



## Corporate Governance Statement

Approved by the board and issued on 27 August 2018

## Corporate governance statement

This statement and information identified therein is available on the company's website at [www.eumundigroup.com.au](http://www.eumundigroup.com.au) under the *Corporate Governance* tab in the Corporate section.

### Introduction

The board has embraced the principles and recommendations of the ASX Corporate Governance Council ('ASX recommendations') and has corporate governance practices in keeping with today's shareholder expectations, but tailored to suit the company given its size and scope of operations.

These practices, which are outlined in this statement, have been in place for a number of years. To assist with adherence to the practices, the board has a committee responsible for auditing and risk management and has documented a number of policy statements and charters including:

- Board charter
- Audit and risk committee charter
- Code of conduct
- Directors' ethics policy
- Securities dealing policy
- Diversity policy

These documents, together with other relevant information on corporate governance including the ASX recommendations, have been made available on the company's website: [www.eumundigroup.com.au](http://www.eumundigroup.com.au).

The board is committed to a philosophy of prudent business management designed to create long-term shareholder wealth. It believes the establishment of, and adherence to, sound corporate governance practices can assist in this process, although some areas of the ASX recommendations are considered not necessarily appropriate for the company at this time given its size and scope of operations.

In this statement the board outlines the practices it has introduced and how, and the extent to which, they follow the ASX recommendations.

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

A listed entity should establish and disclose the respective roles of its board and management and how their performance is monitored and evaluated.

*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 has overall responsibility for the good governance of the company and is accountable to shareholders for the company's performance. The board is responsible for:

- charting the direction, strategies and financial objectives for the group and monitoring the implementation of those policies, strategies and financial objectives;
- monitoring compliance with regulatory requirements and ethical standards;
- ensuring the group has documented policies in place with respect to corporate governance principles and best practice that are commensurate with its operations;
- appointing and reviewing the performance of the chief executive officer; and
- appointing and reviewing the performance of material advisers or external managers.

In performing these responsibilities the board acts at all times in a manner designed to create and continue to build sustainable value for shareholders and in accordance with the duties and obligations imposed upon them by the Constitution and by law.

In addition to the matters expressly required by law to be approved by the board, powers specifically reserved for the board are as follows:

- appointment of the chief executive officer and determination of his or her employment terms and conditions (including remuneration);
- appointment of direct reports to the chief executive officer;
- any matters in excess of discretions that may have, from time to time, been delegated to the chief executive officer and material advisers or external managers in relation to credit transactions, market risk limits and expenditure; and
- approval of each of the following:
  - the strategic plan at least annually;
  - the budget and strategic plan, at least annually;
  - the remuneration and conditions of service including financial incentives for any executive directors, at least annually;
  - significant changes to organisational structure and the appointment of such senior officers as the board may determine;
  - the acquisition, establishment, disposal or cessation of any significant business or assets of the group;
  - the issue of any shares, options, equity instruments or other securities in the group;
  - any public statements which reflect significant issues of the group's policy or strategy;
  - any changes to the discretions delegated from the board; and
  - the terms of all significant agreements.

The board has a specific responsibility to:

- monitor and assess management's performance in achieving any strategies and budgets approved by the board;
- set criteria for, and evaluate at least annually, the performance of the chief executive officer;
- set criteria for, and evaluate at least annually, the performance of material advisers or external managers;
- clarify the respective roles and responsibilities of board members and management;
- clarify the respective roles of board members and management; and
- review on a regular and continuing basis:
  - executive and succession planning (in particular for the chief executive officer); and
  - executive development activities.

Within this context a board charter has been established, detailing the philosophy, values and functions of the board. This charter is published on the company's website.

The board recognises that in a small dynamic organisation like the company, which has a very small board and compressed management structure, the relationships among directors, and particularly the relationship between the board and management, cannot be fully regulated in the interests of the company's on-going performance. Compliance with this ASX recommendation therefore must also be considered in the context of this structure lending itself to often daily contact between members of the board and management and between board members themselves.

Presently one of the duties of the board includes self appraisal and critical analysis of performance where acting in areas of executive capacity.

*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 on whether or not to elect or re-elect a director.*

Appropriate checks are undertaken before appointing a director including checks as to the person's character, experience, education, criminal record and bankruptcy history. In putting forward a director to shareholders for election or re-election the company will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect the director including, but not limited to:

- biographical details, including their relevant qualifications and experience together with the skills they bring to the board;
- details of any interest, position, association or relationship that might influence or be perceived to influence bringing independent judgement to bear and to act in the best interests of the company;
- the term of office currently served by the director;
- whether the board considers the director to be an independent director;
- details of any other material directorships currently held by the candidate; and
- a statement by the board as to whether it supports the election or re-election of the candidate.

*Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

Written agreements are in place with each director.

A written employment agreement is in place in respect of the chief executive officer, Ms SM Jacobi-Lee, in her prior capacity as chief financial officer.

Written agreements were in place for all other senior executives for the full year.

*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 attends all board meetings to ensure direct accountability to the board through the chairman on all matters to do with the proper functioning of the board.

*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 values diversity and recognises the benefits it can bring to an organisation's ability to achieve its goals.

Accordingly the company has developed a diversity policy, a copy of which can be found on the company's website. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity.

It is the company's policy to support female representation at senior levels.

The board receives a report on an annual basis that provides the following information:

|                            | 2018        |      |       | 2017        |      |       |
|----------------------------|-------------|------|-------|-------------|------|-------|
|                            | Female      |      | Total | Female      |      | Total |
|                            | No of staff | %    |       | No of staff | %    |       |
| Total employees*           | 33          | 48%  | 69    | 36          | 53%  | 68    |
| Total full time employees* | 14          | 50%  | 28    | 15          | 50%  | 30    |
| Supervisors & managers*    | 9           | 56%  | 16    | 8           | 50%  | 16    |
| Key management personnel** | 1           | 100% | 1     | 1           | 100% | 1     |
| Directors                  | 0           | 0%   | 3     | 0           | 0%   | 3     |

\*excluding directors & key management personnel

\*\* excluding directors

The board will endeavour to improve the diversity of the board at any time nominations are required to fill board positions, based upon qualifications, experience and the ability to add diversification of expertise to the board.

*Recommendation 1.6: A listed entity should:*

*(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; 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 chairman undertakes an informal review of individual board member performance from time to time together with an assessment of external managers. The board's principal benchmark is the company's financial performance year-on-year and compared with similar organisations.

For the board itself, a "whole of board" informal evaluation process has been adopted.

During the period, informal periodic reviews were undertaken as to the performance of the board and each director and was found to be in accordance with expected requirements.

*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 chairman undertakes an informal assessment of executive management from time to time. The board's principal benchmark is the company's financial performance year-on-year and compared with similar organisations. For the chief executive officer, performance objectives are discussed periodically rather than taking place formally at specified assessment times.

During the period, an informal review of the performance of the chief executive officer and other senior executives was undertaken.

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

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

*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.*

It is reasonable for a small size board like the company's to be accountable for its own appointments and reappointments. The full board performs the functions of a nomination committee and regularly reviews board membership. This includes an assessment of the necessary and desirable competencies of directors, board succession plans, evaluation of the board's performance and consideration of appointments and removals. Whilst directors are not appointed for specific terms, their periods in office are regularly reviewed.

When a director vacancy occurs, the board identifies the particular skills, experience and expertise that will best complement board effectiveness, and then undertakes a process to identify candidates who can meet those criteria. The board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the company. Nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the company and the current and future needs of the board and the company. The board is aware of the advantages of board renewal and succession planning.

*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's objective is to have an appropriate mix of expertise and experience on the board and any committee so that the board can effectively discharge its corporate governance and oversight responsibilities. The board considers the required balance of skills to be as follows:

- financial knowledge and expertise;
- legal governance and compliance;
- strategy;
- commercial acumen;
- risk management;
- health & safety;
- government relations;
- property leasing and development; and
- hotel operations and liquor retailing.

The board has assessed that the necessary skills as per the above criteria are satisfied within the current structure.

*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.*

The group has developed criteria for determining the independence of its board members. A director is considered to be independent if he or she:

- is not a substantial security holder of Eumundi Group Limited or of a company holding more than 5% of Eumundi's voting securities, or an officer of, or directly or indirectly associated with, a security holder holding more than 5% of the group's voting securities;
- is not and has not within the last three years been an employee of the group;
- is not a principal of a material supplier or customer of the group, or an officer of, or directly or indirectly associated with, a significant supplier or customer;
- has no material contractual relationship with the group or any of its associates other than as a director of the group; or
- has no other interest or relationship that could interfere with the director's ability to act in the best interests of the group and independently of management.

In this context, the board considers that any director-related business relationship that is or is likely in the future to be more than 10% of the director-related business' revenue to be material. All directors are required to act in the best interest of the company at all times.

At the present time the board has one independent director, Mr V.A. Wills.

For each director, their qualifications, experience, special responsibilities, term in office and attendances at board meetings are detailed in the directors' report.

*Recommendation 2.4: A majority of the board of a listed entity should be independent directors.*

In the year under review the company did not comply with this recommendation because only one of three non-executive directors is an independent director. However, the board is committed to having members who have the capacity to act independently of management, and have the collective skills necessary to optimise the long-term financial performance of the group.

