



# CORPORATE GOVERNANCE STATEMENT 30 JUNE 2017

The 2017 Corporate Governance Statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The Company's governance charters and policies can be accessed through the company's website at <http://www.toxfree.com.au/corporate-governance/>

Toxfree (the Company) and the Board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure that they meet the interests of all stakeholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. Additionally, they comply with the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations.

## THE BOARD OF DIRECTORS

### Role of the Board

The matters expressly reserved to the Board of Directors are set out in a written policy and include:

- Establishment of long-term goals of the Group and strategic plans to achieve these goals
- Monitoring the achievement of these goals
- Review of the management accounts and reports to monitor the progress of the Group
- Review and adoption of budgets for the financial performance of the Group and monitoring the results on a regular basis to assess performance
- Review and approval of the annual and interim financial reports
- Nominating and monitoring the external auditor
- Approving all significant business transactions
- Appointing and monitoring senior management
- All remuneration, development and succession issues
- Ensuring the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities
- Overseeing the process for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities
- Ensuring that the Company has a suitably qualified Company Secretary who shall be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board; and
- Ensuring that the Company reports on its measurable objectives in relation to gender diversity and assesses annually both the objectives and progress in achieving gender diversity.



The Board delegates day-to-day operational matters to the Managing Director and senior management of the Company.

The Board evaluates this policy on an ongoing basis.

### **Board Composition**

The 30 June 2017 Directors' Report ("Directors' Report") contains details of the Directors' skills, experience, and education. The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge, and vision to enable it to operate the Group's business with excellence. To maintain this, the Company's policy is that Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

The specific skills that the Board collectively bring to the Company include:

- Industry experience
- Commercial experience
- Public Company experience
- Analytical expertise
- Financial expertise
- Risk Management experience
- Strategic planning experience
- Strategic leadership experience
- Corporate Governance expertise
- Communications experience
- Inter personal experience

The chair of each of the sub-committees formed by the Board has specific skills in the area for which they are responsible.

The Board does not have a Director with legal experience, as any legal work is out sourced to external legal advisors.

The Board comprises an independent Non-Executive Chair, one Executive Director, and three Non-Executive Independent Directors. Two Directors have been on the Board of the Company for a considerable period. The Board does not believe the independence of these Directors has been compromised by their extended period of Directorship, as both Directors bring specific skill sets to the Board and the committees they chair.

Directors' details are set out in the Directors' Report.

The Board, through the Nomination Committee, is primarily responsible for identifying potential new Directors and has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent Director is given the opportunity to meet with each candidate on a one-to-one basis. The full Board then appoints the most suitable candidate.



The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether to elect or re-elect a Director.

The appointment of the Directors must be approved by a simple majority of Shareholders at the first Annual General Meeting after the appointment.

### **Retirement and re-election of Directors**

The Constitution of the Company requires one-third of Directors (or the number nearest one-third, rounded up), other than the Managing Director, to retire from office at each Annual General Meeting. No Director shall hold office for a period more than three years without seeking re-election.

Directors who have been appointed by the Board are required to retire from office at the Annual General Meeting following their appointment and are not considered in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

### **Independence of Directors**

The Board has reviewed the position and association of each of the Directors in office at the date of this report and considers that all four Non-Executive Directors of the Company are independent. In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information, and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

The Company has a [Conflict of Interest Policy](#) to assist Directors in declaring their ongoing independence.

The Board considers that Mr Robert McKinnon, Mr Michael Humphris, Mr Richard Allen and Ms Katherine Hirschfeld meet the criteria in Principle 2. They have no material business or contractual relationship with the Company, other than as Directors, and no conflicts which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

### **Director Education**

All new Directors complete an induction process. The Non-Executive Directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge. The Board are specifically provided the opportunity to enhance their financial, regulatory and compliance skills in relation to Public Companies through external courses. On at least two occasions during the year, the full Board travelled to one of the Group's business locations to gain a greater understanding of that business units operations.

### **Independent Professional Advice**

With prior approval of the Chair, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Group's operations or undertakings to fulfil their duties and responsibilities as Directors.



## **Board Performance Review**

The performance of all Directors is assessed through review by the Board of a Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

The Directors conducted an internal performance evaluation of the Members of the Board during the reporting period, with the assistance of an external advisor.

## **Director Remuneration**

Details of the Company's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.

