

**KINGFORM HEALTH HOMETEXTILE GROUP LTD**  
**ACN 153 801 766**

**CORPORATE GOVERNANCE STATEMENT**

**INTRODUCTION**

Kingform Health Hometextile Group Limited (**Kingform** or the **Company**) is committed to achieving and maintaining the highest standards of accountability and transparency in the management and conduct of Kingform business. The board of directors of Kingform (**Board**) has adopted corporate governance policies and practices which it believes to be fundamental to the continued growth and success of the Company and enhancing value for all Kingform shareholders (**Shareholders**). The Board operates in accordance with this set of corporate governance principles that take into account relevant best practice recommendations including the “Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition)” set by the ASX Corporate Governance Council (**Recommendations**).

This Corporate Governance Statement outlines the extent to which the Company’s corporate governance policies and practices are consistent with the Recommendations as at the time of the initial public offering and listing of the Company pursuant to a prospectus lodged with ASIC (**Prospectus**). The Board does not consider that all of the Recommendations are appropriate for the Company, at this point in time and also due to its background as a co-operative business. Where a recommendation has not been followed this fact is disclosed together with the reasons for the departure.

## **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

### *Board and management functions (Recommendation 1.1)*

The Board has adopted Board Charter which sets out, among other things, its specific powers and responsibilities and the matters delegated to the Board Committees and the Chief Executive Officer (CEO) and those specifically reserved for the Board.

The Chairman of the Board is responsible for leading and overseeing the operation of the Board and assisting individual Directors to fulfil their respective duties. The Board has also allocated to the Chairman an executive role in relation to the strategic direction of the Company. The Chairman will work in collaboration with the CEO, selected senior executives and the Board to build mutually beneficial commercial relationships with existing and potential business partners and customers and maintain and enhance the reputation of the Company through active engagement with all key stakeholders.

To assist the Board in execution of its responsibilities, the Board has established four committees:

- Audit Committee,
- Risk Committee,
- Nomination and Remuneration Committee (NRC), and
- Health, Safety and Environment Committee (HSEC).

Each Committee has a formal Charter and has been granted certain delegations.

Newly appointed Directors and senior executives are provided with letters of appointment, together with key Company documents and information setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

The Boars also sets out the Delegation of Authority Police to specify the delegated

responsibility to the Chief Executive Officer (CEO) for the day-to-day management and operation of the Kingform business.

*Management performance evaluation (Recommendation 1.2)*

The performance of senior executives should be reviewed regularly against appropriate measures. This involves evaluation of the executives by their immediate superior. Each executive is assessed against a range of criteria, including achievement of goals relating to financial performance, operational excellence, safety and delivery of strategic projects and initiatives. The Board has adopted “Board Removal and Performance Evaluation Policy” to set up the guidelines for the assessment.

**PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

*Details of Directors (Recommendation 2.1, 2.2 and 2.3)*

The Board currently comprises of one Executive Director and two Independent Director. The names of the non-executive/independent directors are:

- Xun Yang
- Paul Desmond Nolan

A complete listing of the details of the Board’s directors including their skills and expertise is provided in the Directors’ Report in the Company’s Annual Financial Report.

The Board considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. As manufacturing and retail trade constitute significant part of the Group’s overall operations, directors are required to have detailed knowledge and understanding of these industries.

The Recommendation 2.2 requires that the chairperson should be an independent director. Recommendation 2.3 states that the roles of chairperson and chief executive officer should not be exercised by the same individual. Recommendations 2.2 and 2.3 were not followed by the Company. However, the Board considers specific personal expertise and industry experience to be important attributes of board members and mindful of the resources available to the Company, believes that the composition of the board is appropriate given the size and business development of the Company at the present stage. However, the board, as a whole, reviewed succession requirements taking into account the range of skills, experience and expertise of the current members, and the resources available to and required by the Company.

*Nomination committee (Recommendation 2.4)*

Details of the Company's NRC are set out in the written charter of NRC.

*Board performance evaluation (Recommendation 2.5)*

The Nomination and Remuneration Committee is responsible for advising the Board on matters relating to the appointment and removal of Directors, Board succession plans and evaluation of Board performance as well as assessing the competencies of Board members (also see Principle 8 below).

In addition, each Committee reviews its performance and effectiveness periodically. The results of these reviews are discussed by the Committee. Each Board Committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual Directors takes place periodically, particularly when a director is standing for re-election. The process generally involves the completion of an evaluation questionnaire by other Board members, the results of which are collated and discussed by the Chairman with the director concerned (or the Deputy Chairman in the case of the review of the Chairman) and with the Board as a whole. In addition, the performance of the Chairman and other

Directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions between Directors and the Chairman, and as part of Board and Committee evaluations. Performance evaluation for individual directors has taken place consistent with the process described above.

The Board (and Board Committees and individual Directors) may obtain independent professional advice, at the Company's cost, in carrying out their responsibilities. Independent advice can be obtained without the involvement of the Company's management, where the Board or the Director considers it appropriate to do so. Procedures have been adopted by the Board setting out the practical steps by which independent advice may be obtained.

### **PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

#### *Corporate Code of Conduct (Recommendation 3.1)*

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the Consolidated Entity.

Code of Conduct is established to apply to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behavior and professionalism. The Code of Conduct is part of corporate governance framework to provide a cohesive set of principles that the Company will abide by.

