



The Board of Gowing Bros. Limited (the Company) is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance and supports the principles of good corporate governance as published in the third edition of Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (3<sup>rd</sup> Edition recommendations).

This Corporate Governance Statement (Statement) outlines the key corporate governance practices of the Company as they relate to the 3<sup>rd</sup> Edition recommendations for the financial year ended 31 July 2016.

This Statement was approved by the Board and is current as at 31 October 2016.

The Directors do not believe that any 3<sup>rd</sup> Edition recommendations that have been disclosed below as not having been adopted, in any way disadvantage the effectiveness with which the Board operates. The Board remains clearly focused on maximising shareholder value in an ethically responsible manner and willingly adopts corporate governance best practice recommendations as the circumstances and needs of the Company require them.

## **PRINCIPLE 1: Lay solid foundations for management and oversight**

1.1 The Board of Directors is primarily responsible for ensuring the Company is managed in a manner that protects and enhances the interests of all stakeholders and takes into account the interests of all stakeholders. The Board responsibilities, some of which have been formalised in the Board Charter, include:

- setting the strategic direction of the Company;
- overseeing and monitoring the Company's performance and achievement of strategic goals and objectives;
- approving and monitoring the progress of major capital expenditure, acquisitions and divestitures;
- determining and approving capital, funding, approving budgets and dividend policies;
- defining the limits to management's responsibilities;
- overseeing the process for making timely and balanced disclosures of all material information concerning the Company.
- monitoring executives' performance against appropriate measures;
- ensuring appropriate risk management systems, internal controls, codes of conduct and legal compliance are in places;
- meeting on a regular basis to review management operational reports regarding the financial performance of the Company;



- Appointing and removing the MD (or equivalent), including approving the remuneration of the MD and succession plans for the MD;
- Ratifying the appointment and, where appropriate, the replacement of the senior executives;
- Resolving to appoint and where appropriate removal of the Company Secretary;
- Approving the Company's Remuneration framework and monitoring the effectiveness of the Company's governance practices

In order to assist in its decision making, the Board has also established the following standing Committees, each of which have a formal Board Charter setting out the roles, responsibilities and composition of each of the Committees:

- Audit Committee; and
- Remuneration Committee

The Board has delegated to management the responsibility for the operation and administration of the Company, including the implementation of corporate strategies and the development of annual budgets. Management is responsible for keeping the Board informed, through the provision of accurate, timely management reports and monthly management accounts, to enable the Board to perform its responsibilities.

1.2 Before Directors are appointed, all necessary checks are undertaken by the Board. Any candidate for appointment or election as a non-executive director provides the Board with all relevant information and a consent for the Company to conduct any background or other checks that the Company would ordinarily. In addition, biographical details, as well as details pertaining to material directorships held, are included in election and re-election notices to shareholders to enable shareholders to make informed decisions on election or re-election of candidates. These details are also included in the Directors' Report in the Annual Report of the Company. A statement as to whether the Board considers a Director to be independent is also included in the Annual Report of the Company.

1.3 Written agreements setting out the terms of their employment are in place for all Directors and Senior Executives. Further details are provided in the Remuneration Report in the Annual Report.

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

The role of the Company Secretary includes:



- advising the Board on governance matters;
- coordinating the timely completion and despatch of Board and Committee papers;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes;
- assisting in the organisation and facilitating the induction and professional development of directors.

Each director can communicate directly with the Company Secretary and vice versa.

1.5 The Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone. Instead, the Board believes that it has fostered and that the Company and its employees have a governance and value culture that encourage excellence and ethical business practice to enhance long term shareholder value, including the advancement of all employees in an ethical manner as appropriate irrespective of gender, age, ethnicity and cultural background.

1.6 Board performance is open to evaluation by shareholders at the Annual General Meeting. At every Annual General one third of the Directors (or if their number is not a multiple of three then the number nearest to but not exceeding one-third) shall retire from the office and are eligible to offer themselves for re-election. No non-executive Director may retain office for more than three years without submitting themselves for re-election. No formal performance evaluation of the Board was undertaken during the reporting period. Informal evaluation of the Board members and related skill set resulted in the appointment of an additional non-executive Director during the year.

