

city chic collective

CORPORATE GOVERNANCE STATEMENT

The Directors of the City Chic Collective Limited (City Chic) Board are committed to the principles underpinning best practice in corporate governance, applied in a manner which is best suited to the City Chic group (Group) and to best address the Directors' accountability to shareholders and other stakeholders.

In formulating the governance principles that guide the operations of the Group, the Directors have taken into account the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (3rd edition). This is supported by an overriding organisation wide commitment to the highest standards of legislative compliance and ethical behaviour.

This corporate governance statement outlines the Group's main corporate governance practices and policies in place during the 52 week period ended 28 June 2020, except where indicated otherwise.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Board is to provide effective governance over the Group's affairs to ensure the interest of shareholders are protected and enhanced and the confidence of the investment market is maintained whilst having regard for the interests of all stakeholders, including customers, employees, suppliers and local communities.

The functions of the Board of Directors are defined in the Group's Board of Directors Charter which includes responsibility for:

- Approval of corporate strategies and the annual budget;
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Group's auditors;
- Monitoring managerial performance; and
- Ensuring the significant risks facing the Group have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.

The Board of Directors

The Board of Directors Charter prescribes the structure of the Board and its committees and the framework for director obligations.

Board membership is reviewed to ensure an appropriate skill mix, personal qualities, expertise and diversity to meet the Board's responsibilities and objectives. When a vacancy exists or there is a need for particular skills, the selection criteria based on the skills deemed necessary are identified. The Nomination and Remuneration Committee (NRC) reviews potential candidates for Board appointment and assesses retiring directors standing for re-election, considering a number of factors including skills, experience, expertise and personal qualities to enhance Board effectiveness, as well as any potential conflicts of interest and independence. The Board also undertakes appropriate checks and/or seeks confirmation of key matters in relation to any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director. In its recommendation to shareholders in relation to the election or re-election of a director, the Notice of Meeting for an Annual General Meeting (AGM) sets out material information that would be relevant to the shareholder's decision.

city chic collective

The Group provides a letter of appointment to all directors, which sets out the Group's expectations, their duties, the terms and conditions of their appointment, remuneration and forms part of the induction program for directors. In addition, all senior executives have entered into written employment or executive services agreements with the Company.

The Board currently comprises three non-executive directors and one executive director who is, the Chief Executive Officer and Managing Director. Each of the non-executive directors, being Michael Hardwick, Michael Kay and Megan Quinn, are considered by the Board to be independent directors. Michael Kay and Michael Hardwick own shares in the Group however are not substantial shareholders. Both Megan Quinn and Michael Hardwick have been non-executive directors for approximately eight years, but the Board do not believe either has become too close to management to be considered no longer independent. Michael Hardwick was previously not regarded as an independent director by the Board by virtue of his role as Chief Financial Officer of the Cotton On Group, an entity associated with NAAH Pty Ltd and NAAH Investments Pty Ltd, which was a substantial shareholder in City Chic. The Group also engages the services of Southern Cross Shopfitting, a company that is associated with the Cotton On Group. Noting that NAAH Pty Ltd and NAAH Investments Pty Ltd are no longer substantial shareholders in City Chic, the Board re-assessed Michael Hardwick's independence and considers him to be an independent director. Michael Hardwick is not involved in decision making relating to Southern Cross Shopfitting and its dealings with the Group.

The Chairman and the Chief Executive Officer are not the same person. The Board is chaired by Michael Kay, who is an independent director. The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives. The Chief Executive Officer is responsible for implementing group strategies and policies. The Board of Directors Charter specifies that these are separate roles to be undertaken by separate people.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the FY2020 Annual Report.

Directors' Independence

Any past or present relationship with the Group is reviewed to assess the likely impact on a director's ability to be objective and exercise independent judgement. The Board reviews any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction is in compliance with the *Corporations Act 2001* and is appropriately disclosed. The Board is confident that suitable processes are in place to satisfy expectations and requirements in relation to decision making and the management of conflicts of interest. The directors on the Board of City Chic contribute significant knowledge across a range of areas. Regardless of whether directors are defined as independent, all directors are expected to provide independent judgements and views to Board discussions.

Performance Evaluation

Consistent with an 'agile' approach to performance management, the Board continually monitors and assesses throughout the year its collective performance, the performance of its Committees and the performance of individual directors to address any issues or areas

city chic collective

for improvement as they arise. The Board also aims to conduct a more in-depth review of its performance and that of individual directors by undertaking periodic self-assessments of its collective performance, the performance of the Chairman and its committees. Management are invited to contribute to this appraisal process. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. As noted above, the Nomination and Remuneration Committee (NRC) also assesses, on an annual basis, retiring directors standing for re-election.