The board believes that its directors collectively bring a wealth of relevant practical experience to the company and they all have a significant vested interest in ensuring proper governance.

The two non-independent board members would be regarded as independent other than their interest as significant company shareholders. It is believed that this substantial shareholding actually provides directors with a strong incentive to ensure that their judgement is not clouded in board deliberations, as the outcome (indirectly) impacts on them as much as, or even more than most other shareholders.

With this and other circumstances in mind, the board distinguishes between the concept of independence and the issues of conflict of interest or material personal interests that may arise from time to time. Whenever there is an actual or potential conflict of interest or material personal interest, the board's policies and procedures ensure that:

- the interest is fully disclosed and the disclosure is recorded; and
- the relevant director is excluded from all considerations of the matter by the board, unless the other directors unanimously otherwise decide.

If considered warranted, the board may resolve to obtain independent professional advice about the execution of board responsibilities at the company's expense. Where appropriate, such advice is shared with the other directors.

Given the specialised nature of the hotel and property/other investments industry, it is not easy for a company of this size to find suitably qualified person(s) to appoint to the board who comply fully with the independence test.

*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 board considers that, at the present time, the company's interests are best served by having Mr J.M. Ganim as its non-executive chairman. Mr Ganim has a substantial interest in the company's shares but is not an executive of the company and, for the reasons outlined in ASX recommendation 2.4, that shareholding may be seen as beneficial to the interests of all shareholders.

Ultimately shareholders will determine if the current mix of directors and the position of the chairman are acceptable.

The roles of chair of the board and chief executive officer of the entity are not held by the same person. Ms S.M. Jacobi-Lee is the chief executive officer of the company.

*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 does not have a formal director induction or professional development programme. However, the company would provide appropriate induction as and when required for new directors, as well as appropriate opportunities for professional development (which is undertaken individually by the directors) of the skills and knowledge of directors, as required.

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

A listed entity should 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 supports the requirement for directors and employees to observe high standards of behaviour and business ethics, which already exist in the company, through practices and policies ingrained over time. All directors, managers and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the company.

The company has a corporate ethics policy for directors, setting out the obligations of the board in relation to trading in the company's shares, continuous disclosure, fiduciary duties, related party transactions, integrity of accounts and risk management. The company also has a code of conduct which addresses trading in the company's shares as well as other ethical issues and responsibilities covering directors, all employees and significant external managers.

Employees are encouraged to take part and participate in appropriate training programs covering such areas as workplace health and safety and programs peculiar to the company's activities. The code of conduct is made available to all employees and is permanently on display in each workplace.



The board has written guidelines, set out in the directors' ethics policy and code of conduct that restrict dealings by all directors and employees in the company's shares and provides an understanding of insider trading and issues relative to price-sensitive information.

The company's policy regarding dealings by directors and employees in the company's shares is that they should never engage in short term trading. They should not enter into transactions when they are in possession of price sensitive information not yet released by the company to the market, or in the period of twenty-one (21) days prior to release by the company of half yearly and annual reports, or such shorter period as may be approved by the board. Other periods when directors and employees cannot trade in shares include the period two (2) business days after the release of half yearly and annual reports to the market and three (3) business days after the release of price sensitive information.

The directors' ethics policy, securities dealing policy and the code of conduct are available on the company's website.

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

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its 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.*

The company has an audit and risk management committee. In the year under review the committee comprised the three non-executive members of the board: Mr. V.A. Wills (chairman), Mr. J.M. Ganim and Mr G. De Luca. The committee is chaired by the company's independent director who is not the chairman of the board. However, given the present composition of the Board, it is not possible for the majority of the three directors on the audit and risk management committee to be independent.

The committee operates under formal terms of reference (charter) approved by the board, which is reviewed annually. The board charter encompasses the role and responsibilities relating to audit matters. The audit and risk management committee charter is available on the company's website.

Audit committee meetings are attended, by invitation, by the engagement partner (or their nominee) from the company's external auditor and such other senior staff or professional people as may be appropriate from time to time.

The external auditor, Pitcher Partners, has declared its independence to the board and has confirmed that the audit partner will be rotated in accordance with the Corporations Act and relevant independence requirements. The committee has examined material provided by the external auditor and is satisfied that the standards for auditor independence and associated issues are complied with.

The number of meetings of the committee held during the year under review year and the individual attendances of its members are set out in the directors' report.

*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.*

ASX recommendation 4.2 is a standing board requirement and such written confirmations have been received in respect of the year under review.

*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 requires that the audit partner of the firm of auditors attends the annual general meeting and be available to answers shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

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

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

*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 company has a written disclosure policy contained within the directors' ethics policy (titled *The Company's Obligation of Disclosure*) which is available of the company's website. This policy ensures that the company complies not only with its obligations at law and under the ASX listing rules, but with best practice as it has evolved in recent years.

