

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

### **Principle 1 - Lay solid foundations for management and oversight**

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board believes that good corporate governance is essential to fulfilling its role and that it positively contributes to long-term shareholder value.

The Board delegates responsibility for the day-to-day management of the Group to the Managing Director and senior executives, but remains responsible for overseeing the performance of the management team. To ensure that this responsibility is clearly defined, the Board has delegated a range of authorities to management through formal delegations. These include limited expenditure authority along with the limited authority to enter into contracts and engage staff.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Group. The Board has the final responsibility for the successful operations of the Group. Without intending to limit this general role of the Board, the specific or principal functions and responsibilities include:

- Acting as an interface between the Group and shareholders;
- Setting the goals of the Group;
- Reviewing the annual progress and performance of the Group in meeting its objectives;
- Providing the overall strategic direction of the Group;
- Determining policies governing the operations of the Group;
- Appointing and approving the terms and conditions of the appointment of the Managing Director (MD);
- Reviewing and providing feedback on the performance of the MD;
- Endorsing the terms and conditions for senior executives reporting to the MD through the Remuneration Committee;
- Establishing and determining the powers and functions of the committees of the Board, including the Audit and the Remuneration Committees;
- Approving major operating plans;
- Approving the annual budget and long-term budgets;
- Board approval of all banking facilities;
- Approving all significant items of capital expenditure;
- Approving all significant operational expenditures outside budget;
- Approving all mergers and acquisitions, and property acquisitions and disposals;
- Approving the issue or cancellation of shares;
- Approving all significant loans to outside parties or employees;
- Approving half-yearly and yearly accounts;
- Keeping the market informed about Korvest in accordance with ASX rules;
- Reviewing its own performance;
- Resolution of major issues of material nature affecting the organisation;
- Approving management reporting processes and documentation;
- Approving all significant contracts, leases and other company commitments; and
- Ensuring that all requirements of the ASX, ASIC, ACCC, ATO and other relevant legislation are met.

A copy of the Board Governance Charter outlining the roles and responsibilities is available online on the Company's website at [www.korvest.com.au/assets/downloads/Board-Governance-Charter.pdf](http://www.korvest.com.au/assets/downloads/Board-Governance-Charter.pdf).

Prior to appointing a person as a Director a number of checks are conducted including consultation with referees, police and bankruptcy checks. All current Board members have undergone police and bankruptcy checks. The skills and experience of directors standing for election or re-election are included in the annual report and/or the Notice of Meeting.

The Board has adopted a letter of appointment that contains the terms on which directors will be appointed. The letter of appointment clearly defines the role of directors, including the expectations in terms of remuneration, participation and time commitment. The letter of appointment also makes clear that directors are required to disclose circumstances that may affect, or be perceived to affect, their ability to exercise independent judgment so that the Chairman and the Company Secretary can determine any further action, if necessary.

Senior executives are provided a position description and letter of appointment which outlines the terms of their agreement with the Company. All directors and senior executives sign a Confidentiality Agreement upon appointment.

The specific tasks for the Company Secretary are set out in the Board Governance Charter, concerning all matters to do with the proper functioning of the board.

### ***Diversity Policy***

Korvest is committed to creating a diverse workplace that is fair and flexible, promotes personal and professional growth and enables employees to enhance their contribution to Korvest by drawing from their different backgrounds, beliefs and experiences. Korvest has developed a diversity policy, a copy of which can be found on the Company's website page at [www.korvest.com.au/assets/downloads/KC19-2-Diversity-Policy.pdf](http://www.korvest.com.au/assets/downloads/KC19-2-Diversity-Policy.pdf).

The policy provides guidance for the development and implementation of relevant plans, programs and initiatives to recognise and promote gender workforce diversity across all areas of the Korvest business.

The Korvest Board is responsible for setting specific gender diversity objectives and a range of metrics designed to measure the achievement of those objectives.

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The Board is responsible for assessing, on an annual basis, the objectives and the progress of the achievement against Korvest's gender diversity objectives. In accordance with this policy and the ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives as positions become vacant and appropriately skilled candidates are available.

	Objective %	Actual	
		Number	%
Number of women in senior management positions	25%	0	0%
Number of women in administration/sales positions	35%	19	50%
Number of women employees in the whole organisation	10%	23	12%

The Company has lodged the annual report required under the Workplace Gender Equality Act 2012 and a copy of the report is available online on the Company's website page at [www.korvest.com.au/assets/downloads/WGEA2018.pdf](http://www.korvest.com.au/assets/downloads/WGEA2018.pdf)

### *Board performance*

The Company's Board formally reviews the operations of the Board and its committees and the performance of its individual directors. The approach is to facilitate an assessment of the Board and its committees at least every two years. A review was undertaken during FY18.

