

# Corporate Governance Statement as at 31 December 2015

The Corporate Governance Statement (**Statement**) for Mitula Group Limited (**Mitula Group** or **Company**), has been adopted by the Board of directors (**Board**) of Mitula Group and is current as at 29 March 2016.

The Board is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council (**CGC**) published guidelines (3<sup>rd</sup> edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Mitula Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board is committed to conducting the Company's business in accordance with the highest standards of corporate governance to create and deliver value for Shareholders. The Board has established a corporate governance framework, including corporate governance policies, procedures and charters, to support this commitment. The framework is reviewed regularly and revised in response to changes in law, developments in corporate governance and changes in the business of the Company.

A copy of these charters, procedures and policies are available on the corporate governance page of the website [www.mitulagroup.com/corporate-governance](http://www.mitulagroup.com/corporate-governance) and are signposted throughout this document where relevant.

Mitula Group has assessed its governance practices against the CGC guidelines, which set out recommended governance practices which are likely to achieve good governance outcomes for ASX listed entities in most situations. The ASX Principles are not mandatory, and where the Company has not adopted a recommendation, this statement will explain why.

Mitula Group's corporate governance practices were in place from 17 April 2015 and throughout the balance of the year ended 31 December 2015. Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Mitula Group, refer to our website: [www.mitulagroup.com/corporate-governance](http://www.mitulagroup.com/corporate-governance).

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

### Recommendation 1.1 - Comply:

*A listed entity should disclose;*

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

### Role of the Board and executive management

The Board is committed to creating Shareholder value within a framework that protects the rights and interests of Shareholders and ensures that the Mitula Group is being properly managed.

The Board's composition, its role and responsibilities, its relationship with management, and the key responsibilities of the Board are set out in the Board Charter, along with delegations to senior management (including the Chief Executive Officer) and certain committees.

The Board Charter specifies the matters expressly reserved to the Board, which include improving strategy, adopting an annual budget, monitoring financial controls, governance, work health and safety and overall risk management, establishing Committees and appointing, removing and reviewing the performance of senior management. The Board Charter is available in the governance page of the Company's website.

There is a clear division between the responsibility of the Board and management. The Board has delegated responsibility for day-to-day management to the Chief Executive Officer and senior management, who are required to work within authority limits and delegations.

The Board has overall responsibility for overseeing the effective management and control of the Company on behalf of shareholders and supervising executive management's conduct of the Company's affairs within a control and authority framework, which is designed to enable risk to be prudently and effectively assessed and monitored.

The roles of the Chairman and executive management, led by the Managing Director and Chief Executive Officer (**Managing Director** or **Chief Executive Officer**), are separated and clearly defined:

- The Chairman, is responsible for leadership of the Board, setting the Board's agenda, conducting Board meetings, facilitating effective communication with shareholders and the conduct of shareholder meetings; and
- Executive management, led by the Chief Executive Officer, Mr Gonzalo del Pozo, has been delegated responsibility for the management of the Company within the control and authority framework referred to above. The levels of authority for management are periodically reviewed by the Board and are formally documented.
- The non-executive directors constructively challenge the development of strategy. They review the performance of management in meeting agreed objectives and monitor the reporting of performance. They have a prime role in appointing and where necessary, recommending the removal of, executive directors, and in their succession planning.

The Board is responsible for overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance. The Board is also responsible for protecting and optimising Company performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and within a framework of prudent and effective controls that enable risk to be assessed and managed.

Matters specifically reserved to the Board and its committees for approval include:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment and removal of the Chief Financial Officer;
- appointment of directors to fill a vacancy or as additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time;

The Board has delegated some of its functions to the Audit and Risk Committee and Remuneration and Nomination Committee (see details below), although overall responsibility for those functions remains with the Board. The charters of the Board Committees also require certain matters to be

approved by the Board including, among other matters, the executive remuneration policy and the appointment of the external auditors.