The company secretary has been designated as the person responsible for communications with the ASX including to ensure compliance with the continuous disclosure requirements in the listing rules and overseeing information going to the ASX, shareholders and other interested parties. All key announcements are vetted by the company's legal advisors prior to announcement. All announcements are transmitted to the board and the external auditor's designated audit partner upon release. The matter of continuous disclosure is a permanent item on the agenda for all board meetings.

Authority to speak about the company's affairs to the media, brokers, analysts or investors is restricted to the chairman.

All directors have obligations outlined in the directors' ethics policy to keep the company promptly informed of any personal or related interests in securities trading and contracts relevant to securities. The company, in turn, promptly reports such trading to the ASX.

All announcements made to the ASX by the company are also published on the company's website.

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

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

*Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.*

Information about the company, including its assets, operations and corporate governance, is available to investors via the company's website.

*Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two way communications with investors.*

The company aims to keep shareholders informed of the company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders (unless specifically requested otherwise);
- other correspondence regarding matters impacting on shareholders as required; and
- for matters of importance, direct contact being made with majority shareholders by telephone when appropriate.

All documents that are released publicly are made available on the company's website. A notice inviting shareholders to use this website has been circulated with the annual report since the 2002 year.

*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 company's policy is to encourage shareholders to participate in general meetings of the company, including the annual general meeting, to ensure a high level of accountability and identification with the company's strategies and goals. The directors are also available to speak with shareholders at these meetings.

*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 security holders with the option of receiving communications from, and sending communications to, the company and its share registry electronically.

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

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

*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 company places a high priority on risk management and identification throughout the group's operations and regularly reviews the adequacy of its processes. A risk control program has been developed which includes legislative compliance. On account of the small size of the board, the functions of audit committee and risk management committee are combined and operate under the same audit and risk management committee charter.

As noted previously, the audit and risk committee comprised the three non-executive members of the board: Mr. V.A. Wills (chairman), Mr. J.M. Ganim and Mr G. De Luca. The committee is chaired by the company's independent director who is not the chairman of the board. However, given the present composition of the Board, it is not possible for the majority of the three directors on the audit and risk management committee to be independent.

The number of meetings of the committee held during the year under review year and the individual attendances of its members are set out in the directors' report.

*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 company recognises taking business decisions, which entail calculated risks and managing these risks within sensible tolerances, is fundamental to creating long term value for security holders and meeting commitments to the company's employees, tenants, customers, business partners, consultants and the communities in which it does business.

The company's system of risk management is integrated with its day-to-day business processes and functional responsibilities. Management is responsible for the design and implementation of the risk management framework and for adapting it to changes in the business and the external environment in which the company operates. Business units are responsible for integrating the risk management framework within their business processes and systems.

The ongoing monitoring of risks by executive management is achieved through regular reports and briefings from the business units. Material risks to forecast and budget are incorporated into these reports and highlight issues that may either require immediate attention or have the potential to cause material negative impacts.

The company, through its training, policies and procedures and management and staff meetings (both formal and informal), seeks to mitigate operational, commercial and health and safety risk. The board is apprised of potential risks and the measures implemented by management to mitigate such risks on a monthly basis.

During the period, an informal review of the company's risk framework was undertaken.

*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, the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective system will preclude the possibility of errors, mistakes and irregularities.

For these reasons, and in view of its size, the company does not have an internal audit function. Instead, there is close interaction between the Board and senior management with the aim of evaluating and continually improve the effectiveness of the company's risk management framework and internal control processes. The executive managers attend all board meetings and meetings of the audit and risk management committee and provide appropriate reports. Where circumstances dictate, matters are brought to the attention of the board earlier than at scheduled meetings.

*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 those risks.*

The company is exposed to a number of economic and social sustainability risks. The company's hotel operations are materially exposed to risks of government policy and legislative change, particularly in respect of gaming and liquor licencing. The company practices responsible service of alcohol and gaming in all hotel operations. However, policy changes contemplated by Queensland State Government may, in the future, impact the value of the company's gaming authorities and adversely impact revenues from hotel operations. Apart from involvement in industry groups, the company has no ability to manage this risk.

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

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

*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.*

Given the size of the company and the number of directors on the board, it is not practical to establish a separate remuneration committee. In these circumstances, it is reasonable that the board be accountable for setting its own remuneration and that of senior executives.

*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 board comprises three non-executive directors. Remuneration is set out in the remuneration report in the company's annual report. Details of the nature and amount of each element of the remuneration of each director and the key management personnel of the company are disclosed in the remuneration report. As outlined in the remuneration report, there is no retirement benefit scheme for directors other than payment of statutory superannuation.

*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 does not have any equity-based remuneration schemes.