also implemented a formal enterprise risk management program to ensure that risk management concepts and awareness are embedded into the culture of the Group. This program includes the involvement of senior executives and senior operational management. The key elements of Emeco's enterprise risk management program are as follows:

- Identification and classification of risk into strategic, operational, financial and compliance risks.
- Quantification and ranking of risk consequences, likelihood and rate.
- Development of a Company database for communicating and updating activity and progress on risk matters and maintaining risk registers.
- Identification, enhancement and development of key internal controls to address risk issues, including risk treatment plans and assigning accountabilities for identified risks to senior Emeco employees.
- Comprehensive insurance program.

Where Emeco has material exposures to economic, environmental and social sustainability risks, the risks and Emeco's approach to managing those risks are addressed in note 6 of the notes to the financial statements (for economic risks) in the Annual Report and on page 2 in the Sustainability Report (for environmental and social sustainability risks).

The ARMC is responsible for reviewing the effectiveness of the overall risk management framework to ensure it remains sound. It is also required to review the risk management policy on an annual basis. In FY16, the review of the risk management policy was undertaken.

Details regarding the ARMC including its members and the meetings held are set out under Principle 4 (above) and on pages 19 to 22 of the Annual Report.

### **Internal assurance**

The overall internal assurance process was overseen by the executive director finance and now acting chief financial officer who manages the internal assurance process, and reports to the ARMC and the board on the effectiveness of the Emeco Group's risk management, governance and control frameworks. In respect of FY16, management has reported to the board that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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

The board has established a remuneration and nomination committee. The RNC is currently comprised of three independent non-executive directors. Details regarding membership of the RNC are set out under Principle 2 of this corporate governance statement.

Each member's attendance at the two meetings held by the RNC in FY16 is set out at page 22 of the Annual Report.

The Emeco Group remuneration policy is substantially reflected in the objectives of the RNC. The RNC's remuneration objectives are to endeavour to ensure that:

- the directors and senior executives of the Group are remunerated fairly and appropriately;
- the remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders, and rewarding and motivating the Group's executives and employees in order to secure the long term benefits of their energy and loyalty; and
- the human resources policies and practices are consistent with and complementary to the strategic direction and human resources objectives of the Company as determined by the board.

Under its charter, the RNC is required to review and make recommendations to the board about:

- the general remuneration strategy for the Group so that it motivates the Group's executives and employees to pursue the long term growth and success of the Group and establishes a fair and transparent relationship between individual performance and remuneration;
- the terms of remuneration for the executive directors and other senior executives of the Group including the criteria for assessing performance;
- diversity policy compliance and reporting;
- remuneration reviews for non-executive directors;
- changes in remuneration policy and practices, including superannuation and other benefits;
- employee equity plans and allocations under those plans; and
- the disclosure of remuneration requirements in the Company's public materials including ASX filings and the annual report.

The charter of the RNC is available in the corporate governance section of the Emeco website.

Emeco clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash benefits and superannuation contributions. They do not receive options or bonus payments, or retirement benefits other than superannuation.

A remuneration report detailing the Company's policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives and the information required by section 300A of the Corporations Act in relation to FY16 is included in the Annual Report on pages 25 to 37.

### **The share trading policy**

The principal objective of the share trading policy is to raise awareness, and minimise any potential for breach, of the prohibitions on insider trading contained in the Corporations Act. The policy is also intended to minimise any possible misunderstandings or suspicions arising from employees and officers trading in the Company's shares by preventing trading at certain times of the year such as prior to the release of half and full year results and quarterly updates.

The Company has appropriate compliance standards and procedures in place to ensure the share trading policy is properly adhered to. Employees are reminded of the commencement and end of each blackout period and a copy of the share trading policy accompanies these notifications.

The Company has an equity-based remuneration scheme (see pages 27 to 30 of the Annual Report for more information) and, through its share trading policy, prohibits participants from entering into transactions which limit the economic risk of participating in the scheme.

A copy of the share trading policy is available in the corporate governance section of the Emeco website.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Ian Testrow', written over a horizontal line.

Ian Testrow  
Managing Director

Perth, 30<sup>th</sup> day of August 2016