#### *Diversity policy (Recommendation 3.2, 3.3 and 3.4)*

The Board and senior management team of Kingform recognise that leveraging the full potential of a diverse and talent workforce is a fundamental driver of competitive advantage,

Organizational innovation and business success. The company is committed to diversity and recognizes the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

The approved Diversity Policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives.

As part of the Company's continue efforts to increase gender diversity across the business, the Company has introduced targets to improve gender equity in under-represented roles and address pay equity. Kingform's gender diversity measurable objectives will cover key areas of focus and measurement including:

- increasing representation of women in management roles;
- increasing representation of women in under-represented roles such as trades and engineering;
- remuneration equity; and
- increasing retention of women.

Kingform regularly tracks and reports on representation of women across the Company. In terms of gender, the proportion of women as at June 30,2015 is:

	06/15		12/15(forecast)	
	No.	%	No.	%
Women in the Board	-	-	-	-
Women in senior management roles	2	25	2	25
Women employees in the company	60	71	60	71

In addition, we have identified the following areas of focus to continue to support our efforts

to improve gender equity:

- implementing targeted initiatives to support women's development and career progression;
- introducing selection panels to its recruitment processes so as to identify and reduce unconscious gender bias in its succession planning, talent review, recruitment and performance management processes; and
- promoting inclusive behaviours that recognise, and manage, unconscious bias in core people processes.

#### *Securities Trading Policy*

The Company has adopted Securities Trading Policy on dealing in Company securities. The purpose of this policy is to ensure that the Directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information. This policy requires that all Directors and Senior Executives to disclose their share trade intentions to the Chief Executive Officer or Chairman prior to dealing in the Company's securities.

The Company maintains compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

## **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

#### *Audit Committee (Recommendation 4.1, 4.2 and 4.3)*

Currently, the Committee consists of two non-executive/independent directors. As indicated in the Prospectus, the Board's aim is to comply with the composition requirements of Recommendation 4.2, which requires that the Committee consists of at least three members.

The Board will implement these composition requirements as soon as practicable.

The committee has a formal written charter which has been reviewed by the committee and the board.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

### *Continuous disclosure policy (Recommendation 5.1)*

The Company is committed to complying with the continuous disclosure obligations contained in the Listing Rules of the Australian Stock Exchange and under the Corporations Act 2001 (Cth) and ensuring that all shareholders and the market have an equal opportunity to obtain and review full and timely information about the Company's securities.

The Continuous Disclosure Policy has been developed and adopted by the Board of the Company to provide a practical guide on the relevant continuous disclosure obligations and to assist the Company and its employees in meeting the above objectives.

## **PRINCIPLE 6 – RECOGNISE THE RIGHTS OF SHAREHOLDERS**

### *Communications Policy (Recommendation 6.1)*

The Company recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investment in the Company. The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way, complying with continuous disclosure obligations contained in applicable the Australian Stock Exchange (ASX) Listing Rules and the Corporations Act 2001 in Australia and communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company. The Board has adopted "Shareholders Communication



Policy”.

## **PRINCIPLES 7 - RECOGNISE AND MANAGE RISK**

### *Risk management policy and risk management committee (Recommendation 7.1 and 7.2)*

The Board has required management to design and implement a risk management framework and internal control system to manage the Company's material business risks and management has reported that those risks are being managed effectively. The Company's Risk Management Policy covers all risks that could have a material impact on the company, including those related to: people objectives (including financial performance) customers assets reputation, or the environment.

The Risk Committee comprises the independent chairman and non-executive/independent directors. The role of the risk committee is to assist the Board with the overseeing the process of financial and non-financial risk management and compliance. Senior management reports regularly to the Board and the Risk Committee regarding the management of material business risks throughout the Company. The minutes of the committee meetings are reviewed in the subsequent meeting of the board and the chairman of the committee reports on the committee conclusions and recommendations.

### *Assurance from the chief executive officer and the chief financial officer (Recommendation 7.3)*

For the annual and half-year accounts released publicly, the Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that, in their opinion:

- the financial records of the Group have been properly maintained;

- the financial statements and notes required by accounting standards for external reporting:
  - (i) give a true and fair view of the financial position and performance of the Company; and
  - (ii) comply with the accounting standards (and any further requirements in the Corporations Regulations) and applicable ASIC Class Orders.

The above representations are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Information relating to the Company's policies on risk oversight and management of material business risks is available on the Company's "Risk Committee Charter" and "Risk Management Policy".

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

### *Remuneration Committee (Recommendations 8.1 and 8.2)*

The Remuneration Report sets out details of the Company's policies and practices for remunerating Directors, key management personnel and employees.

The formal charter of NRC sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives. The Committee Charter requires the NRC to comprise of at least three members to be appointed by the Board from the non-Executive Directors of the Company. Recommendation 8.2 recommends that a remuneration committee consist of a majority of independent non-executive Directors and be chaired by one of them. The Board will implement these composition requirements as soon as practicable.

*Structure of remuneration (Recommendation 8.3)*

The remuneration of senior executives of the Company is reviewed on an annual basis. Details of the remuneration structure for senior executives are set out in the Remuneration Report included in the Company's Annual Financial Report.

The remuneration of Non-executive Directors is structured separately from that of the Executive Directors and senior executives. Information on remuneration for Non-executive Directors is in the Remuneration Report.

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain high-calibre executives to manage the Company and its business activities. It will also provide executives with the necessary incentives to work to achieve long-term shareholder value.