Certain day to day business and operation matters have been delegated to the CEO and other senior executives. These delegations of authority are contained in a formal delegation of authority document approved by the Board.

### **Recommendation 1.2 - Comply:**

*A listed entity;*

- (a) should 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.*

### **Director selection**

The Remuneration and Nomination Committee (**RNC**) assists the Board to establish the criteria for board and to review and recommend proposed director candidates for consideration by the Board. In proposing candidates, the RNC has regard to the desired size and composition of the Board and takes into account the skills required to both discharge the Board's duties and to augment any skill set desirable on the Board.

The Board aims to achieve an appropriate mix of skills and diversity in its members. Any candidates recommended for appointment as new directors are to be considered by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. The Board has established the following criteria for the appointment of directors of the Company:

- the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- the existing composition of the Board, having regard to the factors outlined in the Diversity Policy and the objective of achieving a Board comprising directors from a diverse range of backgrounds;
- the capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other Board or executive appointments);
- deserved reputation for honesty, integrity and competence and
- potential conflicts of interest, and independence.

Where the Board puts forward a candidate for election as a director, the Company provides shareholders with biographical details, details of material directorships and material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director in its notice of meeting.

Under the Company's constitution the directors have the power to appoint directors to fill a vacancy or as an addition to the Board.

Any director, except a managing director, appointed in this way must retire from office, and is eligible for re-election, at the next AGM following his or her appointment.

Under the terms of the Company's constitution, all directors other than the managing director must retire from office or seek re-election by the third AGM after his or her election or within three years,

whichever is the later. Further, at least one director must retire from office at each AGM, unless determined otherwise by a resolution of the Company's shareholders.

The Company has not yet held an AGM however at its first AGM shareholders will be provided with the following material information in its possession relevant to a decision on whether or not to elect or re-elect a director in its notice of meeting:

- the director's biographical details, including relevant qualifications, skills and experience;
- other material directorships held by the director;
- the term of office currently served by the director;
- whether the Board considers the director to be an independent director;
- whether the Board supports the election or re-election of the director.

### **Recommendation 1.3 - Comply:**

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

Formal letters of appointment, which are contracts for service but not contracts of employment, have been put in place for all non-executive directors. The letters set out the key terms and conditions of their engagement, including time commitments, corporate expectations and, if appropriate, any special duties or assignments.

Senior executives have employment contracts setting out, among other things, their term of office, rights, responsibilities and entitlements on termination, and job descriptions setting out their duties.

### **Recommendation 1.4 - Comply:**

*The Company Secretary of the Company should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.*

The Board is assisted by the Company Secretary who, under the direction of the Chairman, is responsible for facilitating good information flows within the Board and its Committees and also between senior executives and non-executive directors, as well as the induction of new directors and the ongoing professional development of all directors.

The Company Secretary is responsible for monitoring compliance with the Board's procedures and for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board.

The Company Secretary is Lee Mitchell. His qualifications and experience are set out on page 8 of the Annual Report.

### **Recommendation 1.5 – Partially Comply:**

*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 at the end of each reporting period 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:*

- a. *the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined “senior executive” for these purposes); or*
- b. *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.*

Mitula Group is committed to workplace diversity and has had in place a formal diversity policy since April 2015.

Mitula Group recognises the benefits of diversity where people from different backgrounds can bring fresh ideas and perceptions which make the way work is done more efficient; and products and services more valued.

Diversity includes, but is not limited to, gender, age, ethnicity, religion and cultural background. Diversity also encompasses the many ways people differ in terms of their education, life experience, job function, work experience, personality, location, marital status and carer responsibilities.

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

Mitula Group understands that the wide array of perspectives resulting from such diversity promotes innovation and business success which creates value for our customers and shareholders.

To the extent practicable, Mitula Group supports and will address the recommendations and guidance provided in the ASX Corporate Governance Principles and Recommendations.