1.7 Senior executive performance is reviewed by the Remuneration Committee annually. During the year ended 31 July 2016, the Remuneration Committee carried out a performance evaluation in accordance with this process.

### **PRINCIPLE 2: Structure the board to add value**

2.1 The Board currently consists of five Directors. There are four non-executive Directors (three of whom are independent) and one executive Director. The executive Director holds key management roles within the Company as the Managing Director. The tenure of Directors is governed by the Company's Constitution and the ASX Listing Rules. The names, details and qualifications of the Directors are included in the Board of Directors and Executive Management section of the Directors' Report.



The current structure of the Board has been designed to provide the most effective composition, size and commitment from its Directors who have extensive experience and between them possess an extensive range of skills and knowledge and a wide diversity of capability to oversee the Company's business. This also ensures that the Board performs its function to the optimum and meets corporate governance standards that are relevant to the Company's current size and scope of operations.

Given the current size of the Company, the Board does not consider it appropriate to establish a nomination committee. The Board as a whole effectively performs this function.

2.2 The Board considers that it has the necessary skills and experience to carry out its duties and responsibilities in an effective manner. The summary of the Boards skills and experience is reflected below:

<u>Skills and Experience</u>	<u>Number of Directors / Board Representation (out of 5)</u>
Executive Leadership	5
Board Representation	5
Accounting & Audit	4
Financial Analysis	5
Investment Experience	5
Property Management / Development	3
Asset Management	4
Retail Marketing	2
Risk Management	5
Strategic Development	5
Corporate Finance	5
Legal	1

2.3 As noted in 2.1, the Company presently has three independent Directors whose details are included in the Board of Directors and Executive Management section of the Directors' Report. The length of service of each Director is also included in this section.

2.4 The majority of the Board are independent Directors.

2.5 The Chairman of the Board, Professor West, is a non-executive Director who is not independent. He is not the CEO of the Company. Professor West has and continues to perform advisory services to the Company and is also in the list of top 20 shareholders of



the Company. The Board has taken this into consideration and is confident that, as a result of Professor West's knowledge of the Company and his experience across other companies, his ability to fulfil his role as Chairman of the Board is not compromised. The Board believes he is the best person to fulfil the role of Chairman of the Board and therefore does not consider it necessary to appoint an independent Chairman of the Board. In the event that Professor West's independence is considered an issue with respect to a specific matter, the Board will appoint an independent non-executive Director to preside over the relevant matter under discussion and Professor West will absent himself in accordance with the Corporations Act.

2.6 The Company does not have a program for inducting new Directors or provide professional development opportunities for skills training. However, the necessary induction and training will be provided if and when required. Directors are carefully selected to ensure their existing experience and skills are complementary to the Company.

### **PRINCIPLE 3: Act ethically and responsibly**

3.1 The Company has a Code of Conduct which can be found on the Company's website. The most effective way to promote ethical and responsible conduct is for the Board and Management team to foster, through their own actions, the Company's key vision and values. The continuous development of an ethical corporate culture is a key component.

### **PRINCIPLE 4: Safeguard integrity in corporate reporting**

4.1 The Company has an Audit Committee. The Audit Committee is made up of three non-executive Directors, two of whom are independent. The Committee is chaired by an independent Director who is not the Chairman of the Board. The charter of the Audit Committee includes its role and responsibilities and is available on the Company's website, [www.gowings.com](http://www.gowings.com). The members of the Audit Committee, their relevant experience and qualifications, the number of times the Committee met during the period and the individual attendances of the members are detailed in the Annual Report.

4.2 Before the Board approves the financial statements for a financial period, the Chief Executive Officer and the Chief Financial Officer provide a declaration in writing to the Board that 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 the financial position and performance of the Company as required by section 295A of the Corporations Act for each reporting period. Their declaration states



that their opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

4.3 The Company ensures that its external auditor attends the Annual General Meeting and is available to answer shareholder questions relevant to the audit.

### **PRINCIPLE 5: Make timely and balanced disclosure**

5.1 The Company has a written Continuous Disclosure policy to ensure that the Company complies with its continuous disclosure obligations. The policy is disclosed under the Company Charter section on the Company's website.

### **PRINCIPLE 6: Respect the rights of security-holders**

6.1 The Company discloses information about itself and its governance to investors on its website, [www.gowings.com](http://www.gowings.com).