Non-Executive Directors will be remunerated by cash payments alone (including statutory superannuation) and will not be provided with any benefits for ceasing to be a Director. The Executive Director is remunerated by both fixed remuneration and equity performance based remuneration, subject to obtaining all regulatory approvals from Shareholders. A reasonable period of notice of termination is required and is detailed in the Executive's employment contract.

## **MANAGING BUSINESS RISK**

The Company maintains policies and practices designed to identify and manage significant risks including:

- Regular budgeting and financial reporting
- Procedures and controls to manage financial exposures and operational risks
- The Group's business plan
- Corporate strategy guidelines and procedures to review and approve the Group's strategic plans
- Establish and continuously assess a Group Risk Profile which identifies all significant risk to the Group and controls that are in place to minimise or mitigate the risk; and
- Insurance and risk management programs which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Risk Committee review the Group's risk profile. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board's review of business risk is also based on reports from the Risk Committee.

The Board receives regular reports about the financial condition and operating results of the consolidated Group. The Managing Director and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- The Group's financial reports present a true and fair view of the Group's financial condition and operational results and are in accordance with relevant accounting standards; and
- The Group's risk management and internal control systems are sound, appropriate, and operating efficiently and effectively.



The Company assesses its exposure to economic, environmental, and social sustainability risks as part of the Group Risk profile. The Board assesses the likely impact of changes and implements strategies to minimise exposure to these specific risks. Due to risk procedures adopted by the Company, it is not believed the Company has a material exposure to these risks.

The Company does not have an internal audit function. The Board has determined that the established internal controls for the Company, combined with the work of the Audit Committee and the Risk Management Committee, at this stage satisfactorily address the function that would otherwise be dealt with by an internal audit function.

## **INTERNAL CONTROLS**

Procedures have been established at the Board and Executive management levels that are designed to safeguard the assets and interests of the Group, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To ensure these established procedures are being followed, the Directors:

- Ensure appropriate follow-up of significant audit findings and risk areas identified;
- Review the scope of the external audit to align it with Board requirements; and
- Conduct a detailed review of published accounts.

## **AUDIT COMMITTEE**

The role of the Audit Committee is documented in a [Charter](#) which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Non-Executive Directors.

The primary role of the Audit Committee is to:

- Assist the Board in fulfilling its overview of the audit process
- Assist the Board in overseeing financial reporting
- Assist the Board in fulfilling its overview of the systems of internal control which the Board and management have established
- Monitor, review and recommend the adoption of the financial statements of the Company
- Regularly review the adequacy of accounting, internal controls, reporting and other financial management systems and practices of the Company
- Review the financial report and other financial information distributed externally
- Review any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- Improve the quality of the accounting function
- Review audit reports to ensure that if major deficiencies or breakdowns in controls or procedures are identified, appropriate and prompt remedial action is taken by management
- Review the nomination and performance of the auditor
- Liaise with external auditors and ensure that the annual and half-year statutory audits are conducted in an effective manner
- Monitor the establishment of appropriate ethical standards



- Monitor the procedures in place to ensure compliance with the Corporations Act 2001, Australian Accounting Standards and ASX Listing Rules and all other regulatory requirements; and
- Address any matters outstanding with the auditors, the Australian Taxation Office, the Australian Securities and Investments Commission, the ASX and financial institutions.

The Audit Committee consists of the following Non-Executive Directors, all of whom are independent:

- Mr M Humphris (Chair)
- Mr R McKinnon
- Mr R Allen
- Ms K Hirschfeld

The auditors and the Managing Director are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee met five times during the year.`

## **RISK COMMITTEE**

The role of the Risk Committee is documented in a [Charter](#) which is approved by the Board.

The purpose of the Risk Committee is to assist the Board in its oversight of the Company's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks. The Risk Committee's role includes oversight of risk management of the Company's wholly-owned subsidiaries and operational sites.

Risk assessment and risk management are the responsibility of the Company's management. The Risk Committee has an oversight role and in fulfilling that role, it relies on the reviews and reports received from management.

