

Corporate governance statement

This document discloses the extent to which The PAS Group Limited ACN 169 477 463 (**Company**) will follow, as at the date of its admission to the official list of ASX Limited (**ASX**), the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations (**ASX Recommendations**). Capitalised terms used in this document have the meanings given to them in the replacement prospectus lodged by the Company with the Australian Securities and Investments Commission on 5 June 2014 (**Prospectus**).

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----------|---|-------------------------------------|--|
| 1. | Principle 1 – Lay solid foundations for management and oversight | | |
| | A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated. | | |
| 1.1 | <p>ASX Recommendation 1.1</p> <p>Companies should disclose:</p> <p>a. the respective roles and responsibilities of its board and management and</p> <p>b. those matters expressly reserved to the board and those deleted to management</p> | Yes to all | Please refer to Section 6.4.2 of the Prospectus and the Board's charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 1.2 | <p>ASX Recommendation 1.2</p> <p>A listed entity should:</p> <p>a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>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.</p> | <p>a. Yes</p> <p>b. Will comply</p> | Please refer to Section 6.4.3.2 of the Prospectus and the Board's Nomination and Remuneration Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 1.3 | ASX Recommendation 1.3 | Yes | Please refer to Section 6.3 of the Prospectus. The Company has entered into written |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|--|---|--|
| | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | | agreements with each director and senior executive. |
| 1.4 | <p>ASX Recommendation 1.4</p> <p>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.</p> | Yes | Please refer to the Board's charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 1.5 | <p>ASX Recommendation 1.5</p> <p>A listed entity should:</p> <p>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;</p> <p>b. disclose that policy or a summary of it; and</p> <p>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:</p> <p>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</p> | <p>a. Yes</p> <p>b. Yes</p> <p>c. Will comply</p> | <p>The Company has established a diversity policy which covers factors such as gender, race, ethnicity, disability, age, sexual orientation, gender identity, marital or family status, religious or cultural background. The diversity policy includes a requirement for the Company to establish measurable objectives for achieving gender diversity within the organisation. The Board will receive an annual report from management on the progress against the objectives.</p> <p>As at 12 June 2014, the percentage of women at each of the following levels within the Company is:</p> <ul style="list-style-type: none"> • All employees: 97% • Senior executive (as defined as management who directly report to the CEO): 62.5% Rachel Digby, Karen Hegel, Sarah Pizzey, Anthea Phelps and Sheridan Roworth. • Board: 20% <p>The Board intends to disclose the matters contemplated in ASX Recommendation 1.5, including its most recent 'Gender Equality Indicators', in future annual reports.</p> <p>Please refer to Section 6.4.5 of the Prospectus and the Board's diversity policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|---|-------------------------------------|--|
| | <p>defined "senior executive" for these purposes); or</p> <p>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.</p> | | |
| 1.6 | <p>ASX Recommendation 1.6</p> <p>A listed entity should:</p> <p>a. have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>a. Yes</p> <p>b. Will comply</p> | <p>Please refer to Section 6.4.3.2 of the Prospectus and the Board's Nomination and Remuneration Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> <p>The Company intends to disclose the matters contemplated by Recommendation 1.6 in future annual reports.</p> |
| 1.7 | <p>ASX Recommendation 1.7</p> <p>A listed entity should:</p> <p>a. have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>a. Yes</p> <p>b. Will Comply</p> | <p>Please refer to Section 6.4.3.2 of the Prospectus and the Board's Nomination and Remuneration Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> <p>The Company intends to disclose the matters contemplated by Recommendation 1.7 in future annual reports.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----------|---|--|---|
| 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. | | |
| 2.1 | <p>ASX Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>a. have a nomination committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> 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 <p>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</p> | <p>a. Yes</p> <ol style="list-style-type: none"> 1. Does not comply with respect to the number of members, otherwise complies 2. Yes 3. Yes 4. Yes 5. Will comply <p>b. N/A</p> | <p>The Board has established the Nomination and Remuneration Committee, primarily for the purpose to assist the Board to fairly and responsibly remunerate Directors and executives, evaluate the performance of Directors and executives and attract and retain suitable candidates for senior positions within the business.</p> <p>The Nomination and Remuneration Committee is comprised of two non-executive Directors, being Jacquie Naylor and Rod Walker, please refer to 6.4.3.2 of the Prospectus. The Board considers each to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Chairman of the Audit Committee is Mr Walker.</p> <p>The Board acknowledges ASX Recommendation 2.1 that the Nomination and Remuneration Committee should have at least three members. The Board believes that the proposed size of its Nomination and Remuneration Committee is appropriate having regard to the size of entity and the Board and the costs associated with larger committees.</p> <p>Please refer to Section 6.4.3.2 of the Prospectus and the Board's Nomination and Remuneration Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|--|---|--|