Consistent with an 'agile' approach to performance management, the performance of senior executives is also reviewed regularly throughout the year, to provide feedback, address any issues or areas for improvement as they arise. The Board also conducts an annual performance assessment of the CEO and the CEO undertakes assessments of senior executives and, where necessary, discusses the review and any recommendations with the Board.

Given the focus of the Board and executive team on a number of initiatives during the reporting period, including the Company's response to COVID-19 and the acquisition and integration of Hips and Curves and Avenue assets, the Board and executive team met on a more frequent basis during the reporting period. These meetings provided opportunity for regular engagement between the Directors and between the Board and executive management and facilitated the 'agile' approach to performance management referred to above. In addition, the Board undertook a more in-depth self-evaluation of its collective performance and a formal assessment of the CEO's performance.

Company Secretary

The Board appointed Mark Ohlsson, FCPA, as Company Secretary on 10 May 2019. Mark held the office of Company Secretary throughout the reporting period until 6 July 2020. Marta Kielich was appointed as Company Secretary with effect from 7 July 2020. All directors have access to the services and advice of the Company Secretary. Details of the skills, experience and expertise of the Company Secretary for the reporting period are set out in FY2020 Annual Report. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board and Board Committees.

Diversity

Workplace diversity recognises and values the contribution of people from different backgrounds, experiences and perspectives. It is the Group's aim to ensure that all team members have equal opportunity to participate and advance in their careers.

The Group values and recognises the diversity of our Team Members and the added value diversity provides to achieving the Group's overall objectives. The Group's diversity policy outlines the Group's diversity objectives in relation to gender, age, race, cultural background, disability, religion, gender identity, sexual orientation and professional background. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Group's progress in achieving them. A copy of the diversity policy is available on the City Chic website. The Group's diversity policy is underpinned and supported by a suite of processes and practices that are applicable to all who work for the Group and seek to create an environment that promotes inclusivity and attracts, retains and provides opportunities for well qualified employees, senior management and Board candidates, regardless of gender identity or minority group membership, and is reflective of diversity of thought and experience.

city chic collective

Objectives established for achieving gender diversity and progress towards achieving them during the year ended 28 June 2020 are set out below:

FY2020 Diversity Objectives

Objective	Achievement
1. Conduct a Diversity Survey for a new CCX baseline	Not completed
2. Develop Diversity strategy for FY2021	Not completed
3. Submit the Workplace Gender Equality Report	Completed
4. Implement feedback through engagement survey process around career & development	Completed
5. Review diversity policy to ensure robust and current	Completed

Objective 1 and 2 were not completed due to the impact that Covid-19 had on HR objectives and company resources. These objectives have been incorporated into our plan for FY2021.

Objectives established for achieving gender diversity during FY2021 are set out below:

FY2021 Diversity Objectives¹

Objective
1. Conduct a Diversity Survey for a new CCX baseline
2. Develop Diversity strategy and associated metrics for FY2021
3. Review Diversity Policy to ensure it aligns with Diversity Strategy
4. Rollout a workplace volunteering program that partners with NFP organisations that share our Diversity Policy objectives
5. Use FY2021 WGEA Report to inform gender-related diversity objectives for FY2022.

Gender Balance

City Chic's ongoing commitment to reporting on gender diversity is in line with the Workplace Gender Equality Act 2012 (WGEA). The proportion of women employed at different levels across the Group was as follows:

- 1 of 3 non-executive directors on the Board is a woman; 1 of 4 Board members (including non-executive and executive directors) is a woman;
- 63% of the Executive Team (CEO, executive KMP and General Managers) are women;
- 85% of our Managers (Senior Managers and Other Managers) are women; and
- 98% of our workforce are women.

Supporting our people

City Chic continues to undertake a number of initiatives, designed in part to facilitate our commitment to an inclusive and diverse workplace. We offer employees flexible working conditions. Access to these entitlements increased due to the business impact of COVID-19 with 100% uptake in the City Chic Head Office at the time of entering into FY2021. Our FY2020 return rate from maternity/paternity leave was 100% for head office employees and 73% for retail employees. We attribute this to our commitment to keeping employees engaged and connected throughout their leave and offer a variety of flexible work

¹ The Company is mindful of the fact that the 4th Edition of the Corporate Governance Principles and Recommendations (which will apply to City Chic from FY2021), recommends that if an entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period. As of 22 June 2020, City Chic has been included in the S&P/ASX 300 Index. The Board currently comprises three non-executive directors, of which, one is a woman. The Board's approach to reviewing the composition and size of the Board is outlined in more detail under Principle 2.

city chic collective

arrangements to ensure employees return on flexible terms that balance their needs and those of the business.