The Risk Committee shall have the following authority and responsibilities:

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the guidelines, policies, and processes in place for risk management
- Review and discuss with management the Board's risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputational risk, as well as the guidelines, policies and processes for monitoring and mitigating such risks
- Discuss with the Company's executive team the Company's risk assessment and risk management guidelines, policies, and processes. The Risk Committee meets separately at least twice a year with the executive team
- Receive, as and when appropriate, reports from the Company's Executive General Manager-Corporate & Risk on the results of risk management reviews and assessments
- Review disclosure regarding risk contained in the Company's Annual Report
- Review and assess the nature and level of insurance coverage
- Review reports on selected risk topics as the Risk Committee deems appropriate from time to time
- Initiate and monitor special investigations into areas of corporate risk or breakdowns in internal controls
- Discharge any other duties or responsibilities delegated to the Risk Committee by the Board



- Delegate any of its responsibilities to subcommittees as the Risk Committee may deem appropriate
- Retain such outside counsel, experts and other advisors as the committee may deem appropriate in its sole discretion and approve related fees
- Report its actions and any recommendations to the Board; and
- Review at least annually the adequacy of this Charter and recommend any proposed changes to the board for approval.

The Risk Committee consists of the following Non-Executive Directors, all of whom are independent:

- Ms K Hirschfeld (Chair)
- Mr M Humphris
- Mr R McKinnon
- Mr R Allen

The Committee met once during the year, however a meeting was held on 28 June 2016 for the prior year.

## **REMUNERATION COMMITTEE**

The role of the Remuneration Committee is documented in a [Charter](#) which is approved by the Board. The main responsibilities of the Remuneration Committee are:

- Determine remuneration policies and remuneration of Directors
- Determine remuneration and incentive policies of Key Executives
- Determine the Company's recruitment, retention and termination policies and procedures for senior management
- Determine and review incentive schemes
- Ensure all Directors and senior executives have a written agreement setting out the terms of their appointment
- Evaluate senior executive performance on an annual basis. This occurred during the 2017 financial year
- Determine and review superannuation arrangements of the Company; and
- Determine and review professional indemnity and liability insurance for Directors and senior management.

The Remuneration Committee seeks independent external advice from consultants with specific industry experience relevant to Toxfree's remuneration assessment.

Specific policies and procedures regarding remuneration determination is contained within the Directors' Report.



The Remuneration Committee consists of the following Non-Executive Directors, all of whom are independent:

- Mr R Allen (Chair)
- Mr R McKinnon
- Mr M Humphris
- Ms K Hirschfeld

The Committee met four times during the year.

## **NOMINATION COMMITTEE**

The role of the Nomination Committee is documented in a [Charter](#) which is approved by the Board. The main responsibilities of the Nomination Committee are:

- Review the Board composition to ensure the Board has the correct balance of skills and expertise
- Appointment of the Managing Director and the Company Secretary
- Approve the recommendation for the appointment of key management personnel presented to the Committee by the Managing Director
- Performance appraise the Board members and the Managing Director. This occurred during the 2017 financial year.
- Succession planning for Board members and the Managing Director
- Approve the recommended succession planning for key management personnel presented to the Committee by the Managing Director; and
- Identify, evaluate, and recommend candidates for the Board, the position of Managing Director and the position of Company Secretary.

The Nomination Committee consists of the following Non-Executive Directors, all of whom are independent:

- Mr R McKinnon (Chair)
- Mr R Allen
- Mr M Humphris
- Ms K Hirschfeld

The Committee met once during the year.

## **ETHICAL STANDARDS**

In pursuit of the highest level of ethical standards, the Company has adopted a [Code of Conduct](#) policy which establishes the standards of behaviour required of Directors and employees in the conduct of the Group's affairs. This code is provided to all Directors and employees. The code stipulates that any unethical behaviour is to be reported to the Company's Managing Director (or in his absence, the Chair) as soon as possible.



The Code of Conduct is based on respect for the law and the rights of individuals, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

## **TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES**

The Board has adopted a [Securities Dealing](#) policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short-term or "active" trading in the Company's securities and Directors and employees are prohibited from dealing in the Company's securities whilst in the possession of price sensitive information. The Company's Chair (or in their place the Chair of the Audit Committee) must be notified of any proposed transactions in the Company's shares.

Any Director or employee receiving shares pursuant to the Company's equity based remuneration scheme (refer to the Remuneration Report) is not permitted to enter into transactions which limit the economic risk of participating in the scheme.

This policy is provided to all Directors and employees. Compliance with it is reviewed on an on-going basis in accordance with the Company's risk management systems.

