



## **CORPORATE GOVERNANCE STATEMENT**

*This statement has been approved by the Board of the Company. The statement has been prepared as at 11 September 2017 with reference to the 3<sup>rd</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.*

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

#### **RECOMMENDATION 1.1**

**A listed entity should disclose:**

- (a) the respective roles and responsibilities of its Board and management; and**
- (b) those matters expressly reserved to the Board and those delegated to management**

The Board of Directors has been charged by shareholders with overseeing the affairs of the Company to ensure that they are conducted appropriately and in the interests of all shareholders. The Board defines the strategic goals and objectives of the Group, as well as broad issues of policy and establishes an appropriate framework of Corporate Governance within which the Board members and management must operate. The Board reviews and monitors management and the Group's performance. The Board has also taken responsibility for establishing control and accountability systems/processes and for monitoring senior executive performance and implementation of strategy.

The roles and responsibilities of the Board have been set out in a Board Charter which is available on the Company's website. Amongst other things the Board Charter sets out the role and responsibility of the chair of the Board.

The Board has specifically identified the following matters for which it will be responsible:

- (a) reviewing and determining the Company's strategic direction and operational policies;
- (b) review and approve business plans, budgets and forecasts and set goals for management;
- (c) overseeing management's implementation of the Company's strategic objectives and its performance generally;
- (d) appoint and remunerate the Chief Executive Officer, the Chief Financial Officer and senior management team members where appropriate;
- (e) review performance of the Chief Executive Officer, the Chief Financial Officer and senior management team;
- (f) review the Company's financial performance against key performance indicators;
- (g) approve acquisition and disposal of assets, products and technology;
- (h) approve operating budgets, capital, development and other large expenditures;
- (i) ensuring that the Company has in place and appropriate risk management framework and compliance culture;
- (j) oversee the integrity of the Company's control and accountability systems;
- (k) oversee the Company's processes for making timely and balanced disclosure of all material information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's shares
- (l) reporting to shareholders;

- (m) ensure compliance with environmental, taxation, Corporations Act and other laws and regulations; and
- (n) monitoring the effectiveness of the Company's governance practices.

The Board currently delegates operational authority to the Executive Chairman (who has assumed key responsibilities of the Chief Executive Officer) and his management team who are charged with the day to day running and administration of the Company consistent with the strategic objectives and policies as set down by the Board. Within this framework, the Executive Chairman is directly accountable to the Board for the performance of the management team.

## **RECOMMENDATION 1.2**

**A listed entity should:**

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and**
- (b) provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.**

The Company does undertake checks before it appoints a person, or puts forward to shareholders a new candidate for election, as a Director. These checks include references as to the person's character, experience and education. The Company does not propose to check criminal records or the bankruptcy history for potential new Board members however may consider such checks where necessary or appropriate in the future.

The Company will include all material information in its possession relevant to a decision whether or not to elect or re-elect a Director in the relevant Notice of Meeting. Information relating to each of the Directors is also provided on the Company's website.

## **RECOMMENDATION 1.3**

**A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.**

The Company has not established written agreements with its non-executive directors which set out the terms of their appointment. Accordingly the appointment of Directors is governed by the relevant provisions of the Company's Constitution.

Directors are not appointed for a fixed term but are, excluding any Managing Director, subject to re-election by shareholders at least every three years in accordance with the Constitution of the Company.

A Director appointed to fill a casual vacancy or as an addition to the Board, only holds office until the next annual general meeting of shareholders and must then retire. After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must also retire at each annual general meeting of shareholders.

Prior to their appointment potential directors participate in induction initiatives and are advised of the time commitment envisaged based on scheduled monthly Board meetings and committee involvement as may be required. They are also advised on remuneration entitlements, their right to seek independent legal advice at the expense of the Company (subject to the Chairman's approval) and indemnity and insurance arrangements, and their confidentiality obligations.

The Company does maintain written agreements with each of its executive directors and with senior executives which set out a description of their position, duties and responsibilities and the terms of their appointment.

## **RECOMMENDATION 1.4**

**The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

The Company Secretary has been appointed on the basis that he will be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

All Directors of the board have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the Chairman, in particular to matters relating to corporate governance.

## **RECOMMENDATION 1.5**

**A listed entity should:**

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**
- (b) disclose that policy or a summary of it; and**
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:**
  - (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or**
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The Company has established a Diversity Policy Statement which is available on the Company's website.

PPK is committed to an inclusive workplace that embraces and promotes diversity. The Company believes that the promotion of diversity on its Board and within the organisation generally is good practice.