Measures designed to promote diversity at Mitula Group include:

- Recruitment: Mitula Group has recruited people from different backgrounds. We believe that our employees from many different cultural, linguistic and national backgrounds provide us with valuable knowledge and a skilled base in order to improve Company performance.
- Career Development and Promotion: Mitula Group facilitates equal employment opportunities based on relative ability, performance or potential. All employees are treated fairly and evaluated objectively.
- Safe Work Environment: Mitula Group helps to build a safe work environment by taking action against inappropriate workplace and business behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.
- Flexibility in the Workplace: Mitula Group has a culture which takes account of domestic responsibilities of its employees.

The Diversity Policy provides for the Board to develop an appointment process for future directors that takes diversity of background into account to fit and enhance the Board skills matrix.

The Board is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of Mitula Group’s management. While there is currently no gender diversity on the Board or amongst its senior executives, the Board is made up of individuals from various professions, cultures, and backgrounds. The Board has not determined to adopt a particular mix of skills and diversity for which the Board is looking to achieve by way of Board composition, instead preferring to have regard to:

- the need for independence;
- the strategic direction and progress of the Company; and

- the geographic spread and diversity of the Company's business.

The Company aims to achieve an appropriate mix of diversity on its Board, in senior management and throughout the organisation however at this time the Company does not employ any women in senior management positions nor are there any women on the Company's Board.

As at the date of this Corporate Governance Statement the Board has not set any measurable objectives relating to gender diversity. The Board will set measurable objectives for achieving diversity when the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.

**Recommendation 1.6 - Comply:**

*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 accordance with that process.*

The Remuneration and Nomination Committee periodically (usually annually) conducts a review of the role of the Board, to assess performance and to examine ways of assisting the Board in performing its duties more effectively. Such a review typically includes:

- (a) comparing the performance of the Board with the requirements of its Charter;
- (b) examination of the Board's interaction with management;
- (c) the nature of information provided to the Board by management; and
- (d) management's performance in assisting the Board to meet its objectives.

Similar reviews are periodically conducted for each committee by the Board with the aim of assessing the performance of each committee and identifying areas where improvements can be made.

A formal performance evaluation for the Board, its committees and the directors has not taken place during the reporting period however the Chairman has, together with the other directors, informally surveyed the role of the Board and has assessed the performance of the directors. The directors consider that the current size and structure of the Board is appropriate and, at the present time, consider that a more structured review/evaluation process is unlikely to add any material value and that the Board's existing time and resources are better utilised in assisting with the execution of the Company's strategies.

**Recommendation 1.7 - Comply:**

*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 the process.*

The Board, with the assistance of the Remuneration and Nominee Committee, oversees the performance evaluation of the Chief Executive Officer and other senior executives. The evaluation is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved and the development of management and personnel.

The performance of key executives is reviewed regularly against both measurable and qualitative indicators however no review has been conducted in FY'16. The Board notes that the size of the Company and the executive team is such that performance is able to be monitored on an ongoing



basis. The Board expects to conduct a formal review process in the second half of the 2016 financial year.

## 2. 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 –Comply:

*The Board of a listed entity should;*

- (a) have a nomination committee which:*
  - a. has at least three members, a majority of whom are independent, and*
  - b. is chaired by an independent director;*
  - and disclose:*
    - c. the charter of the committee.*
    - d. the members of the committee; and*
    - e. 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.*

The Board has established a Remuneration and Nomination Committee, which meets at least annually. During the 2015 year, all Remuneration and Nomination Committee matters were dealt with in meetings of Directors, but with executive personnel absent.

The Remuneration and Nomination Committee reviews the corporate governance procedures of the Company and the composition and effectiveness of the Board. In addition to proposing candidates for director appointment for the Board's consideration, the Remuneration and Nomination Committee reviews fees payable to non-executive directors and reviews and advises the Board in relation to Board succession planning.

