

Invigor Group Limited

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 (**ASX Governance Principles**).

Corporate governance practices are continually being reviewed and refined to meet the requirements of the Company. The corporate governance policies and practices described below are those that have been in place throughout the year ended 31 December 2018 or as at the date of this report where indicated.

This Corporate Governance Statement (**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.

All references to the Company website in this Statement is www.invigorgroup.com.

This Statement was approved by the Company's Board on 26 March 2019 and is current as at that date.

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. This can be viewed on the Company's website.

The 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 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 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 Report. An enhanced evaluation process for senior executives was implemented during 2018.

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.

Non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

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.

As at 31 December 2018, the following gender diversity levels were evidenced in the Company:

- The proportion of female directors: 14%
- The proportion of female employees who are key management personnel: 20%
- The proportion of female employees in the whole organisation: 24%

The Board is committed to reviewing the performance of Non-executive Directors and the Board as a whole. Due to the size of the Company, no formal evaluation was completed in 2018. However, the Independent Directors are fully engaged with the senior executives in reviewing the strategy of the Company and the Corporate Governance framework.

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 Report.

At the date of this report, the Board comprises seven directors as follows:

Robert (Bob) McKinnon (Chairman) – Chairman and Independent Non-executive Director (appointed 3 July 2017)

Gary Cohen – Executive Director and CEO (appointed 19 July 2012)

Gregory Cohen – Executive Director and CFO (appointed 19 July 2012)

Claire Mula – Executive Director and COO (appointed 3 July 2017)

Roger Clifford – Independent Non-executive Director (appointed 18 November 2015)

Jeremy Morgan – Independent Non-executive Director (appointed 2 March 2016)

Jack Hanrahan – Independent Non-executive Director (appointed 3 July 2017)

On an annual basis, the Board assesses the independence of all Directors against the criteria outlined in Box 2.3 of the ASX Governance Principles. The Board considers an independent director to be a non-executive director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement.

The Board considers the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles.

The Board has assessed the independence of the Non-executive Directors in light of the above criteria. Bob McKinnon, Roger Clifford, Jeremy Morgan and Jack Hanrahan are considered independent directors.

Gary Cohen, Greg Cohen and Claire Mula by virtue of their executive positions are considered non-independent, based on the criteria in Principle 2 of the Governance Principles.

Based on this assessment the board has a majority of independent directors.

The term of office held by each director in office at the date of this statement is outlined earlier in this statement.

The Board considers the current composition 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:

- Remuneration Committee; and
- Audit, Risk and Compliance Committee

The members of the Remuneration Committee are the independent non-executive directors, Mr Clifford and Mr Hanrahan, with Mr Clifford as chairman of this committee. The committee was formed at the end of 2017 however since that time and throughout 2018 the Board agreed to undertake the role of the Remuneration Committee, and as such no meetings were held.

The members of the Audit, Risk and Compliance Committee are the independent non-executive directors, Mr McKinnon and Mr Morgan, with Mr McKinnon as interim chairman of this committee. Mr McKinnon is considered the most experienced director to be appointed as chairman of this committee despite his position as chairman of the board. Mr Gary Cohen and Mr Gregory Cohen, Executive Directors, attend all Audit, Risk and Compliance Committee meetings.

The Board has not established a separate Nominations Committee as this is deemed not necessary at this time. All nomination matters are dealt with by the Board directly and the Board Charter reflects this.

The number of board and committee meetings and attendance at these meetings are disclosed in the Directors Report of the 2018 Annual Report.

Each Committee is governed by a formal charter setting out its duties and responsibilities, and these can be found on the Company website.

Board skills matrix

The Board Charter includes a responsibility for annually assessing the skills of the Board to ensure that it maintains a sufficient number of directors with an appropriate skills mix. The establishment of a formal skills matrix has not been undertaken, but in appointing directors to the board recently, existing skills and required skills were considered in these appointments. Consideration will be given to establishing a formal board skills matrix during 2019.

Induction of new directors

The Board has a program of induction for new directors including access to all corporate documents, strategy papers and meetings with key management.

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 reestablished an Audit, Risk and Compliance Committee in November 2017. Prior to this, matters delegated to the Audit, Risk and Compliance Committee under its charter were considered directly by the Board. The matters delegated to the Audit, Risk and Compliance Committee are outlined in the committee Charter, which can be viewed on the Company's website.

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 assesses the auditor independence prior to adopting the Interim Financial Report and the Annual Financial Report.

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 2001* (Cth) (**Corporations Act**) prior to approving the Company's financial statements. The declaration includes statements from the CEO and the CFO 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, a copy of which is available on the Company website. 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 and the ASX Listing Rules.

The Chairman, Chief Executive Officer, Chief Finance Officer 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 Company does not have a formal investor relations program in place due to regular engagement with key stakeholders and the size of the organisation and its register.

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. All shareholders have the option to receive communications electronically from, and send communications to the Company, by providing relevant details to the Company's service provider Boardroom Pty Ltd.

Invigor's annual general meeting is convened once a year, usually in May. In relation to its meetings of shareholders, an explanatory memorandum on the resolutions is included with the notice of meeting.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the annual general meeting may lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile or electronically.

Transcripts of the chairman's address and any 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 is released to the market after the conclusion of the meeting. Both documents are also posted on the Company website.

In the event that shareholders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act by mail or online.

The Company's website 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 due to the size of the organisation. 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 Audit, Risk and Compliance Committee reviews the Company's management of financial and compliance risks to ensure adherence to the Company's obligations. While no formal risk management framework review was completed in 2018, the Audit, Risk and Compliance Committee reviews strategic risk involved in the business including analysis of forecast models and sales pipelines. Compliance risk is reviewed regularly to ensure reporting standards are met.

The Audit, Risk and Compliance Committee's current membership and the independence of the members are set out earlier in this Statement.

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

As noted previously in this Statement, the Board has established a Remuneration Committee that operates under a formal charter. The responsibilities of this committee are outlined in its charter, a copy of which can be found on the Company's website. During 2018 the responsibilities of the Remuneration Committee were undertaken by the Board as a whole.

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.

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.

The Company has adopted a Security Trading Policy that is intended to explain the types of conduct in relation to dealing in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects Invigor's directors, officers, employees and management against the misuse of unpublished information that could materially affect the value of securities.

The Security Trading Policy sets out restrictions that apply to dealing with securities and defines "prohibited periods" during which Applicable Persons, are unable to deal in Invigor securities.

In all instances, buying or selling of shares is not permitted at any time by any person who possesses price – sensitive information. The Security Trading Policy is available on the Company website.

The Company's Security Trading Policy provides that Applicable Persons must not enter into any transaction that operate to limit the economic risk associated with holding securities in the Company.

Approved by the Board on 26 March 2019