Diversity at PPK refers to all the characteristics that make individuals different from each other. It includes characteristics or factors such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference.

PPK values the unique contributions made by people with diverse backgrounds, experiences and perspectives, and believes that greater diversity of thought throughout the organisation will lead to more informed decision making and ultimately better business outcomes.

The Company's policy is to recruit and manage its employees on the basis of their competence, performance and potential, regardless of the individual's background or points of difference.

Diversity at PPK is about the commitment to equality and the treating of all individuals with respect.

The Company is committed to promoting a culture of diversity in the workplace by:

- recruiting and managing on the basis of an individual's competence and performance;

- respecting the unique attributes that each individual brings to the workplace;
- fostering an inclusive and supportive culture to enable people to develop to their full potential;
- taking action to prevent and stop bullying, discrimination or harassment;
- rewarding and remunerating fairly;
- offering flexible work practices which recognise that employees may have different domestic responsibilities throughout their career;
- maintaining policies and procedures to provide employees at all levels of the Company with guidelines for behaviour.

Our commitment to diversity forms part of our culture dedicated to retaining the best qualified employees, management and Board. Our commitment applies in all phases of employee engagement including recruitment, selection, development, promotion, rewards and remuneration.

The Board acknowledges the benefits of and will seek to achieve diversity during the process of employment at all levels without detracting from the principal criteria for selection and promotion of people to work within the Company based on merit. Accordingly the Company has not established measurable objectives or number targets for achieving gender diversity.

At 30 June 2017:

- there were no women on the Board of PPK;
- no women held senior executive positions; and
- there were 17 women employed by the Company out of a total of 133.

## **RECOMMENDATION 1.6**

**A listed entity should:**

- have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and**
- disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Board has an established process of self-review and evaluation which involves regular and on-going consideration of all of the Board's key areas of responsibility and accountability. Relevant matters considered in the assessment of Board and individual director performance are set out in detail in the Performance Evaluation Processes and available on the Company's website.

The Chairman meets periodically with individual directors to discuss the performance of the Board. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

The Board believes that this approach is appropriate given its size and the nature of the Company's operations. No formal evaluation was undertaken in the reporting period ended 30 June 2017.

## **RECOMMENDATION 1.7**

**A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Board reviews and establishes the company's performance objectives and measures based on qualitative and quantitative factors. The objectives established become the performance targets for Executive Directors and Senior Executives. The performance of Executive Directors is assessed by the full Board against these pre-determined performance objectives.

The Executive Chairman, in consultation with the Board, establishes the performance objectives of senior executives within the group based on the desired business outcomes.

The Executive Chairman makes recommendations to the full Board on the remuneration of senior executives which are reviewed and approved by the Board.

The Board is responsible for approving the performance objectives and measures for executive directors and senior executives and assessing whether these objectives have been satisfied.

No formal performance evaluation of senior executives was undertaken for the year ended 30 June 2017 due to the extremely difficult trading conditions encountered throughout the year, particularly in the mining equipment division. Throughout the year the Company pursued strategies including a prospective merger, sale or equity injection in relation to the mining services businesses and/or PPK itself. Nevertheless, the performance of senior executives was in effect monitored by full Board review of regular monthly reports provided by senior executives regarding the group's financial performance and forecasted results, presentations and operational reports.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### **RECOMMENDATION 2.1**

**The Board of a listed entity should:**

- (a) have a nomination committee which:**
  - (1) has at least three members, a majority of whom are independent Directors, and**
  - (2) is chaired by an independent director;**
  - and disclose**
  - (3) the charter of the committee**
  - (4) the members of the committee; and**
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively**

Due to the size of the Company and the number of Board members, the Board does not have a formal nomination committee. New Directors are selected according to the needs of the Company at that particular time, the composition and the balance of experience on the Board as well as the strategic direction of the Company. Where a vacancy arises or it is considered appropriate to vary the composition of the Board of Directors, the full Board generally participates in any review of the Board's composition and the qualifications and experience of candidates. Directors are selected upon the basis of their specialist skills and business background so as to provide an appropriate mix of skills, perspective and business experience.

At each annual general meeting, the following Directors retire:

- i. one third of Directors (excluding the Managing Director);
- ii. Directors appointed by the Board to fill casual vacancies or otherwise; and
- iii. Directors who have held office for more than three years since the last general meeting at which they were elected.

## **RECOMMENDATION 2.2**

**A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.**

The Board reviews its composition from time to time taking into account the length of service on the Board, age, skills, qualifications and experience, any requirements of the Company's constitution, and in light of the needs and direction of the Company, together with such other criteria considered desirable for the composition of a balanced Board and the overall interests of the Company.

