

# Corporate Governance Statement

The Board of Invigor Group Limited is committed to achieving and demonstrating a robust corporate governance framework. In determining appropriate governance practices, the Company has examined the corporate governance principles and recommendations published from time to time by the Australian Securities Exchange (ASX) Corporate Governance Council (hereafter referred to as the ASX Governance Principles).

Corporate governance practices are continually being reviewed and refined to meet the requirements of the Company.

This Corporate Governance Statement outlines the main corporate governance practices of the Company. These practices comply with the ASX Governance Principles unless otherwise stated. If a recommendation has not been adopted by the Company, or an alternative approach has been taken, then the reasons for doing this are explained.

## **Principle 1: Lay Solid Foundations for Management and Oversight by the Board**

The Board is responsible for guiding and monitoring the overall business performance and strategic direction of the company on behalf of shareholders to whom it is accountable.

The Board has adopted a charter which details the roles and responsibilities that are specifically reserved to it for decision. The Board's responsibilities encompass the following:

- Set the Company's strategic direction and monitor management's implementation of that strategy;
- Monitor financial outcomes and the integrity of internal and external reporting;
- Approve annual budgets and longer-term strategic and business plans;
- Effective and timely reporting to shareholders including annual reports, half yearly reports and any other information for disclosure to the market that contains financial projections or statements as to future financial performance;
- Approve and monitor the progress of major capital expenditure projects, capital management and acquisitions and divestments;
- Approve borrowings other than in the ordinary course of business and the granting of security over or interests in the undertaking or assets of the Company;
- Implementing effective audit, risk management and compliance systems to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- Set specific limits of authority for management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
- Approve corporate governance and operating policies;
- Monitor compliance with regulatory requirements (including continuous disclosure) and ethical standards;
- Appoint and, where appropriate, remove the Chief Executive Officer, Company Secretary and, in agreement with the Chief Executive Officer, those senior executives who report to the Chief Executive Officer;
- Approve conditions of service and performance monitoring procedures to apply to the Executive Chairman/Chief Executive Officer and senior management; and
- Review, on a regular basis, senior management succession planning and development.

The Executive Chairman is responsible for leading the Board in those duties detailed above and for overseeing the efficient and effective operation of the Company by the senior executive team on a day-to-day basis.

The Executive Chairman/Chief Executive Officer oversees the implementation of strategies approved by the Board and is accountable to the Board for all authority delegated to the senior executive team. The Executive Chairman/Chief Executive Officer is also responsible for bringing material matters to the attention of the Board.

The process for monitoring and evaluating the performance of senior executives is detailed in the annual Remuneration Report contained in the annual Financial Report. Formal evaluations of senior executives were undertaken during 2015.

A process is undertaken for selecting directors for appointment to the Board. Refer Principle 2. The Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. This information is provided in the notice for the Annual General Meeting. Directors execute formal documentation with the Company setting out their rights and obligations.

Senior management have written agreements with the Company setting out the terms of their employment. Details are contained in the annual Remuneration Report.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

### **Diversity Policy**

A formal diversity policy has not been adopted by the Board. The Company makes assessments of employees and potential employees based on the ability of a person to perform their defined role and to meet the cultural objectives of the Company. Decisions are made irrespective of a person's gender, age, race, religion or cultural background. The practices for assessing and appointing employees are considered appropriate to meeting the needs of the Company taking into account its present size and operating structure. Accordingly, it is

not considered appropriate or necessary to set measurable objectives for achieving gender diversity and none have been disclosed. Similarly, the proportion of women in the Company, including senior executive positions, has not been disclosed in this report.

The Board is committed to reviewing the performance of Non-executive Directors and the Board as a whole. A number of changes in board composition occurred during 2015 and in 2016 to date. Accordingly, formal performance evaluation was not considered necessary during the reporting period. The process for evaluating the performance of senior executives is outlined in the annual Remuneration Report.

## **Principle 2: Structure the Board to Add Value**

The Board considers that its composition should be such that there is collectively a complementary mix of skills, personal attributes and experience amongst the members appropriate to the requirements of the Company. An appropriate selection process, including character and background checks, is undertaken before appointing a person to the Board or recommending a candidate for election.

