

ASX-CLT

Corporate Governance Statement

Cellnet Group Limited lodges the attached Corporate Governance Statement for the financial year ending 30 June 2016.

Chris Barnes

Company Secretary

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CELLNET GROUP LIMITED

ACN 010 721 749

Corporate Governance Statement

This Statement sets out the key corporate governance principles adopted by the Directors of Cellnet Group Limited ("the Company"). The Company has assessed its governance practices against the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council. The recommendations are not mandatory and where the Company has not adopted a recommendation this statement will indicate.

1. Lay solid foundations for management and oversight

1.1 Board Role and Responsibilities

The business and affairs of the Company are directed by the Board. The Board has approved a formal **Board Charter** which sets out its roles, responsibilities, power and function.

The Board is responsible for:

- (a) Setting the direction, financial objectives and goals for management;
- (b) Reviewing and approving strategies for the Company;
- (c) Monitoring senior management's performance against those goals;
- (d) Ensuring there are appropriate standards of Corporate Governance and ethical standards;
- (e) Evaluating the performance and determining the remuneration of the Chief Executive Officer and Senior Management;
- (f) Monitoring that appropriate risk management systems, internal control, reporting systems and compliance frameworks are in place and operating effectively; and
- (g) Monitoring plans and procedures for recruitment, training, remuneration and succession planning for senior management.

The Board has delegated to the Chief Executive Officer all of the necessary power and authority to manage the business of the Company on a day-to-day basis with the senior management assisting in that process. That team is comprised of representatives of each business division and the Chief Financial Officer.

1.2 Appointment to the Board and Company

Appointment to the Board and Company is dependent on the persons having a broad range of relevant skills, experience and expertise to meet its objectives. The majority of current Directors were appointed over a decade ago meaning that the company has not implemented Recommendations 1.2 and 1.3. For any future appointments of board members the Company will follow the recommendations to undertake appropriate checks and formalise appointment with written documents which set out the relevant terms of their appointment.

With regards to the appointment of Senior Management to the Company all appropriate checks are carried out and their appointments are formalised with written documents which set out the relevant terms of their appointment.

1.3 The Company Secretary

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters. The Company Secretary supports the effectiveness of the Board by monitoring that Board policy and procedures are followed, and coordinating the completion and dispatch of board agenda and briefing materials, minutes, communication with regulatory bodies and all statutory and other filings.

1.4 Diversity

The Company aims to create a diverse workforce that recognises and embraces the value that different people can bring to an organisation through their gender, age, ethnicity, cultural background, marital status, sexual orientation, and/or religious beliefs. The Board has approved a formal **Diversity Policy** which reflects its commitment to workplace diversity and associated regulatory compliance.

With regard to gender diversity the Company, due to its current size, does not currently have any specific gender diversity targets in place and as such is not in compliance with Recommendation 1.5 (a). For the financial year ended 30 June 2016 the gender composition of the Board, Senior Management and Company are as follows:

	Female	Male	% Female
Board	0	3	0.0%
Senior Management	0	6	0.0 %
Company	21	42	33.3%

1.5 Board and Senior Executive Performance Review and Evaluation

The Board as a whole has the responsibility to review its own performance and the performance of its committees and individual directors. The small scale of the Board and the nature of the Company's activities results in an ongoing self-review process. The Board did not conduct a formal review of the performance of its members during the year ended 30 June 2016. Rather the Board mindful of its duties, considers it appropriate to monitor the performance on an ongoing basis and conduct a formal review of its members and other senior executives and management when necessary. Recommendations 1.6 and 1.7 have therefore not been adopted during the year ended 30 June 2016.

2 Structure of the Board to Add Value

The Board of the Company comprises of three directors:

Mr Alexander Beard, Non-Executive Non-Independent Director (Chairman) - appointed 15 December 2006.

Mr Mel Brookman, Non-Executive Non-Independent Director – appointed 4 June 1992.

Mr Elliott Kaplan, Non-Executive Non-Independent Director - appointed 25 July 2012.

The current scale of operations and shareholding mix has determined the need for only a three person Board none of which are independent Directors. The Board holds the view that the current Board has the required capabilities and skills appropriate for the current operating environment, are able to ensure that corporate governance objectives are achieved and their operational performance is totally transparent.

For the above reasons, the Company has departed from Recommendations 2.1, 2.2, 2.4, and 2.5, as for the 12 months ended 30 June 2016 it did not implement the following:

- Having a nominations committee
- Having a majority of independent Directors
- Having an independent Chairman
- Having a documented skills matrix

The Board seeks to ensure that its members have an appropriate mix of skills and experience to enable it to properly perform its duties. These skills include but are not limited to the following:

- (a) Knowledge of the telecommunications industry;
- (b) Knowledge of the information technology industry;
- (c) Knowledge of distribution channels;
- (d) Knowledge of retail channels;
- (e) Knowledge of the legal and financial regime affecting the Company and its operations;
- (f) Accounting and financial management;
- (g) Proven track record in business;
- (h) Appreciation and understanding of corporate governance;
- (i) Communication skills; and
- (j) Preparedness to commit time and energy to meet the objectives of the Company.

The Company encourages the Directors and senior management to attend training and professional development courses, as may be required to enable them to develop and maintain the skills and knowledge needed to effectively perform their roles, at the Company's expense (as approved by the Chairman and or the Board as appropriate and applicable). The details of each Directors qualification, experience and special responsibilities are detailed in the Directors Report section of the Company's Annual report which is located at www.cellnet.com.au/investorrelations/

The Chairman of the Board is a non-executive Director appointed by the other Directors. His role includes:

- (a) Providing effective leadership in relation to all aspects of the business of the Board;
- (b) Communicating regularly with the Chief Executive Officer and the Company Secretary to ensure that the Board is properly and fully informed on all matters relevant to the operations of the Company;
- (c) Providing an appropriate level of communication between management and the Board at all times;
- (d) Reviewing the contribution by the members to the Board; and
- (e) Representing the Company to the public generally and to all stakeholders in particular.