Through the skills and experience of its members the Board seeks to position itself to provide leadership and direction in areas including property investment, property development, property management, strategic investment, mining operations, mining equipment, mining products and technology, international markets, governance, legal compliance, finance and accounting, risk management, business development and associated disciplines.

## **RECOMMENDATION 2.3**

**A listed entity should disclose:**

- (a) the names of the directors considered by the Board to be independent Directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and
- (c) the length of service of each Director.

At 30 June 2017 the PPK Board was comprised of 4 directors of whom Mr Graeme Webb is considered to be an independent director.

Mr Robin Levison was Executive Chairman of the Company and accordingly was not considered to be an independent director.

Mr Glenn Molloy and Mr Dale McNamara are both executive directors and accordingly are not considered to be independent directors.

The Board observes a number of practices to ensure that independent judgement is applied when considering the business of the Board:

- (i) Directors are entitled to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required but this is not unreasonably withheld.
- (ii) Directors having a conflict of interest with an item for discussion by the Board must not participate in the consideration of or the vote in respect of that matter.

Details of each Directors experience and length of service can be found on the Company's website and are also reported in the Company's Financial Report on an annual basis.

#### **RECOMMENDATION 2.4**

**A majority of the Board of a listed entity should be independent Directors.**

As at 30 June 2017 the Company did not comply with this recommendation as the PPK Board was comprised of 4 directors, of which only 1 was an independent director.

The Board is cognisant of its obligation to act in the best interests of the Company and its shareholders generally. The Board believes that the skills that the executive directors bring to the Company are of significant value in light of the needs and the direction of the Company.

#### **RECOMMENDATION 2.5**

**The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.**

The Chairman Mr Robin Levison is not considered to be an independent director due to his executive responsibilities and accordingly the Company does not comply with this recommendation. The Board considers that Mr Levison has significant international business and management experience and an outstanding track record for successfully expanding mining services businesses both organically and via acquisitions. Accordingly the Board believes that it is appropriate for Mr. Levison to provide leadership in respect of PPK's property, investment and mining services activities. The Board considers that Mr Levison is uniquely qualified to lead PPK as he holds a Masters of Business Administration from the University of Queensland, is a Chartered Accountant and is a Graduate and Fellow of the Australian Institute of Company Directors.

#### **RECOMMENDATION 2.6**

**A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively**

The Company provides new Directors with an induction package including copies of the Board Charter and relevant policies and procedures.

Directors are encouraged to pursue appropriate professional development opportunities to develop and maintain their skills and knowledge in order to perform their role as Directors effectively.

All Board members have access to professional independent advice at the Company's expense, provided they first obtain the Chairman's approval, with such approval not being withheld unreasonably.

## **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

### **RECOMMENDATION 3.1**

**A listed entity should:**

- (a) have a code of conduct for its Directors, senior executives and employees; and**
- (b) disclose that code or a summary of it.**

The Board has approved a Code of Conduct and Ethics which applies to all directors, executives, management and employees without exception. In addition, the conduct of directors and executives is also governed by a Code of Conduct for Directors and Executives. In summary, these Codes provide that directors and senior executives must:

- act honestly, in good faith and in the best interests of the Company;
- use due care, skill and diligence in the fulfilling their duties;
- use the powers of their position for a proper purpose, in the interests of the Company;
- not make improper use of information acquired in their position;
- not allow personal interests, or those of associates, conflict with the interests of the Company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

In addition, PPK has developed a series of policies designed to promote ethical and responsible decision making by directors, executives, employees and contractors of the Company, including:

- Trading Policy;
- Market Disclosure Policy;
- Privacy Policy;
- Occupational Health & Safety Policy.

Employees are actively encouraged to report activities or behaviour to senior management, the Company Secretary or the Board, which are a breach of the Code of Conduct and Ethics, other PPK policies or regulatory requirements or laws.

The Company will investigate any concerns raised in a manner that is fair, objective and affords natural justice to all people involved. The Company is committed to making necessary changes to its processes and taking appropriate action in relation to employees found to have behaved contrary to legal and company standard requirements.

## **PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **RECOMMENDATION 4.1**

**The Board of a listed entity should:**

- (a) have an audit committee which:**
  - (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and**
  - (2) is chaired by an independent Director, who is not the chair of the Board, and disclose:**
  - (3) the charter of the committee;**



- (4) the relevant qualifications and experience of the members of the committee; and
  - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

On 14 August 2017 the Board confirmed the appointment of Mr. Glenn Molloy and Mr. Robin Levison as members of the Audit Committee. Due to the size of the Company and the number of Board members, the committee was not comprised of three members. Mr. Glenn Molloy is the Chairman of the audit committee.