The skills, experience expertise and length of service of each director in office as at the date of this report are detailed in the Directors' Report contained in the annual Financial Report.

As at the date of this report, the Board comprises a majority of Non-executive directors with the following composition:

Gary Cohen - Executive Chairman and Chief Executive Officer  
Roger Clifford – Non-executive director  
Gregory Cohen – Executive Director, Finance and Operations  
John Hayson – Non-executive director  
Jeremy Morgan – Non-executive Director  
Anthony Sherlock - Non-executive Director

Details of changes in the composition of the Board during the last financial year are contained in the Directors' Report.

An independent director:

- is independent of management and any business or other relationship with the Company that could materially interfere with the exercise of objective, unfettered or independent judgement by the director or the Directors' ability to act in the best interests of the Company.
- is not a substantial shareholder in the Company or directly or indirectly associated with a substantial shareholder.
- has not been employed by the Company in an executive capacity within the within the last 3 years.
- is not a principal of a professional adviser to the Company.
- is not a significant customer of the Company.

The Board has assessed the independence of the Non-executive Directors in light of the above criteria. Roger Clifford, Jeremy Morgan and Anthony Sherlock are considered independent directors. John Hayson is not considered an independent director because he is a substantial shareholder in the Company.

Therefore, at the present time, the Board comprises 50 per cent of independent directors and a majority of Non-executive directors. The Company has an executive Chairman who is also the Chief Executive Officer. The Board considers the current composition, including having an Executive Chairman, to be appropriate having regard to the Company's present size and business objectives. The composition of the Board will be reviewed as business plans are implemented.

Directors have rights of access to management and to seek independent professional advice at the Company's expense to assist them with performing their duties. The Company provides directors with the opportunity to undertake appropriate professional development activities and provides appropriate materials to new directors as part of their induction.

### **Board Committees**

The Board has previously established the following committees to assist it in the execution of its duties:

- Nomination and Remuneration Committee
- Audit Committee

Each Committee is governed by a formal charter setting out its duties and responsibilities.

The operation of these committees has been suspended following changes in recent years to the scale and nature of the operations of the Company. All relevant matters are now being referred directly to the Board for consideration. The Board will consider reactivating the committees as circumstances require.

## **Principle 3: Act Ethically and Responsibly**

The Company has adopted a Code of Conduct that sets out the minimum standards of moral and ethical behaviour expected of all directors, senior executives and employees. The Code of Conduct is not exhaustive and cannot anticipate every situation which may arise. It is expected that common sense and sound judgement will be applied. The Code of Conduct is based on the following guiding principles:

- to act honestly and fairly in all business transactions and dealings with others.
- to treat other directors and employees, contractors, customers, competitors and all other persons with whom they deal at work with the utmost courtesy and respect.
- not to compromise a duty to act within the best interests of the Company.

- to comply with all laws and regulations applicable to the business of the Company.

#### **Principle 4: Safeguard Integrity in Corporate Reporting**

The Board has previously established an audit committee but has suspended the operation of the committee given the current size of the Company and the changes to the nature and scale of activities that have occurred in recent years. The Board will consider reactivating the committee at a later date as circumstances require.

Matters delegated to the Audit Committee under its charter are now considered directly by the Board. These matters include:

- reviewing annual and half yearly financial statements for approval.
- reviewing the appointment, terms of engagement and remuneration of the external auditor.
- considering the appropriateness of the Company's accounting policies and approving any changes which may be necessary.
- reviewing the audit plans of the external auditor.
- assessing the performance of the external auditor.
- reviewing results of the external audits, including meeting with the external auditor to discuss the outcome of the audit.
- assessing management's programs and policies which deal with the adequacy and effectiveness of internal controls over the Company's business processes.
- approving changes to the Company's formal accounting policies.
- reviewing jointly with management and, if necessary, legal counsel, any litigation, claim or other contingency, which could have a material effect on the financial position or operating results of the Company.
- reviewing and assessing compliance monitoring programs in place within the Company.
- assessing the adequacy of the Company's insurance program and its risk management strategies.

