

## ACCENT GROUP LIMITED CORPORATE GOVERNANCE STATEMENT 2018

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### Introduction

Accent Group Limited (**Accent Group or the Company**) is committed to good corporate governance practices, transparency and accountability to build sustainable value for shareholders and to drive performance and growth.

This Statement sets out our corporate governance practices in place as at 1 July 2018 and addresses the recommendations contained in the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations (the **Recommendations**).

This Statement should be read in conjunction with the corporate governance section of our website and the Directors' Report and Remuneration Report of our 2018 Annual Report, available at [www.accentgr.com.au/for-investors/corporate-governance](http://www.accentgr.com.au/for-investors/corporate-governance).

### 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 that 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 Board 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;
- + 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 environmental 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); and
- † Remuneration and Nomination Committee – to ensure that the Company remunerates fairly and responsibly and to 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 Company’s website.

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

Board Committee	Composition Requirements	Membership
Audit and Risk Committee	At least three members, all of whom are non-executive directors and a majority of whom are independent directors. The Chairman should be an independent director who is not Chairmain of the Board. 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 Accent Group operates.	<ul style="list-style-type: none"><li>▪ Stephen Goddard (Chair)</li><li>▪ David Gordon</li><li>▪ Brett Blundy</li></ul>
Remuneration and Nomination Committee	At least three members, all of whom are non-executive directors and a majority of whom are independent directors. The chairman should be an independent director.	<ul style="list-style-type: none"><li>▪ Stephen Kulmar (Chair)</li><li>▪ David Gordon</li><li>▪ Donna Player</li></ul>

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		Remuneration and Nomination Committee	
Number of meetings held	7		4		4	
	A	B	A	B	A	B
David Gordon	7	7	4	4	4	4
Stephen Kulmar	7	7	-	-	4	4
Michael Hapgood	7	4	-	-	-	-
Daniel Agostinelli	7	5	-	-	-	-
Donna Player (appointed 23 November 2017)	3	3	-	-	2	2
Stephen Goddard (appointed 23 November 2017)	3	2	1	1	-	-
Brett Blundy (appointed 6 December 2017)	2	2	-	-	-	-
Ivan Hammerschlag (resigned 23 November 2017)	4	4	3	3	2	2
Michael Hirschowitz (resigned 28 February 2018)	6	5	-	-	-	-
Hilton Brett (resigned 31 March 2018)	6	5	-	-	-	-
Craig Thompson (resigned 31 March 2018)	6	4	4	4	3	3
Daniel Gilbert (resigned 31 March 2018)	6	6	-	-	-	-

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

#### Day to day management

The CEO oversees the day-to-day management of the business. The CEO holds regular meetings with all of his direct reports on both a formal and informal basis and tracks progress against budgets. The CEO 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**

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

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

Accent Group has agreements in place with each Director and senior manager, which outlines the terms of their appointment. Each Director has signed a letter of appointment and each senior manager is employed under an employment agreement.

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

The 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.

#### **Accent Group Diversity Policy – Recommendation 1.5**

The Company has established a Diversity Policy which is available 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 that 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 1 July 2018, 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	7	14%	86%
Senior Management*	40	45%	55%
Other employees	5,622	60%	40%
<b>Total</b>	<b>5,669</b>	<b>59%</b>	<b>41%</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 1 July 2018 as there have been a number of recent board changes. Carrying out a review of the Board's performance will be considered in the coming 12 months.

#### **Evaluation of the performance of Senior Executives – Recommendation 1.7**

The Remuneration and Nomination Committee is responsible for setting the performance criteria for executives, 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 KPIs 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 (**Senior Executives**) occurs at least once per annum during the course of which at least the following topics are covered:
  - † The Senior Executive's performance relative to the KPIs set at the previous review;
  - † Any development objectives for the Senior Executive flowing out of the review;
  - † Revised or updated KPIs 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.

This assessment was carried out for each of the Senior Executives during the year ended 1 July 2018.

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

### **Nomination Committee – Recommendation 2.1**

The Board has established a Remuneration and Nomination Committee responsible for, and advising 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;
- Reviewing 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 Directors' 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.

The Committee is also 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**) and the following principles have been adopted by the Board:

- † The Directors may agree between them to appoint a new Director. The appointment must be ratified by 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 Remuneration and Nomination 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 the Directors and senior management have the combined skills and experience to discharge their respective responsibilities.

Biographies of all Directors are included in the Directors' Report in the Annual Report, which highlights 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.