6.2 The Board believes it has effective two way communication with investors, in that the Company:

- encourages attendance at the Annual General Meeting by all shareholders;
- complies and lodges all necessary statutory ASX announcements;
- fulfils its obligations of continuous disclosure through ASX announcements;
- makes the Company's Annual Report available to all shareholders either through direct distribution or via the Company's website;
- sends notices and explanatory memoranda to shareholders in relation to resolutions to be put to a vote.

6.3 The Annual General Meeting of the Company provides an opportunity for the Company to impart to shareholders a greater understanding of its business, governance, financial performance and prospects and gives shareholders the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders. The Company's policy is to encourage effective shareholder participation at general meetings.

Notices of meeting are accompanied by explanatory notes to enable shareholders to assess and make informed decisions on the resolutions being put forward at the meetings.

Shareholders unable to attend general meetings can exercise their right to ask questions about, or make comments on, the management of the Company by submitting questions



or comments ahead of the meeting. Where appropriate these questions will be responded to at the meeting.

6.4 The Company provides shareholders with the option of receiving communications from, and sending communications to, its share registry electronically.

## **PRINCIPLE 7: Recognise and manage risk**

7.1 The Company has an Audit Committee that oversees both the establishment and maintenance of a framework for pro-active risk management. The Committee complies with Principle 7.1 as described previously for Principle 4.1

7.2 The Audit Committee has undertaken a review of the risk management framework for the period under review and is satisfied that it is sound.

7.3 The Company does not have an internal audit function. Instead, monthly management reports are prepared by senior management within the Company, identifying relevant areas of risk and internal control. These reports are circulated to Board members, where applicable, for them to evaluate and to continue to improve the effectiveness of the risk management framework and internal control processes.

7.4 The Board determines the overall risk appetite for the Company and approves strategies to ensure that key risks are identified and managed. The Board has, through the Audit Committee, developed a risk framework and charged management with its implementation within the Company, utilising risk mitigation strategies.

The Board and Management have identified a number of specific areas that pose a risk to the business and has implemented strategies to mitigate these risks. These include:

<b>Risk Identified</b>	<b>Strategy to Minimise Risk</b>
<b>Operational – WH&amp;S</b>	<b>Pro-active culture of safety first</b>
<b>Financial – Receivables</b>	<b>Internal controls; prevent, monitor, detect</b>
<b>Strategic – Investment decisions</b>	<b>SWOT analysis, risk matrix, strategy sessions</b>
<b>Commercial &amp; Reputational</b>	<b>Tenancy analysis, regulatory compliance</b>
<b>Technical – systems failure</b>	<b>Flood mitigation, offsite disaster recovery</b>
<b>Financial Markets Risk</b>	<b>Monitoring, hedging, ratio analysis &amp; KPIs</b>

The Board believes that its business is economically, environmentally and socially sustainable.



### **PRINCIPLE 8: Remunerate fairly and responsibly**

8.1 The Company has a Remuneration Committee and its roles and responsibilities are set out in the committee charter on the Company website. This committee consists of three Directors, being two independent non-executive Directors, one of whom is Chairman of the committee, and the Managing Director. The committee reports its deliberations to the Board for approval. The members of the Remuneration Committee and the number of times the committee met are detailed in the Annual Report. Remuneration levels are based on skills, knowledge, experience, education, length of service, industry salary and remuneration levels and retention. Remuneration is reviewed annually for the executive Director, non-executive Directors and senior management to ensure that it remains appropriate. The Managing Director, being a member of this committee is not involved in determining his own remuneration.

8.2 The non-executive Directors are remunerated by way of fees and statutory superannuation and do not receive any retirement benefits. This remuneration is in line with their responsibilities, duties and risks involved in the role. Total remuneration to non-executive Directors is restricted in terms of the remuneration cap, which is reviewed periodically and is subject to shareholder approval for increased limits.

Additional information with respect to remuneration, including separate disclosure of policies and practices regarding the remuneration of non-executive Directors, the executive Director and other senior key management, is provided in the Remuneration Report in the Company's Annual Report.

8.3 It is the policy of the Company that participants in the equity-based remuneration plans of the Company are not permitted to enter into transactions which limit their economic risk of participating in the scheme.