### *Executive performance*

The Managing Director reviews the performance of senior executives regularly via a formal performance management process. The executives are assessed on their performance against specified performance objectives. During the reporting period each senior executive has undertaken this process with the Managing Director. The Managing Director's performance is reviewed annually by the Chairman and a review was undertaken during the reporting period.

## **Principle 2 – Structure the Board to add value**

### *Nomination Committee*

The Board has established a Nomination Committee comprising all of the non-executive directors of the Company. The Nomination Committee Charter is disclosed on the Company's website at [www.korvest.com.au/assets/downloads/Nomination-Committee-Charter.pdf](http://www.korvest.com.au/assets/downloads/Nomination-Committee-Charter.pdf)

### *Board composition*

The Company constitution allows for a maximum of ten directors. The Company Board currently comprises six directors, four being independent non-executive directors plus the Managing Director and Finance Director. The directors come from a variety of business and professional backgrounds and bring to the Board a range of skills and experience relevant to the Company.

***Board Skills Matrix***

The Board has a skills matrix covering the following key areas of knowledge or experience:

Executive leadership  
Governance  
Strategy/Risk  
Finance (Accounting)  
Remuneration  
Mergers/Acquisitions  
Engineering  
Health, safety and environment

The Board is comfortable that the skills and experience of the current Directors satisfy the requirements of the skills matrix.

***Board independence***

The Board consist of six directors, four of whom are independent, non-executive directors.

The Board believes that the first priority in the selection of directors is their ability to add value to the Board and enhance the performance while safeguarding shareholders' interests. Accordingly, relevant expertise and competence is considered as important as technical independence.

The skills, experience and tenure of each director is set out in the Director's report of the annual report.

The Board has assessed all the relationships between the Company and external organisations in which the independent directors hold or held positions and does not believe there to be any dealings which will materially interfere with their ability to act in the best interests of the Company.

***The role of the Chairman***

ASX recommendation 2.5 states that the chair should be an independent director. The Company complies with this recommendation as Mr Graeme Billings is an independent director.

The roles of Chairman and CEO are not held by the same person with Mr Chris Hartwig being the Managing Director and CEO for the Company.

The Board has formalised a process for the induction of new directors to ensure they are provided with the information required to properly perform their role. The Board also has access to senior executives, who are invited to attend Board meetings on a needs basis, where they make presentations and engage in discussions with Directors, answer questions and provide input and perspective on their areas of responsibility so as to ensure that all Directors are appropriately informed in relation to the operations of the Group.

Directors are briefed on significant changes to legislative and compliance (including accounting standards) as they occur.

***Board operations***

During FY18 the Board met 14 times and the directors' attendance at those meetings is set out in the annual report. The directors receive a comprehensive Board pack, which includes financial

statements and executive reports. The Chairman and the Managing Director communicate regularly between Board meetings.

All directors have unrestricted access to company records, information and personnel and the Board has a policy of allowing individual directors to seek independent professional advice at the Company's expense, subject to the approval of cost by the Chairman. Such approval shall not be unreasonably withheld.

### **Principle 3 – Act ethically and responsibly**

While the Board has adopted those ASX principles of good corporate governance that it has deemed pertinent, it believes that these types of rules and regulations are of limited value unless supported by a foundation of honesty and integrity.

The Board has adopted a formal (written) Code of Conduct for Korvest, effectively a corporate creed that is best applied by asking “What is the right thing to do?” The code applies to all employees within the Company from the Board, through management to all other staff. The code encourages all staff and other stakeholders to report any breaches of the code to their manager, Finance Director, Managing Director or the Chairman of the Audit Committee, who are required to investigate and report on all such matters.

The Code of Conduct is supported by more detailed policies setting out the philosophy of the Company in relation to its various stakeholders. A copy of the code is available online on the Company's website page at [www.korvest.com.au/assets/downloads/KC13-3-Code-of-Conduct.pdf](http://www.korvest.com.au/assets/downloads/KC13-3-Code-of-Conduct.pdf).