The primary purpose of the Remuneration and Nomination Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors by:

- assisting the Board to develop 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.
- reviewing and recommending to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and Chief Executive Officer (CEO);
- reviewing and recommending to the Board the criteria for Board membership, including the necessary and desirable competencies of Board members and the time expected to be devoted by non-executive directors in relation to the Company's affairs.

- reviewing and recommending to the Board the composition and membership of the Board, including making recommendations for the re-election of directors,) assisting the Board as required to identify individuals who are qualified to become Board members;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies.
- reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time.
- overseeing succession planning for the Board;
- establishing processes for the review of the performance of individual directors and the Board as a whole; and
- assessing the terms of appointment and remuneration arrangements for non-executive directors.

The Remuneration and Nomination Committee comprises three non-executive directors a majority of whom are independent. The Remuneration and Nomination Committee during the year comprised the following members:

Joe Hanna	Independent Non-Executive Director and Chairman of the Committee (Appointed March 2015)
Gonzalo Ortiz	Non-Executive Director (Appointed 17 April 2015)
Sol Wise	Independent Non-Executive Director (Appointed March 2015)

All of the recommendations of the CGC as to the structure of the Remuneration and Nomination Committee have been complied with during the financial year.

The Remuneration and Nomination Committee has a separate charter which describes its role, composition, functions and responsibilities. A copy of the Remuneration and Nomination Committee Charter is set out on the Company's website.



## Recommendation 2.2- Comply:

*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 Company recognises that the adoption and disclosure of a Board's skills matrix assists in providing confidence to shareholders. The Company considers that the members of its Board contribute the skills vital to the continued success of the Company and in the event that there are additional skills required these are outsourced where necessary to the Company's independent advisers. The Company has identified particular skills and attributes important to the Company at its current stage of development and with a view to its future needs.

The following table sets out the key skills and experience of the current directors and the extent to which they are represented on the Board and its committees:

		Board (Total 5 Directors)	Audit and Risk Committee (Total 3 Directors)	Remuneration and Nomination Committee (Total 3 Directors)
<b>Strategy &amp; sustainability</b>	Strategic skills. Contributes to the formulation, testing and approval of a business strategy. Alert to opportunities, risks and trends.	5 Directors	3 Directors	3 Directors
<b>Financial Skills</b>	Financial skills and credentials. Aware of financial risk. Understands financial reporting requirements and financial regulations	4 Directors	2 Directors	2 Directors
<b>Marketing &amp; growth</b>	Understands growth and marketing strategies or has marketing skills	4 Directors	2 Directors	3 Directors
<b>Corporate Governance</b>	Background in corporate governance and compliance. Familiar with corporate legislation and statutory requirements	2 Directors	2 Directors	1 Directors

		Board (Total 5 Directors)	Audit and Risk Committee (Total 3 Directors)	Remuneration and Nomination Committee (Total 3 Directors)
<b>Operations &amp; asset optimisation</b>	Understands operational improvements and extracting maximum value from existing assets	4 Directors	2 Directors	3 Directors
<b>Human Capital</b>	Experience in setting management performance goals, overseeing and managing performance, developing executive bench strength and succession plans.	3 Directors	2 Directors	2 Directors
<b>External Engagement</b>	Experience with external stakeholder groups (community, regulators, government), including networks and ability to exert influence.	3 Directors	2 Directors	3 Directors
<b>Industry Knowledge</b>	Expertise and knowledge pertinent to the industries or environments in which the Company operates	5 Directors	3 Directors	3 Directors
<b>Corporate Finance</b>	Experience and skills associated with mergers, acquisitions, demergers, capital raising and debt financing	4 Directors	2 Directors	2 Directors
<b>International Business</b>	International business experience from working with multinational companies and international expansion	4 Directors	2 Directors	3 Directors

### Recommendation 2.3 - Comply:

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;
- (c) the length of service of each director.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report.