Each of the skills listed is a competency that the Board believes it requires to effectively discharge its duties. The Board has assessed the relevant level of each competency in the skills matrix and although collectively some competencies and skills have a higher expertise or skill level than others, the Board considers 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 Accent Group'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	A good understanding of recent corporate background including organisational structure, litigation, key contracts and relationships, performance and capital structures.

### Director independence – Recommendations 2.3 and 2.4

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

- David Gordon (Non-executive Chairman), (appointed 19 October 2006)
- Stephen Kulmar (Non-executive Director), (appointed 14 August 2007)
- Daniel Agostinelli (Chief Executive Officer), (appointed 27 May 2015)
- Michael Hapgood (Non-executive Director), (appointed 27 May 2015)
- Donna Player (Non-executive Director), (appointed 23 November 2017)
- Stephen Goddard (Non-executive Director), (appointed 23 November 2017)
- Brett Blundy (Non-executive Director), (appointed 6 December 2017)

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 seven Directors.

Daniel Agostinelli is a full-time executive and therefore not considered independent.

Of the remaining six non-executive Directors, four are considered by the Board to be independent – David Gordon, Stephen Kulmar, Donna Player and Stephen Goddard.

Notwithstanding the tenure of Mr Gordon and Mr Kulmar, the Board considers these directors to be independent. The rationale for this determination is they are non-executive, not substantial shareholders, conduct themselves at arm's 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 Blundy are substantial shareholders in the Company and are therefore not considered to be independent in accordance with the ASX Recommendations. However as non-executive directors, they are completely independent from day to day operations of the business and 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.

In addition, 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 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 merit with reference to experience, track record and the needs of the Company. The Board considers David Gordon, the Company's Chairman, to be 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 can 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 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 provide Directors with 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**

#### **Accent Group Code of Conduct – Recommendation 3.1**

The Accent Group Code of Conduct (the **Code**) governs the conduct of the Company and its subsidiaries and their respective directors, employees, consultants and all other people when they represent the Company. A copy of the Code can be accessed on the Company's website.

### **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 and 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 that 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 and Risk Committee's current members, their qualifications and experience, the independence of the members and details of Audit and Risk Committee meetings and attendance by each Committee member are set out earlier in this Statement and the Directors' Report in the Annual Report.

### **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 provide written assurance to the Board, prior to approval of the Company's financial statements for each financial period in the financial year ended 1 July 2018, 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 Accent Group'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**

Accent Group'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 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**

### **Accent Group 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 Accent Group 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 Accent Group’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 Accent Group complies with its continuous disclosure obligations by 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, CEO, CFO 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 Accent Group complies with its continuous disclosure obligations;
- † Communicating with the ASX in relation to Listing Rule matters;



- † Overseeing and coordinating disclosure of information to ASX; and
- † Educating directors, officers and employees on Accent Group 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 Accent Group – Recommendation 6.1**

Accent Group 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.

The Company also 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. The Company communicates information to shareholders 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**

Accent Group'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 Company's website.

If 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**

Accent Group's shareholders can receive communications from, and send communications to, Accent Group 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, 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 of the risk management system.

This committee has at least one meeting per year to review and assess Accent 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 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, safety, health and environment and other internal policies and procedures, which are directed at ensuring the Company complies with all regulatory requirements and community standards.

Comprehensive practices are in place to ensure that:

- † Capital expenditure and revenue commitments above a certain amount 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 Audit and Risk Committee reviews the effectiveness of the risk management system on an ongoing basis and is responsible for ensuring that the appropriate senior managers have established and implemented a risk management system throughout the organisation.

At each Board meeting, the CFO provides a report on any material risks identified since the last Board meeting and a comprehensive review of the steps taken to mitigate or remove material risks identified. All risks, 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 risks at the completion of each half-year and full-year review. The Audit and Risk Committee discusses the report 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 FY19, 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 reason, 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. Accent Group 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 Senior Executives. The remuneration of Senior Executives is based on the evaluation on specific criteria including the Company's business performance, short and long-term strategic objectives and the achievement of personal objectives.

The Remuneration and Nomination Committee has adopted a Remuneration and Nomination Committee Charter, a copy of which 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 Board appoints the members of the Committee.

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

Accent Group'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 Remuneration and Nomination Committee reviews and makes recommendations to the Board on the remuneration of the CEO, CFO 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 Long-Term Incentive schemes that are in place.

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.

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

### **Share trading and hedging risk – Recommendation 8.3**

The Company's Policy for Dealing in Securities provides that its Directors, senior management, employees and people connected to employees must not enter into any transactions which limit the economic risk associated with holding securities in the Company prior to the vesting of those securities. A copy of the policy can be found on the Company's website.

***This Corporate Governance Statement was approved by the Board on 27 August 2018***