The Board has established Terms of Reference for the Audit Committee. The Terms of Reference set out in detail the purpose, composition and membership, meeting procedures, roles and responsibilities of the committee and the authorities of the committee. The Terms of Reference are available on the Company's website.

Details relating to the relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the reporting period and the individual attendances of the members at those meetings are set out on an Annual Basis in the Directors Report contained in the Company's Year End Financial Report which is released to the market and posted on the Company's website.

#### **RECOMMENDATION 4.2**

**The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

The persons performing the functions of Chief Executive Officer and Chief Financial Officer report in writing to the Board on a yearly and half-yearly basis to confirm that:

- (i) the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards;
- (ii) the Company's financial statements are complete and present a true and fair view, in all material respects, of the financial condition and performance of the Company; and
- (iii) the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal controls are operating effectively in all material respects.

#### **RECOMMENDATION 4.3**

**A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.**

The Company's external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

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

### **RECOMMENDATION 5.1**

**A listed entity should:**

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and**
- (b) disclose that policy or a summary of it.**

The PPK Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

The Company has a Market Disclosure Policy which is available on the Company's website.

Comprehensive procedures are in place to identify matters that are likely to have a material affect on the price, or value, of the PPK securities and to ensure those matters are notified to the ASX in accordance with ASX Listing Rule disclosure requirements.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for all communications with the ASX.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **RECOMMENDATION 6.1**

**A listed entity should provide information about itself and its governance to investors via its website.**

Information about the Company and its governance are available on the Company's website. The Company's website provides detailed corporate information and has a specific section relating to corporate governance.

### **RECOMMENDATION 6.2**

**A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.**

PPK recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the company.

The Company has a formal Shareholder Communication Policy which is available on the Company's website.

PPK communicates information to shareholders through:

- disclosures to the ASX including the Company's Annual Report;
- notices and explanatory memoranda of annual general meetings and general meetings; and
- the Company's website at [www.ppkgroup.com.au](http://www.ppkgroup.com.au)

It is the Company's communication policy to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient

information to make informed investment decisions on the operations and results of the Company.

Investors and other stakeholders are invited to subscribe to an email alert facility on the Company's website so that they can receive material announcements which have been released by the Company to the market via an email in a timely manner.

### **RECOMMENDATION 6.3**

**A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.**

The Board encourages active participation by shareholders at each Annual General Meeting, or other general meetings of the Company.

The Company does not have formal policies or process in place to facilitate or encourage participation at shareholder meetings. The Company will despatch a Notice of Meeting and Explanatory Statement to shareholders in accordance with statutory requirements. In addition details of any shareholder meeting will be posted on the Company's website.

At any meeting of shareholders, shareholders are encouraged to ask questions of the Board in relation to the matters to be considered at such meeting and where appropriate relating to the operation of the Company.

### **RECOMMENDATION 6.4**

**A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

The Company provides shareholders with the option to receive communications from, and send communications to, the entity and its security registry electronically.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **RECOMMENDATION 7.1**

**The Board of a listed entity should:**

**(a) have a committee or committees to oversee risk, each of which:**

- (1) has at least three members, a majority of whom are independent Directors; and**
- (2) is chaired by an independent director, and disclose:**
- (3) the charter of the committee;**
- (4) the members of the committee; and**
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

**(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

The full Board of PPK maintains responsibility to oversee risk and accordingly has not established a committee for this purpose. The Audit Committee assists the Board in this role by reviewing the financial and reporting aspects of the group's risk management and control practices.

The Board has established a Risk Oversight and Management Framework. In accordance with this framework the Board of PPK:

- recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of PPK;
- is responsible for the oversight of the group's risk management and control framework including the development of risk profiles as a part of the overall business and strategic planning process; and
- has implemented policies designed to ensure that the group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

The Risk Oversight & Management Framework incorporates the maintenance of appropriate policies, procedures and guidelines which address the PPK's operating environment and is utilised by the Board as a means of identifying the:

- (a) strengths, weaknesses, opportunities and threats influencing, or having the potential to influence, PPK's business divisions; and
- (b) appropriate oversight strategies to implement in respect of the key risk and opportunity factors confronting each operating division of the Company.

The PPK Risk Management and Control Policy Framework is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its businesses.

The Executive Chairman has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the group and may delegate control of these risks to the appropriate level of management at each site.