Mitula Group's Directors are considered to be independent when they are not members of management and free from any business or other relationship that could materially interfere with — or could reasonably be perceived to materially interfere with — the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following current directors of Mitula Group are considered to be independent having regard to the CGC's recommendations:

Name	Position
Mr Simon Baker	Independent Non-Executive Director and Chairman of the Committee (appointed March 2015)
Mr Joe Hanna	Independent Non-Executive Director (appointed March 2015)
Mr Sol Wise	Independent Non-Executive Director (appointed March 2015)

Mr Gonzalo del Pozo is currently considered by the Board not to be independent as he is currently the Chief Executive Officer of the Company and a substantial shareholder. Gonzalo Ortiz is also currently not considered to be independent due to being a substantial shareholder and a founder of the Company.

The Board believes that each of the Directors can make, and do make, quality and independent judgements in the best interests of the Company. Any Director who has a conflict of interest in relation to a particular item of business must declare their conflict and abstain from voting or participating in Board deliberations to which a conflict of interest relates.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
Mr Simon Baker	Independent Non-Executive Chairman - 11 Months (Appointed March 2015)
Mr Gonzalo Del Pozo	CEO and Executive Director – 10 months (appointed April 2015)
Mr Gonzalo Ortiz	Non-Executive Director – 10 months (appointed April 2015)
Mr Joe Hanna	Independent Non-Executive Director – 11 months (appointed March 2015)
Mr Sol Wise	Independent Non-Executive Director – 11 months (appointed March 2015)

**Recommendation 2.4 - Comply:**

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

At the time of reporting there are five directors on the Company Board. Three of the five directors (including the chair) are considered to be independent with regards to the criteria established in the ASX CGCs Principles and Recommendations.

**Recommendation 2.5 - Comply:**

*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 of the Company is considered to be an independent director and performs no executive responsibilities. The roles of the Chairman and Chief Executive Officer are not exercised by the same individual.

**Recommendation 2.6 - Comply:**

*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.*

All directors are expected to develop and maintain the skills and knowledge required to perform their role as directors effectively and discharge their duties to the Company. The Company has formal induction procedures in place to introduce new directors to the Company and gain an understanding of the Company's financial position, strategies, operations, risks and other policies and responsibilities.

Professional development opportunities to further develop the skills and knowledge required to effectively perform as directors of the Company are provided regularly and considered on an ongoing basis.

All directors have unrestricted access to the company secretary and employees of the Company as and when required. Subject to law, the directors also have access to all records of the Company and information held by Group employees and external advisors. Directors are provided, on an "as needed" basis, with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Company.

The Board receives regular detailed financial and operational reports from senior executives to enable it to carry out its duties.

### 3. PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

#### Recommendation 3.1- Comply:

*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 Company considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves ethically in all of their commercial dealings on the Company's behalf. The Company has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors.

The Company has adopted, amongst other policies designed to promote ethical and responsible decision making, a Code of Conduct which applies to all directors, officers, employees, consultants and contractors. The Code of Conduct applies to all business activities with suppliers, contractors, customers, shareholders and employees in Australia and overseas.

The objectives of the Code of Conduct are to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make directors and employees aware of the consequences if they breach the policy..

Under the Code of Conduct, employees of the Company must, amongst other things:

- act honestly and in good faith at all times and in a manner which is in the best interests of the Company as a whole;
- conduct their personal activities in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company;
- always act in a manner that is in compliance with the laws and regulations of the country in which they work;
- report any actual or potential breaches of the law, the code of conduct or the Company's other policies to the company secretary; and
- not permit or condone the making of payments, gifts, favours, bribes, facilitation payments or kickbacks in the expectation of preferred treatment for themselves or the Company.

A copy of the Code of Conduct is available in the corporate governance section of the Mitula Group website.

The Company actively promotes and encourages ethical behaviour and protection for those who report violations of the code of conduct or other unlawful or unethical conduct in good faith and ensures that matters are dealt with promptly and fairly.