| | responsibilities effectively. | | |
| 2.2 | <p>ASX Recommendation 2.2</p> <p>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.</p> | Yes | Please refer to Section 6.4.3.2 of the Prospectus and the Board's Nomination and Remuneration Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 2.3 | <p>ASX Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>a. the names of the directors considered by the board to be independent directors;</p> <p>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</p> <p>c. the length of service of each director.</p> | <p>a. Yes</p> <p>b. N/A</p> <p>c. Yes</p> | <p>The Board consists of five Directors, as noted in Section 6.1 of the Prospectus, four of which (being Rod Walker, Jacquie Naylor, David Fenlon and Jon Brett) are non-executive directors. The Board considers each non-executive director to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations, please refer to Section 6.4.1 of the Prospectus for further details.</p> <p>The Company has disclosed in the Prospectus the skills, experience, relevant expertise and period of office of each Director, please refer to Section 6.1 of the Prospectus.</p> |
| 2.4 | <p>ASX Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p> | Yes | As noted above in Recommendation 2.3, the Board is composed of a majority of independent directors. |
| 2.5 | <p>ASX Recommendation 2.5</p> <p>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.</p> | Yes | <p>As noted above in Recommendation 2.3, the Chairman is an independent director.</p> <p>The roles of Chairman and Chief Executive Officer are exercised by different individuals, being Rod Walker and Eric Morris, respectively.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|---|--|--|--|
| 2.6 | <p>ASX Recommendation 2.6</p> <p>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.</p> | Yes / will comply | Please refer to the Board's Nomination and Remuneration Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 3. Principle 3 – Act ethically and responsibly | | | |
| A listed entity should act ethically and responsibly. | | | |
| 3.1 | <p>ASX Recommendation 3.1</p> <p>A listed entity should:</p> <p>a. have a code of conduct for its directors, senior executives and employees; and</p> <p>b. disclose that code or a summary of it.</p> | Yes to all | Please refer to Section 6.4.8 of the Prospectus and the Company's code of conduct (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 4. 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. | | | |
| 4.1 | <p>ASX Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>a. have an audit committee which:</p> <ol style="list-style-type: none"> 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, | <p>a) Yes</p> <ol style="list-style-type: none"> 1) Yes 2) Yes 3) Yes 4) Yes 5) Will comply <p>b) N/A</p> | <p>The Board has established the Audit and Risk Committee the primary purpose of which is to assist the Board in carrying out its accounting, auditing and financial reporting obligations.</p> <p>The Audit and Risk Committee is comprised of three non-executive Directors, being Rod Walker, Jon Brett and David Fenlon. As noted above in Item 2.3, each of these Directors are considered by the Board to be independent. The Chairman of the Audit Committee is Mr Brett.</p> <p>The Company has disclosed in the Prospectus the skills, experience, relevant expertise and period of office of each Director, please refer to Section 6.1 of the Prospectus.</p> <p>Please refer to Section 6.4.3.1 of the Prospectus and the Audit and Risk Committee charter (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|---|-----------------------|---|
| | <p>and disclose:</p> <ol style="list-style-type: none"> 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 <p>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.</p> | | |
| 4.2 | <p>ASX Recommendation 4.2</p> <p>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.</p> | Yes | <p>A decision by the Board to approve the Company's financial statements for a financial period, is subject to receipt, from its Chief Executive Officer and Chief Financial Officer and Company Secretary, a declaration in accordance with section 295A of the Corporations Act and ASX Recommendation 4.2.</p> <p>Please refer to Section 6.4.4 of the Prospectus and the risk management policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|--|--|-----------------------|---|
| 4.3 | <p>ASX Recommendation 4.3</p> <p>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.</p> | Yes | Please refer to Section 6.4.9 of the Prospectus and the shareholder communications policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 5. 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. | | | |
| 5.1 | <p>ASX Recommendation 5.1</p> <p>A listed entity should:</p> <p>a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>b. disclose that policy or a summary of it.</p> | Yes to all | <p>The Company has adopted a continuous disclosure policy which establishes processes and procedures designed to ensure that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under the disclosure policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations.</p> <p>Please refer to Section 6.4.6 of the Prospectus and the Company's disclosure policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |
| 5.2 | <p>ASX Recommendation 5.2</p> <p>Companies should provide the information indicated in the guide to reporting on Principle 5.</p> | Will comply | The Company intends to disclose the matters contemplated by ASX Recommendation 5.2 in future annual reports. |
| 6. 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. | | | |
| 6.1 | <p>ASX Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p> | Yes | The Company has established a shareholder communications policy which supports its commitment to effective communication with Shareholders. Information about itself and its governance is available on the 'Investor' section of the Company's website. |
| 6.2 | <p>ASX Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate</p> | Yes / will comply | Refer to Section 6.4.9 of the Prospectus and the Company's shareholder communications policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|---|---|--|--|
| | effective two-way communication with investors. | | |
| 6.3 | <p>ASX Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p> | Yes | Refer to Section 6.4.9 of the Prospectus and the Company's shareholder communications policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 6.4 | <p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p> | Yes | Refer to Section 6.4.9 of the Prospectus and the Company's shareholder communications policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail. |
| 7. Principle 7 – Recognise and manage risk | | | |
| A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework. | | | |
| 7.1 | <p>ASX Recommendation 7.1</p> <p>The board of a listed entity should:</p> <p>a. have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting | <p>a) Yes</p> <ol style="list-style-type: none"> 1) Yes 2) Yes 3) Yes 4) Yes 5) Will comply <p>b) N/A</p> | <p>As noted above in ASX Recommendation 4.1.</p> <p>In addition, refer to Section 6.4.4 of the Prospectus and the Company's risk management policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|---|-------------------------------------|---|
| | <p>period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>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.</p> | | |
| 7.2 | <p>ASX Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <p>a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>b. disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>a. Yes</p> <p>b. Yes</p> | <p>The Company will regularly undertake reviews of its risk management framework to establish an effective and efficient system for:</p> <p>(i) identifying, assessing, monitoring and managing risk; and</p> <p>(ii) disclosing any material change to the Group's risk profile.</p> <p>The Company intends to disclose the matters contemplated by ASX Recommendation 7.2 in future annual reports.</p> <p>Refer to Section 6.4.4 of the Prospectus and the Company's risk management policy ((available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |
| 7.3 | <p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>a. if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>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</p> | <p>a. N/A</p> <p>b. Will comply</p> | <p>The Company does not have an internal audit function.</p> <p>Refer to Section 6.4.4 of the Prospectus and the Company's risk management policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|---|--|--|--|
| | processes. | | |
| 7.4 | <p>ASX Recommendation 7.4</p> <p>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.</p> | Will comply | If the Company has any material exposure to economic, environmental and social sustainability risk, it will disclose any such exposure and how it manages or intends to manage those risks, in the relevant annual report. |
| <p>8. Principle 8 – Remunerate fairly and responsibly</p> <p>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.</p> | | | |
| 8.1 | <p>ASX Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>a. have a remuneration committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> 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 | <p>a. Yes</p> <ol style="list-style-type: none"> 1. Does not comply with respect to the number of members, otherwise complies 2. Yes 3. Yes 4. Yes 5. Will comply <p>b. N/A</p> | As noted above in ASX Recommendation 2.1. |

| | ASX RECOMMENDATION | COMPLIED WITH? | COMMENT |
|-----|---|-----------------------|---|
| | <p>those meetings;43 or</p> <p>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.</p> | | |
| 8.2 | <p>ASX Recommendation 8.2</p> <p>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.</p> | Yes/ will comply | <p>Separate disclosure regarding the remuneration of the Company's directors (executive and non-executive) and CEO is provided in Section 6 of the Prospectus.</p> <p>The Company intends to disclose the matters contemplated by ASX Recommendation 8.2 in future annual reports.</p> |
| 8.3 | <p>ASX Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>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</p> <p>b. disclose that policy or a summary of it.</p> | Yes to all | <p>Disclosure regarding the Company's equity based remuneration scheme is provided in Section 6.3.4 of the Prospectus.</p> <p>Under the Company's securities trading policy, employees are prohibited from using derivatives in a way which would have the effect of providing a greater benefit than would otherwise have been realised in respect of any unvested incentive securities in the Company granted to that participant. Further, all employees are prohibited from entering into margin loan arrangements to fund the acquisition of any of the Company's securities or from entering into arrangements where by their securities in the Company are used as collateral.</p> <p>Refer to Section 6.4.7 of the Prospectus and the Company's securities trading policy (available from Listing at http://www.thepasgroup.com.au/investor-relations/) for further detail.</p> |