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Reports are presented to the Board by the Executive Chairman, the Chief Financial Officer and relevant senior executives on a regular basis. The reports encompass matters including actual financial performance against budgeted forecasts, workplace health and safety, legal compliance, corporate governance, strategy, quality assurance and standards, human resources, industry and market information, operational developments and environmental conformance.

Reports are prepared and submitted by the Chief Financial Officer at each Board meeting in relation to the overall financial position and performance of the Company. In addition to formalised written reporting procedures, the Board is regularly briefed by the Chairman, the Chief Financial Officer and senior management on emerging or developed trends in market and operational conditions having the potential to impact on the overall performance of the group.

## **RECOMMENDATION 7.2**

**The Board or a committee of the Board should:**

- (a) **review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and**
- (b) **disclose, in relation to each reporting period, whether such a review has taken place.**

The Board has not specifically reviewed the entity's risk management framework for the year ended 30 June 2017.

The Executive Chairman and the Chief Financial Officer review and confirm to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects twice annually when half-yearly and year-end financial statements are prepared.

### **RECOMMENDATION 7.3**

**A listed entity should disclose:**

- (a) if it has an internal audit function, how the function is structured and what role it performs; or**
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

In light of the nature and extent of the Company's operations and activities, the Company has not established a formal internal audit function.

The Board continuously reviews the activities of the Group to identify key business and operational risks and has implemented policies and procedures to address such risks and to establish appropriate internal control processes.

The Board is provided with regular reporting on the management of operations and the financial condition of the Company aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

### **RECOMMENDATION 7.4**

**A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

The Board manages business risks that it has identified with the objective of positioning the Company to continue operating at a profitable and cashflow positive basis over the long term without compromising the health of the ecosystems in which it operates. The Board is equally conscious of ensuring that it conducts its business in a manner that meets accepted social norms and needs over the long term.

Areas of business risk that have been identified by PPK include:

- domestic and international economic conditions;
- the price of and demand for coal which both have a direct impact on PPK's clients
- material and sustained interest rate and foreign exchange fluctuations;
- sustainability of the resources sector;
- changes in the commercial and industrial property market;
- retention of technical and management skill and up to date technology;
- asset protection including intellectual property.

PPK promotes the highest ethical and professional standards. As a company with a reputation for fair and responsible dealing with stakeholders (including security holders, customers, employees and government regulatory authorities) the Board demands that the highest standard of ethical behaviour be maintained and fostered throughout the

organisation. PPK requires a culture and system of compliance and accountability to be maintained throughout the organisation and for all employees to take pride in this underlying ethical basis of the organisation, acting legally and responsibly in all matters.

PPK seeks to comply with the spirit as well as the letter of all applicable laws and regulations (both domestic and foreign) and where appropriate evaluate actions in a broader social context while still conducting its businesses in an efficient, well-ordered and systematic manner, giving due consideration to the goal of maximising returns for its shareholders.

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

### **RECOMMENDATION 8.1**

**The Board of a listed entity should:**

- (a) have a remuneration committee which:**
- (1) has at least three members, a majority of whom are independent Directors; and**
  - (2) is chaired by an independent director, and disclose:**
    - (3) the charter of the committee;**
    - (4) the members of the committee; and**
    - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The PPK Board has not established a formal Remuneration Committee as PPK is a relatively small publicly listed company and remuneration matters relating to executive Directors and Senior Executives are considered by the full Board where appropriate.

### **RECOMMENDATION 8.2**

**A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.**

The aggregate remuneration of non-executive directors is approved by shareholders. Individual directors' remuneration is determined by the board within the approved aggregate total. In determining the appropriate level of director's fees, data from surveys undertaken of other public companies similar in size or market section to PPK is taken into account.

Non-executive directors of PPK are:

- not entitled to participate in performance based remuneration practices unless approved by shareholders; and
- currently remunerated by means of the payment of cash benefits in the form of directors' fees.

PPK does not currently have in place a retirement benefit scheme or allowance for its non-executive directors.

Executive directors do not receive directors' fees.

A review of the compensation arrangements for the Executive Chairman, executive directors and senior executives is conducted on a regular basis by the full Board and is based on criteria including the individual's performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of PPK is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard in the Company's prevailing circumstances to enable the organisation to succeed.

### **RECOMMENDATION 8.3**

**A listed entity which has an equity-based remuneration scheme should:**

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- (b) disclose that policy or a summary of it.**

The Company has put in place a Long Term Incentive Plan (LTIP). The Company prohibits participants in the LTIP entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

The Corporations Act prohibits the key management personnel of an ASX listed company established in Australia, or a closely related party of such personnel, from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.