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the Company. A director is required to notify the Company of any new material personal interests or change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the *Corporations Act 2001* (Cth) (**Corporations Act**).

#### 4. PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

##### Recommendation 4.1 – Comply:

*The Board of a listed entity should:*

- (a) *have an audit committee which;*
  - a. *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - b. *is chaired by an independent director who is not the Chair of the board and disclose:*
  - c. *the charter of the committee;*
  - d. *the relevant qualifications and experience of the members of the committee; and*
  - e. *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 that processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. A copy of the Audit and Risk Committee Charter is set out on the Company's website.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Committee.

The Audit and Risk Committee's key responsibilities and functions are as follows:

- oversee the Company's relationship with the external auditor and the external audit function generally;
- oversee the Company's relationship with the internal auditor and the internal audit function generally;
- oversee the preparation of the financial statements and reports;
- oversee the Company's financial controls and systems; and
- manage the process of identification and management of risk.

The Audit and Risk Committee currently consists of only non-executive directors who are all considered independent and is chaired by an independent chair who is not otherwise the chair of the Board. The members of the Audit and Risk Committee during the year were:

Mr Sol Wise	Independent Non-Executive Director and Chairman of the Committee (Appointed March 2015)
Mr Joe Hanna	Independent Non-Executive Director (Appointed March 2015)
Mr Simon Baker	Independent Non-Executive Director (Appointed March 2015)

Mr Sol Wise holds a Bachelor of Business from RMIT University Melbourne and is a Certified Practising Accountant (CPA) with more than 20 years' experience in senior financial roles. He was appointed as an Independent Non-Executive Director of the Company in March 2015.

Mr Joe Hanna holds a Bachelor of Business with a major in Computing from the University of Victoria and has significant experience and expertise in online classifieds and in developing product and technology strategy. He was appointed as an Independent Non-Executive Director of the Company in March 2015.

Mr Simon Baker holds a Bachelor of Science with a major in Computer Science from Monash University and a Masters of Business Administrations from the Melbourne Business School. He was appointed as Independent Non-Executive Chairman of the Company in March 2015.

For details relating to the number of meetings of the Audit and Risk Committee held during the year, and the attendees at those meetings, refer to the directors' report.

For additional details regarding the Audit and Risk Committee, including a copy of its Charter, please refer to our website.

#### **Recommendation 4.2 - Comply:**

*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.*

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and the Chief Financial Officer, Ricardo Gomez de Olea have provided a written statement to the Board that:

- their view concerning the Company's financial report is founded, to the best of their knowledge, on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

#### **Recommendation 4.3 - Comply:**

*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 has not yet held an AGM but will ensure that it's external auditor attends every AGM and is available to answer questions relevant to the audit.

### **5. PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Recommendation 5.1 - Comply:**

*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 an established Continuous Disclosure Policy designed to ensure that all investors have equal and timely access to material information relating to the Company. The Continuous Disclosure Policy articulates the type of information that needs disclosure, the process of internal notification, the roles and responsibilities in the disclosure process, the process of



promoting an understanding of disclosure requirements and external media and analyst communication protocols.

This Continuous Disclosure Policy is available on the Company's website.

## 6. PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

### Recommendation 6.1 - Comply:

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

The Company has a detailed website which is maintained regularly to ensure accuracy of information. Investors and stakeholders can access all ASX announcements, presentations, annual financial statements and corporate governance information on this website. Company announcements available on the website are presented in a clear and balanced way containing both positive and negative information. The Company's senior management regularly participate in investor roadshows and conferences and those presentations are uploaded to the website.

### Recommendation 6.2 - Comply:

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

Pursuant to CGR Principle 6, Mitula Group's objective is to promote effective communication with its shareholders at all times.

Mitula Group Limited is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about Mitula Group's activities in a balanced and understandable way;
- complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act in Australia;
- communicating effectively with its shareholders and making it easier for shareholders to communicate with Mitula Group.

Mitula Group's shareholder communications policy is contained in the Corporate Governance section of the Company's website.