An auditor independence policy has been approved that details processes to be undertaken to be satisfied that auditor independence is maintained. The policy details the types of non-audit services that are permitted to be provided by the external auditor and those that are prohibited from being provided.

The Board meets with the external auditor at least twice a year and more frequently, if considered necessary. The auditor attends the Annual General Meeting of shareholders and is available to answer questions relevant to the audit.

The Board confirms it receives the written declaration required by Section 295A of the Corporations Act prior to approving the Company's financial statements. The declaration includes statements from the CEO and the CFO (or their equivalents) that, in their opinion, the financial records have been properly maintained, the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which operate effectively in all material respects. The Board notes that due to its nature, risk management and internal control assurance can only be reasonable rather than absolute. This is owing to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

#### **Principle 5: Make Timely and Balanced Disclosure**

The Board is committed to providing shareholders and the investment community generally with timely information about material financial and non-financial events that impact upon the Company.

To reinforce this intention, the Company has approved an External Reporting Policy. This policy is designed to ensure the Company complies with its disclosure obligations for both financial and non-financial information in accordance with the Corporations Act 2001 and the ASX Listing Rules.

The Executive Chairman/Chief Executive Officer, Executive Director – Finance and Operations and the Company Secretary have each been appointed as persons having authority for communicating with the Australian Securities Exchange. This includes responsibility for ensuring compliance with the continuous disclosure requirements contained in the ASX Listing Rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

#### **Principle 6: Respect the rights of Security Holders**

The Board is committed to providing shareholders with information about itself and its governance in a timely manner to inform them about matters affecting the Company.

The principal communication channels are via the Company's website and through the provision of the annual and half yearly reports, Company announcements and Shareholder Meetings.

The process for communicating with shareholders and other parties is documented in the External Reporting Policy. Shareholders have an option to receive communications electronically by providing relevant details to the share registry.

The Board encourages the attendance and participation of shareholders at general meetings. Notices of meetings, including proposed resolutions, are issued in advance of meetings, in accordance with legal requirements.

The Company's website, [www.invigorgroup.com](http://www.invigorgroup.com), provides shareholders with access to:

- annual and half yearly financial reports and presentations;
- announcements and media releases;
- information on the Company's business strategy and objectives;
- details on business activities;
- information on corporate governance practices;
- details about the Board of directors and senior executive management; and
- information on how shareholders can communicate with the Company.

### **Principle 7: Recognise and Manage Risk**

The Board is responsible for and oversees and reviews the effectiveness of risk management and internal compliance management in the organisation. The Company does not have an internal audit function owing to the size of its activities. Documented policies to enable appropriate management of business risk have been adopted. Management is responsible to the Board for identifying, managing, reporting upon and implementing effective operational measures to address risk and compliance. The Board receives regular reports on compliance with governance policies, including a formal annual compliance report.

The Company and its controlled entities have no material exposure to environmental and social sustainability risks. The Company is exposed to economic risks associated with its business activities. These risks are managed through adoption of appropriate risk management and internal control processes.

Entities in which the Company has invested which are not controlled entities are responsible for their own risk management and internal control processes and reporting. The Company oversees those processes through board representation and involvement in assisting and overseeing the management of those businesses.

### **Principle 8: Remunerate Fairly and Responsibly**

The Board has previously established a Nomination and Remuneration Committee that operates under a formal charter. The operation of the committee has been suspended following the changes to the scale and nature of the operations of the Company that have occurred in recent years. All relevant matters are now being referred directly to the Board for consideration. The Board will consider reactivating the committee at a later date as circumstances require.

The Company's remuneration policy and practices are designed to attract, motivate and retain appropriately qualified and experienced people, and to ensure that remuneration of all directors, executives and staff properly reflect each person's accountabilities, duties and level of performance.

Details of the structure, composition and quantum of the remuneration of directors and senior executives are contained in the annual Remuneration Report