### **Principle 4 - Safeguard integrity in corporate reporting**

#### ***Audit Committee***

The Board has an Audit Committee. The committee has a Board approved charter setting out its role, responsibilities, structure and membership requirements. A copy of its charter can be found online on the Company's website page at [www.korvest.com.au/assets/downloads/Audit-Committee-Charter.pdf](http://www.korvest.com.au/assets/downloads/Audit-Committee-Charter.pdf).

The committee consists of four independent non-executive directors. The Chairman of the committee is an independent director who is not the Chairman of the Board. The Managing Director, Finance Director and external auditors are invited to attend the committee meetings where appropriate. Details of membership and attendance at committee meetings are set out in the 2018 Annual Report.

#### ***Commitment to financial integrity***

The Board has policies designed to ensure that the Company's financial reports meet high standards of disclosure and provide the information necessary to understand the Company's financial performance and position. The policies require that the Managing Director and Finance Director provide to the Board prior to the Board approving the annual and half-year accounts, a written statement that the accounts present a true and fair view, in all material respects, of the Company's financial performance and position and are in accordance with relevant accounting standards, laws and regulations.

#### ***Audit process***

The Company's financial accounts are subject to an annual audit by an independent, professional auditor, who also reviews the half-year accounts. The Board requests the external auditor to attend

the Annual General Meeting each year and to be available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

#### *Auditor independence*

The Board has in place policies for ensuring the quality and independence of the Company's external auditor. The fees paid to the external audit firm for work other than the audit of the accounts were for taxation services. Details of the amounts paid for both audit and non-audit services are set out in Note 5 of the 2018 annual report. The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

#### **Principle 5 - Make timely and balanced disclosure**

The Board has established continuous disclosure controls to ensure compliance with ASX Listing Rules. This forms part of each new director's letter of appointment. The Company Secretary is responsible for ensuring that all matters requiring disclosure are duly disclosed.

#### **Principle 6 - Respect the rights of shareholders**

Part of the Board's commitment to high-quality governance is its approach in engaging and communication with shareholders, respecting the rights of shareholders and facilitate the effective exercise of those rights.

Information on the Company can be found on the Company's website at [www.korvest.com.au](http://www.korvest.com.au); and a copy of the Corporate Governance Statement and its associated documents at [www.korvest.com.au/investors/corporate-governance/](http://www.korvest.com.au/investors/corporate-governance/).

The Board is committed to ensuring that shareholders are informed of all non-confidential material matters. It accomplishes this through:

- the annual report distributed during September each year and posted on the Korvest and ASX websites;
- making appropriate disclosure to the market where necessary;
- being accessible to shareholders throughout the year and at the AGM; and
- regular meetings with institutional shareholders and analysts.

Outside of the Annual General Meeting, the Company holds half-yearly proactive engagements with institutional shareholders and analysts within Australia. The purpose of these meetings is to discuss the full range of governance issues as well as the broad strategy of the Company.

Copies of these investor presentations are available under the Korvest's company announcements on the ASX website on [www.asx.com.au](http://www.asx.com.au).

The Annual General Meeting is an opportunity for shareholders to meet and ask questions of the Board. Due to the size of the Company and the shareholder group the AGM provides a good opportunity for shareholders to interact with the Board and management.

The Company's AGM is held towards the end of October and provides an update for shareholders on the Company's performance and offers an opportunity for shareholders to ask questions and vote. The Notice of Meeting is sent out prior to the AGM outlining the agenda.

Shareholders can elect to receive and send communications electronically. Voting on issues requiring shareholder agreement can also be done electronically. The Notice of Meeting provides a list of alternative methods by which shareholders may cast their votes.

## **Principle 7 - Recognise and manage risk**

### ***Risk management and oversight***

The Board has not established a Risk Committee due to the size of the Company. The Audit Committee oversees the operation of the risk management controls established by the Company. The Company does not have a dedicated internal audit function. The Company's approach to internal audit is to compile and regularly review and update a risk register. The controls in place to mitigate those identified risks are then the subject of internal audit reviews to analyse their effectiveness. This process is overseen by the Audit Committee.

The Company's risk register was reviewed by the Board during FY18. Management report on key risks as part of their monthly reporting to the Board.

The Board reviews all major strategies for their impact on the risks facing the Company and takes appropriate action. Similarly, the Company reviews all aspects of its operations for changes to the risk profile on an annual basis.

The Managing Director is charged with implementing appropriate risk systems within the Company. He includes any issues or concerns in his report to the Board.