### Recommendation 6.3 - Comply:

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

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- through the release of information to the market via the ASX;
- through the distribution of the annual report and notices of AGM;
- through shareholder meetings and investor relations presentations;
- through media releases which are posted on the Company's website;
- through letters and other forms of communications directly to shareholders;
- by posting relevant information on the Company's website.

The external auditors will be required to attend the Company's AGM and to be available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

#### **Recommendation 6.4 - Comply:**

*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 utilises the services of Boardroom Pty Limited as its security registry and provides a link to their website from the Company's website so that security holders can obtain forms and select their method of interaction with the registry via its online portal.

### **7. PRINCIPLE 7 - RECOGNISE AND MANAGE RISK**

#### **Recommendation 7.1 – Comply:**

*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 this committee; and*
  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 attendance of 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 Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Audit and Risk Committee oversees Mitula Group's risk management framework. The Audit and Risk Committee Charter is available on the governance page of the Company's website.

The members of the Audit and Risk Committee are set out in section 4 of this Statement.

The Audit and Risk Committee currently consists of non-executive directors who are all considered independent and is chaired by an independent chair who is not otherwise the Chair of the Board.

Details of the Audit and Risk Committee's meetings and attendance of the members are set out in the Directors' Report.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Chief Executive Officer, with the assistance of senior management. The Chief Executive Officer is responsible for regularly reporting directly to the Audit and Risk Committee and the Board on all matters associated with risk management, including whether the Company's material business risks are being managed effectively. In fulfilling his duties, the Chief Executive Officer has unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate, with the approval of the Board.

In addition, the Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Audit and Risk Committee and the Audit and Risk Committee Charter;
- Formal Risk Management Policy and Framework documents;

- Risk registers;
- Cash Management and Treasury Policy;
- Formal guidelines dealing with delegations of authority;
- insurance programs;
- regular budgeting and financial reporting;
- clear limits and authorities for expenditure levels;
- procedures/controls to treasury matters;
- procedures for compliance with continuous disclosure obligations under the ASX listing rules; and
- procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

The Company's risk management system is an ongoing process. It is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities. Further information on financial risk management is outlined in the financial statements.

**Recommendation 7.2 – Comply:**

*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 Audit and Risk Committee and the Managing Director monitor the Company's material business risks and reports are compiled and considered from time to time and the Board considers that the internal control system is operating effectively in all material aspects given the nature of the Company's activities.

The Board, through the Audit and Risk Committee, has conducted an extensive review of the Company's risk framework during the reporting period. This review resulted in the preparation and adoption of a number of the risk policies and practices disclosed above.

**Recommendation 7.3 - Comply:**

*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.*

The Company does not have an internal audit function as it considers the ongoing processes in place for assessing risk and improving the effectiveness of internal controls to be adequate when supported by the external audit function.

In addition, the Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Audit and Risk Committee and Audit and Risk Committee Charter;
- Risk Management Policies and Framework;
- insurance programs;

- regular budgeting and financial reporting;
- clear limits and authorities for expenditure levels;
- procedures/controls to manage treasury matters;
- procedures for compliance with continuous disclosure obligations under the ASX listing rules;
- procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

Senior Management is required to report to the Board each half year as to the effectiveness of the implementation of the Company's risk management and internal control system.

The Company's risk management system is an ongoing process. It is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities. Further information on financial risk management is outlined in the Company's financial statements.

#### **Recommendation 7.4 - Comply:**

*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.*

For the purposes of assisting investors to understand better the nature of the risks faced by Mitula Group, the Board has prepared a list of risks as part of the Principle 7 disclosures.

The Company has in place policies and procedures, including a risk management framework (as implemented under the Company's Audit and Risk Committee and its accompanying Charter), which is developed and updated to help manage these risks.

The Company regularly assesses economic, environmental and social sustainability risks for their materiality and any impact on the Company's ability to create or preserve value for security holders over the short, medium or long term.