We are also pleased that as part of the 2020 City Chic Employee Engagement Survey, 78% of the workforce said they felt part of an inclusive team and culture. This is a 5% increase on the 2019 results.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) comprises three independent non-executive directors. The Chair of the Committee is Megan Quinn, an independent non-executive director. Details of the Committee with regards to remuneration policies and practices are detailed in “*Principle 8 – Remunerate fairly and responsibly*”. The number of meetings held by the NRC and director attendance is set out in the FY2020 Annual Report. Mr. Kay is excluded from meetings where his remuneration is being decided.

The NRC Charter prescribes the structure and responsibilities of the Committee which can be found on the City Chic website.

Board composition, skills and experience

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties.

The Board seeks to ensure that the combination of its members provides an appropriate range of experience, skills, diversity, personal qualities and expertise to enable it to carry out its obligations and responsibilities. The Board believes that having a range of different skills, backgrounds, experience and gender ensures a diversity of viewpoints which facilitate effective governance and decision making.

The Board believes that the skills and experience in the areas listed below are desirable for the Board to perform its role effectively. The Board considers that its current composition possesses an effective blend of these skills and experience which enables it and its Committees to effectively govern the business, operate effectively and add value in the context of the Group’s strategy:

- Governance expertise and experience;
- Risk management expertise and experience;
- Financial and legal experience;
- Corporate advisory expertise;
- Executive/management experience;
- Operational management expertise and experience;
- Global expansion and international business dealings experience;
- Technology, innovation and transformation experience;
- Retail knowledge and experience;
- Property expertise; and
- Listed company Board experience.

Each director has the relevant industry experience and specific expertise relevant to the Group’s business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the activities of the Group.

Directors are encouraged and supported by City Chic to undertake appropriate professional development opportunities and the Company Secretary will help to organise and facilitate the professional development of Directors as required. In the event of a new Director being

city chic collective

appointed to the Board, that Director would be supported through an appropriate orientation and induction program on appointment.

Director independence

As noted under Principle 1, the Board currently comprises three non-executive directors and one executive director who is, the Chief Executive Officer and Managing Director. Each of the non-executive directors, being Michael Hardwick, Michael Kay and Megan Quinn, are considered by the Board to be independent directors. The Chair of the Board is an independent director and is not the same person as the CEO. Further information about each director, including their length of service, is included in the FY2020 Annual Report. The Board will regularly assess the independence of each Director in light of the interests disclosed by them.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct

The Group recognises that respect for employees, customers, suppliers and other stakeholders is fundamental to the Group's long-term success and Group's social responsibility includes interacting with all stakeholders with integrity.

The Group has developed a Code of Conduct (the "Code") which has been fully endorsed by the Board and applies to all directors and employees. A copy of the Code is available on the City Chic website. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Group's stakeholders.

In summary, the Code requires that at all times the Group's personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of the law and Group policies. The Code is supported by a range of Group policies, some of which are discussed in more detail below.

City Chic is in the process of refining, and expects to release during FY2021, its statement of values. The Code will be reviewed, and refreshed if necessary, to reflect City Chic's purpose and values.

The Code is further supported by Group policies including a Securities Trading Policy and Whistle-blower Policy. The Code and each of these policies form part of each employee's induction training. All employees are asked to sign a declaration confirming their understanding and compliance with the Code and these policies. A copy of the Code and City Chic policies are available on the City Chic website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit and Risk Committee

The Board has established an Audit and Risk Committee (ARC). This Committee is responsible for, amongst other things, appointing the Company's external auditors and overseeing the integrity of the Company's financial reporting systems and financial statements.

city chic collective

The ARC comprises of three independent, non-executive directors. The Chairman of the Committee is Michael Hardwick, an independent non-executive director. The relevant qualifications and experience of each Committee member is set out in the FY2020 Annual Report.

The Board and the ARC, at all times, act in a manner designed to ensure they safeguard the integrity of the Group's corporate reporting.

The functions of the ARC are defined in the ARC Charter (available on the City Chic website) and include responsibility for:

- reviewing and reporting to the Board on the annual and half-year report and financial statements; and
- assisting the Board in reviewing the effectiveness and adequacy of the organisation's internal financial control environment to enable them to provide the Board with up to date and reliable financial information.

The Committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit and non-audit services.

In fulfilling its responsibilities, the Committee receives regular reports from management and external auditors. It also meets with the external auditors without the presence of management at least twice a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to either the Chairman of the ARC or the Chairman of the Board.

The Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party and obtain external legal or other independent professional advice.

The Committee reports to the full Board after each committee meeting and relevant papers and minutes are provided to all directors. The number of meetings held by the ARC and director attendance is set out in the FY2020 Annual Report.

Financial Report Accountability

The Chief Executive Officer and the Chief Financial Officer who are present for Board discussion of financial matters are required to certify to the Board that the financial records of the Group have been properly maintained; the consolidated entity's financial statements comply with Accounting Standards, give a true and fair view of the financial position and performance of the Group; the financial statements and notes thereto are in accordance with the *Corporations Act 2001* and their opinion is founded on the basis of a sound system of risk management and internal compliance and control systems which are operating effectively.

Auditor Attendance at the Annual General Meeting

The external audit firm partner in charge of the City Chic audit is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report at the Annual General Meeting.

city chic collective

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

City Chic satisfies its continuous disclosure obligations as required by the Listing Rules of the Australian Securities Exchange and the Corporations Act by adhering to its External Communications Policy (available on the City Chic website) which requires material information to be disclosed in a timely manner to enable all shareholders and the market to have an equal opportunity to obtain and review material information about the Group.

City Chic's annual and half-yearly reports, investor presentations, press releases and other information disclosed to the ASX, as well as information about corporate social responsibility and governance practices are available on the City Chic website (www.citychiccollective.com.au).

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

City Chic respects the rights of its shareholders and has adopted policies and practices to facilitate the effective exercise of those rights through the provision of information about the Group and its operations and the opportunity to participate at general meetings.

Information about City Chic and its governance is available via its website. City Chic aims to facilitate effective communication with investors to ensure all information in relation to significant matters is communicated in a timely, clear and objective manner.

Information is provided to City Chic's shareholders through:

- the City Chic Collective Limited Annual and Half-yearly Reports;
- the Annual General Meeting (AGM);
- results announcements and ASX releases; and
- City Chic's website, which has a dedicated Investor Relations section.

City Chic has a comprehensive shareholder engagement program which includes briefings, presentations and events throughout the year, in addition to the AGM. City Chic hosts briefing sessions for investors and analysts as part of its half-year and full-year results and other times, as deemed necessary. All material information and presentations are lodged with the ASX and are made available on the City Chic website.

Shareholders are encouraged to attend the AGM and ask questions of the Chairman and the Board. City Chic adopts best practice in drafting of notices for general meetings and other communications to help ensure that they are honest, accurate, informative and not misleading. All AGM material is made available in the Investor Relations section area of our website. City Chic ensures that substantive resolutions at a meeting of shareholders be decided by a poll rather than show of hands.

The share registry offers shareholders the option to receive communications electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board, through the ARC, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Group's policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

city chic collective

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board proactively promotes a culture of quality and integrity.

A review of the Group's risk management framework was completed during the reporting period.

The Group's exposure to any material economic, environmental and social sustainability risks are set out in the FY2020 Annual Report. In addition, information about the Group's approach to corporate social responsibility, including ethical trade, supply chain management and management of environmental impacts, is available on the City Chic website and in the investor presentation accompanying the FY2020 full year results.

Further information about the ARC is provided under "*Principle 4 – Safeguard integrity in corporate reporting*" and in the FY2020 Annual Report. The Committee's charter is available on the City Chic website.

As part of the process of approving the financial statements, at each reporting date the Chief Executive Officer and Chief Financial Officer provide statements in writing to the Board on the quality and effectiveness of the Group's risk management and internal compliance and control systems.

In the absence of a dedicated internal audit team, the Group employs the services of professional third parties from time to time to review and make recommendations on the Group's internal control processes. The ARC is satisfied that the activities undertaken by management and the internal loss prevention teams are sufficient in assessing and monitoring the Group's risk profile and internal control processes.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Group has a NRC, as disclosed earlier in "*Principle 2 – Structure the Board to add value*".

The Committee considers remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives. The Committee, having regard to performance, relevant comparative information and independent expert advice where required, reviews executive remuneration and other terms of employment annually. As well as a base salary, remuneration packages include superannuation and performance related bonuses. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations and executing the Group's strategic objectives.

Remuneration of non-executive directors is determined by the Committee within the maximum amount approved by the shareholders from time to time.

Further information about CCX's remuneration framework and directors' and executives' remuneration is set out in the FY2020 Annual Report under the heading "Remuneration report".

The City Chic Securities Trading Policy, available on the City Chic website, outlines restrictions in relation to dealing in City Chic securities including those issued under an equity-based remuneration scheme.