In accordance with recommendation 7.2 the Managing Director and Finance Director have declared, in writing to the Board, that the financial risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls, have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

The Company does not have any material economic or social sustainability risks any different compared to other organisations within the same industry. The Board does not believe it has any material exposure to environmental risk however to ensure that any environmental risks are mitigated Korvest has Australian Environmental Certification ISO14001: 2004.

## Principle 8 - Remunerate fairly and responsibly

### *Remuneration Committee*

The Remuneration Committee sets policies for directors' and senior executives' remuneration, makes specific recommendations to the Board on the remuneration of directors and senior officers and undertakes a detailed review of the performance of the Managing Director at least annually. The committee consists of four independent non-executive directors. The Chairman of the committee is an independent director who is not the Chairman of the Board. Details of the Remuneration Committee Charter is available online at [www.korvest.com.au/assets/downloads/Remuneration-Committee-Charter.pdf](http://www.korvest.com.au/assets/downloads/Remuneration-Committee-Charter.pdf). Details of membership and attendance at committee meetings are set out in the 2018 Annual Report.

### *Directors' remuneration*

The remuneration of non-executive directors is different from that of executives. Non-executive directors receive a set fee per annum and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. They do not receive any performance related remuneration, nor shares or options as part of their remuneration.

When reviewing directors' fees, the Board takes into account any changes in the size and scope of the Company's activities, the potential liability of directors and the demands placed on them in discharging their responsibilities. On a periodic basis, this is benchmarked to directors' fees from various comparable companies.

### *Commitment to responsible executive remuneration*

The Board believes that it has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives and designed to produce value for shareholders.

Executive directors receive a salary, short term incentives and long term incentives in the form of shares or options in accordance with plans approved by shareholders.

For further information see the Remuneration report in the Directors' Report of the 2018 Annual Report.

### *Retirement benefits*

Non-Executive Directors receive their statutory superannuation entitlements only.

*Share dealings by directors and officers*

The Board policy is that all Directors are required to be shareholders and hold a minimum of 500 shares. The Company has for many years encouraged the holding of its shares by directors and employees.

The Board has adopted a securities trading policy that specifically precludes directors and officers from buying or selling shares during specified blackout periods relative to the announcement of the annual or half-year results or if in possession of price sensitive information not generally available to the public. Employees are not to deal in shares on a short term basis nor are they permitted to limit the economic risk of owning Korvest shares through the use of hedging. A copy of the policy is available online on the Company's website page at [www.korvest.com.au/assets/downloads/Revised-Securities-Trading-Policy.pdf](http://www.korvest.com.au/assets/downloads/Revised-Securities-Trading-Policy.pdf) and details of directors' individual shareholdings are set out in the 2018 annual report.

**Other items***Indemnity and insurance of directors*

In accordance with the Company's constitution and to the extent permitted by law, the Company indemnifies every person who is, or has been, a director or secretary and may agree to indemnify a person who is or has been an officer of the Company against a liability incurred by that person in his or her capacity as such a director, secretary or officer, to another person (other than the Company or a related body corporate of the Company) provided that the liability does not arise out of conduct involving a lack of good faith. In addition, the Company has directors and officers insurance against claims and expenses that the Company may be liable to pay under these indemnities.

*Commitment to its staff*

The Company aspires to be a well-regarded and progressive employer that provides safe and rewarding workplaces for its entire staff so that they can fully contribute their talents to the achievement of corporate goals.

The Company encourages its staff to become shareholders and share in the success of the Company. The current employee share plan offers all permanent staff with more than two years continuous service ordinary shares in the Company.

The Company is committed to protecting the health, safety and wellbeing of its staff, contractors and visitors to its premises.

*Commitment to the environment*

The Company cares about the environment and recognises that protection of it is an integral and fundamental part of its business. The Company has an environmental management system in place and management assists staff to understand and implement the relevant aspects of this system in their day-to-day work. Environmental compliance is monitored with relevant issues being reported through management to the Board.

*Commitment to the community*

The Board believes that the Company has a responsibility to the Australian, South Australian and local community. The Company aspires to be a good corporate citizen through the effective provision of quality products and services, through the taxes it pays, the employment and training it provides its staff, the involvement of its staff in professional, educational and community organisations and through the donations it makes to various charities. The Company is justifiably proud of its reputation as a dependable Australian entity.

**This statement was approved by the Korvest Board on 27 July 2018 and is accurate and up to date as at 30 June 2018.**