**"Economic sustainability"** – the long term ability of the listed entity to continue operating at a particular level of economic production.

In this regard, risks include:

- Loss or corruption of critical data or critical staff members;
- Reliance of Googles Advertising Network and/or loss of traffic to the Company's websites;
- Acquisition integration risks;
- Foreign exchange risks
- the intellectual property of the Company may become subject to claims;
- failure to maintain EBITDA performance;
- Non-compliance with laws/regulations ;
- the occurrence of force majeure events by significant suppliers;
- increasing costs of operations, including labour costs, materials, suppliers or other items and equipment.

**“Environmental sustainability”** – the long term ability of a listed entity to continue operating in a manner that does not compromise the health of the eco-systems in which it operates.

Mitula Group does not consider that it has any material exposure to environmental sustainability risks.

**“Social sustainability”** – the long term ability of a listed entity to continue operating in a manner that meets accepted social norms and needs.

Mitula Group does not consider that it has any material exposure to social sustainability risks.

## 8. PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

### Recommendation 8.1 – Complies:

*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 for 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 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 Board has established a Remuneration and Nomination Committee, which generally meets at least annually. During the year, Remuneration and Nomination Committee matters were dealt with in meetings of Directors (but with executive personnel absent.) given that the Company was privately owned prior to being admitted to the official list of the ASX on 1 July 2015 For details of directors' attendance at meetings of the Remuneration and Nomination Committee, refer to the Directors' Report.

The Remuneration and Nomination Committee reviews the corporate governance procedures of the Company and the composition and effectiveness of the Board. In addition to proposing candidates for director appointment for the Board's consideration, the Remuneration and Nomination Committee reviews fees payable to non-executive directors and reviews and advises the Board in relation to Chief Executive Officer succession planning.

The primary purpose of the Remuneration and Nomination Committee is to support and advise the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors by:

- assessing the size, composition, diversity and skills required by the Board to enable it to fulfil its responsibilities to shareholders, having regard to the Company's current and proposed scope of activities;
- assessing the extent to which the required knowledge, experience and skills are represented on the Board;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- overseeing succession planning for the Board and Chief Executive Officer;
- establishing processes for the review of the performance of individual directors and the Board as a whole;

- assessing the terms of appointment and remuneration arrangements for non-executive directors.

The Remuneration and Nomination Committee comprises only independent non-executive directors of which a majority are independent. During the year the Remuneration and Nomination Committee comprised the following members:

Mr Joe Hanna	Independent Non-Executive Director and Chairman of the Committee (Appointed March 2015)
Mr Gonzalo Ortiz	Non-Executive Director appointed 17 April 2015
Mr Sol Wise	Independent Non-Executive Director appointed March 2015

Gonzalo Ortiz is currently not considered to be independent due to being a substantial shareholder and founder of the Mitula Group.

All other recommendations of the CGC as to the structure of the Remuneration and Nomination Committee have been complied with during the financial year.

The Remuneration and Nomination has a separate charter which describes its role, composition, functions and responsibilities. A copy of the Charter is set out on the Company's website.

#### **Recommendation 8.2 - Comply:**

*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 Company has a clearly distinguished structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company is required to disclose in its annual report details of remuneration to directors. Please refer to the Remuneration Report for details regarding the remuneration structure of executive and non-executive directors and the Chief Executive Officer and senior executives.

#### **Recommendation 8.3 - Comply:**

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

- 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*
- disclose the policy or a summary of it.*

The Company does not currently operate an equity based remuneration scheme.

The Company's Securities Trading policy which governs permitted trading and transactions, including in respect of employees, is available on the Company's Website. The Policy prohibits Directors and employees from using derivatives or other products which operate to limit the economic risk of unvested Company Securities. It also prohibits those persons from entering into a margin loan or similar funding arrangement to acquire any Company Securities, or grant lenders any rights over their Company Securities.