The Chief Executive reports to the Board, and is responsible for:

- (a) The day-to-day operations of the Company in conjunction with senior management;
- (b) The implementation of the strategies approved by the Board;
- (c) Managing the Company's performance to achieve its financial goals and objectives; and
- (d) Managing appropriate risk management systems, internal control, reporting systems and compliance frameworks.

The Board seeks to ensure its members have an appropriate mix of skills, knowledge and experience to enable it to properly perform its duties. However given the small size of the Board, the Company has not prepared a skills matrix and considers that it is able to identify and address any gaps in skills and experience without such a matrix.

3. Act Ethically and Responsibly

3.1 Code of Conduct

A Code of Conduct has been adopted to specify the practices necessary to maintain confidence in the Company's integrity, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company expects all its Directors, Senior Managers and employees to observe the highest standards of ethics, integrity and behaviour during the course of their tenure.

The Board has set a **Share Trading Policy** for Directors and employees which stipulates how to lawfully and ethically deal in shares and securities of the Company.

4. Safeguard Integrity in Corporate Reporting

4.1 Audit and Risk Management Committee

The Company has an Audit and Risk Management Committee ("ARM Committee") and this Committee has a formal Charter **ARM Charter**.

The ARM Committee has two primary responsibilities.

Firstly it is the custodian of the external audit relationship and assists the Board by focusing on matters of internal control, compliance and reporting.

Secondly, its role is to continually review the financial and operational risks of the business and associated frameworks. Main responsibilities of the ARM Committee include –

- Examination of the financial statements and other financial information of the Company;
- Obtaining sign off from the Chief Executive Officer and the Chief Financial Officer relevant to the financial reports;
- Liaising with the external auditor of the Company on all matters relevant to the appointment;
- Reviewing external audit reports and management letters on recommendations to determine appropriate initiatives to be implemented by management under the direction of the Board;
- Making recommendations to the Board in relation to the appointment of the external auditor, any change to that appointment and the fees to be payable for the provision of those services;
- Providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors;
- Reviewing significant risks to the businesses undertaken by the Company and reporting on appropriate remedial action to minimise the effects of those risks;
- Obtaining sign off from the Chief Executive Officer and the Chief Financial Officer relevant to the management of risks of the Company; and
- Reviewing the adequacy and effectiveness of the Company's internal controls.

The ARM Committee of the Company has the following members:

Mr Elliott Kaplan (Chairman)
Mr Alexander Beard
Mr Mel Brookman

There is a departure from Recommendation 4.1 in that the ARM Committee is not chaired by an independent director and does not have a majority of independent directors. The Board considers that given the size and composition of the Board, the current members of the committee is sufficient to exercise independent judgement in relation to the Company's corporate reporting processes to fulfil its responsibilities.

4.2 CEO and CFO Declarations

The Chief Executive Officer and the Chief Financial Officer are required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

4.3 External Auditor

The Company's external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders.

5. Make Timely and Balanced Disclosure

The Company ensures that price sensitive information is released to the market on a timely basis and has adopted a **Continuous Disclosure Policy**.

The Company provides its members with timely access to material information concerning the Company where disclosure of such information is not considered prejudicial to the commercial interests of the Company.

6. Respect the Rights of Security Holders

The Company empowers its shareholders by:

- Communicating effectively with them, including through use of the Company's website;
- Giving them ready access to balanced and understandable information about the Company and corporate proposals; and
- Making it easy for them to participate in general meetings.

The major forms of communication undertaken by the Company to security holders and potential investors are through ASX announcements, annual report, half yearly report, Annual General Meeting and the Company's website.

The Company's website has an investor relations section which provides links to share prices and the ASX and includes in electronic form all communications with shareholders.

7. Recognise and Manage Risk

As a consequence of the small size and composition of the Board, the Company does not have a stand alone Risk Committee. The Board, in conjunction with the Audit and Risk Management Committee, is responsible for overseeing the Company's risk management framework. The Board ensures that there are appropriate systems in place to identify, assess, monitor and manage market, economic, operational, compliance, social and environmentally sustainable risks. This is achieved via a strong control environment, accountability and review of risk profiles.

The Company does not have an internal audit function. The Board and Audit Committee are responsible for monitoring the internal control process.

The activities of the Company are subject to risks that can adversely impact its business and financial situation. Risk and uncertainties are described in the Company's Annual Report.

8. Remunerate Fairly and Responsibly

The Company adopts remuneration policies that attract and maintain talented and motivated Directors, senior management and employees so as to encourage enhanced performance of the Company noting that there is a clear relationship between performance and remuneration.

The Company does not have a stand-alone Remuneration Committee and therefore departs from Recommendation 8.1. The Board considers that, given its current size it is unnecessary and inappropriate to have a separate Remuneration Committee. The Board as a whole has the responsibilities assumed by a Remuneration Committee.

The Remuneration Report, which forms part of the Company's Annual Report, provides comprehensive disclosure of the Company's remuneration policy and procedures.

Where appropriate, employment agreements with senior management, or obligations under these agreements falling due, may trigger a continuous disclosure obligation under ASX Listing Rule 3.1. Where this is the case, disclosure to the market will include a summary of the main elements and terms of the agreement, including termination entitlements.