## **CONTINUOUS DISCLOSURE**

The Company has in place a [Market Disclosure](#) policy, a copy of which is provided to all Group officers and employees who may from time to time be in possession of undisclosed information that may be material to the price or value of the Company's securities.

The Market Disclosure Policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and to ensure officers and employees of the Group understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chair, who, in consultation with the Board (where practicable) and any other appropriate personnel (including external advisors if deemed appropriate) will consider the information and whether disclosure is required. If disclosure is deemed necessary, an appropriate announcement will be prepared for release to the market as soon as practicable.

The Board will review the company's compliance with this continuous disclosure policy on a regular basis and update it from time to time, if necessary.

## **SHAREHOLDERS**

The Company has in place a [Communications Policy](#) which ensures that current and relevant information is provided to existing and prospective Shareholders.

The Board aims to ensure that Shareholders are kept fully informed of all major developments affecting the Group. Information is communicated to Shareholders as follows:

- As the Company is a disclosing entity, regular announcements are made to the ASX in accordance with the Company's disclosure policy, including the half-year review, the year-end audited accounts, and an Annual Report
- The Board ensures the Annual Report includes relevant information about the operations of the Group during the year, changes in the and details of future developments



- Shareholders are advised in writing of key issues affecting the Group by effective use of the Company's share registry or electronically via the website
- Shareholders are provided the opportunity to receive communications electronically through the Company's share registry
- Any proposed major changes in the Group's affairs are submitted to a vote of Shareholders, as required by the Corporations Act 2001 and the ASX Listing Rules
- The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Group's strategies and goals. All Shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company.
- The external auditor is requested to attend the Annual General Meetings to answer any questions concerning the audit and the content of the auditor's report; and
- The Board seek feedback from proxy advisers to assess the appropriateness and adequacy of its reporting to shareholders.

The Board reviews this policy and compliance with it on an ongoing basis.

## **EQUAL OPPORTUNITY**

The Company has in place an [Equal Opportunity](#) policy.

The Company seeks to provide a work environment where everyone is treated fairly and with respect, free from discrimination, bullying, victimisation, vilification, and sexual and other unlawful harassment. The Company is an equal opportunity employer. Processes are in place to effectively deal with breaches of this policy, through the [Whistle-Blower](#) policy.

- The Company creates awareness in all staff of their rights and responsibilities with regards to fairness and equity
- The Company objective is to achieve a 20% female participation in the organisation.

## **DIVERSITY POLICY**

The Company has in place a [Diversity policy](#) which ensures the Company is committed to workplace diversity at all levels and recognises the benefits arising from employee and Board diversity. The benefits include a broader pool of high quality employees, improved employee retention, accessing different perspectives and ideas, and benefitting from all available talent.

The Company will recruit on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background or sexual orientation.

The Company strives to:

- Recruit and manage based on an individual's competence, qualification, skills, and performance
- Create a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff
- Appreciate and respect the unique aspects that an individual brings to the workplace
- Where possible and practicable, increase participation and employment opportunities for indigenous people



- Create a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences, and perspectives through improved awareness of the benefits of workplace diversity and successful management of diversity, and always recognising that employees may have restrictions placed on them by domestic responsibilities outside the workplace
- Act to prevent discrimination, harassment, vilification, or victimisation
- Identify and implement programs that will assist in the development of a broader and more diverse pool of skilled and experienced employees, and to offer employees opportunities to reach management levels with the Group.

The Board is committed to workplace diversity and has developed measurable objectives and strategies to support the framework and objectives of the Diversity policy, and the Board is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation, and reporting mechanisms. The Board assesses the progress and achievement of the objectives. The 2017 objective was that at least 20% of the workforce comprise women. This objective was met.

Pursuant to ASX Corporate Governance Recommendation 1.5, the Company policy discloses the following information as at the date of this report:

Percentage details	Women	Men
Women and Men employed within the Group	21%	79%
Women and Men at senior management level	20%	80%
Women and Men employed at Board level	20%	80%

Percentage details	Total
Indigenous staff employed within the Group	2.7%^

^ as a percentage of permanent head count

### ASX Corporate Governance principals and recommendations not followed - "if not, why not" approach

Pursuant to the ASX Listing Rule 4.10.3, the Company advises that it follows all the ASX "Corporate Governance Principals and Recommendations (Third Edition)".

This statement is current as at 30 June 2017 and has been approved by the Board.

Director - Chair Robert McKinnon

Director - Stephen Gostlow