

Runge Pincock Minarco

RungePincockMinarco Limited

ACN 010 672 321

## Corporate Governance Statement

Year Ended 30 June 2016



## Corporate Governance Statement – Year Ended 30 June 2016

The Board and Management of RungePincockMinarco Limited (ASX:RUL) (the 'Company') consider that it is crucial to the Company's long term performance and sustainability and to protect and enhance the interests of the Company's shareholders and other stakeholders, that it adopts an appropriate corporate governance framework pursuant to which the Company and its related companies globally (the 'Group') will conduct its operations in Australia and internationally with integrity, accountability and in a transparent and open manner.

The Company regularly reviews its governance arrangements as well as developments in market practice, expectations and regulation.

This Corporate Governance Statement has been approved by the Board of RungePincockMinarco Limited and explains how the Group addresses the requirements of the Corporations Act 2001, the ASX Listing Rules 2001 and the [ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations - 3rd Edition'](#) (the 'ASX Principles and Recommendations') and is **current as at 30 June 2016**.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement, the Company's 2016 Annual Report and other relevance governance documents and materials on the Company's website, are provided in the corporate governance section of the Company's website at <http://www.rpmglobal.com/about-us/investor-centre/corporate-governance/>. This Corporate Governance Statement together with the ASX Appendix 4G and the Company's 2016 Annual Report, were also lodged with the ASX on **22 August 2016**.

The Board of the Company strives to meet the highest standards of Corporate Governance, but recognises that it is also crucial that the Company's governance framework appropriately reflects the current size, operations and industry in which the Company operates.

The Company has complied with the majority of recommendations of the ASX Principles and Recommendations with the exception of a few. The Board believes the areas of non-conformance, which are explained in this Corporate Governance Statement below and the ASX Appendix 4G, do not materially impact on the Company's ability to achieve the highest standards of Corporate Governance, whilst at the same time ensuring the Company is able to achieve the expectations of its shareholders and other stakeholders.

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

### **Recommendation 1.1: Respective roles and responsibilities of the Board and Management together with the functions reserved to the Board and those delegated to Management**

#### Role of the Board

The Board is responsible for the governance of the Group. The role of the Board is to provide overall strategic guidance and effective oversight of Management. The Board derives its authority to act from the Constitution of the Company. The responsibilities of the Board are set out in the Board Charter which can be found on the Company's website [here](#).

The Board Charter was first adopted by the Board on 11 April 2008 and is reviewed periodically to ensure it is operating effectively and in the best interests of the Company. The Board Charter was last reviewed on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015. As set out in more detail in the Board Charter, the key functions reserved to the Board are to:

- a) oversee the Company, including its control and accountability systems;
- b) provide leadership and oversee the business and strategic direction of the Company in order to maximise performance and generate appropriate levels of shareholder return;
- c) appoint, evaluate and remove the Chairman, the Managing Director, any other Executive Director, the Company Secretary, and where appropriate, senior executives;
- d) provide input into and final approval of management's development of corporate strategy and performance objectives;
- e) review the performance and implementation of corporate strategies by senior management and ensure that senior management have the necessary resources to do so;
- f) approve and monitor progress of major capital expenditure, capital management, acquisitions and divestments;
- g) review, ratify and monitor systems of internal controls, accounting and corporate reporting systems including external audit, risk management, codes of conduct, governance and legal compliance;
- h) approve and monitor annual budgets and strategic plans;
- i) approve and monitor financial and other reporting of material information made to shareholders and the ASX under the continuous disclosure regime and ensure such disclosures are made in a timely and balanced manner;
- j) ensure that the Company has an appropriate risk management framework in operation and setting the risk appetite within which the Board expects Management to operate;
- k) approve the Company's remuneration framework and/or delegating that approval to an appropriate Committee of the Board to approve; and

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

- l) monitor the effectiveness of the Company's governance practices.

The Board delegates specific responsibilities to various Board Committees. For the 2016 Financial Year, the Board utilised the following Committees:

- An Audit and Risk Committee, currently chaired by independent director Ross Walker, which amongst other things is responsible for overseeing the external and internal auditing functions of the Company's activities; and
- A Human Resources and Remuneration Committee, currently chaired by independent director and Company Chairman Allan Brackin, which is responsible for making recommendations to the Board on remuneration packages for executives, senior managers, Non-executive Directors and overseeing the Human Resources policies of the Company.

The duties of the Nominations Committee are currently being carried out by the entire Board and as such separate meetings for the Nominations Committee did not occur during the 2016 Financial Year.

The Charter of each of the above listed Committees can be found on the Company's website [here](#). The Charters of each of the above listed Committees were first adopted by the Board on 11 April 2008 and are reviewed periodically to ensure they are operating effectively and in the best interests of the Company. The Charters were last reviewed by the Board on 16 August 2016 with no further updates made to the versions last amended and adopted and were last amended on 12 August 2015. Timetables for Board and Committee meetings are agreed by the Board annually in advance.

### Delegations to the CEO and the Executive Management Team

The Board is able to delegate any of the power and authorities exercisable by the Board to one director by virtue of the Company's Constitution. The Board has delegated certain powers and authorities to the CEO as Managing Director, and in turn to designated management personnel of the Company, to implement the strategic direction set by the Board and to manage the Group's day-to-day operations. This delegation is detailed in the Company's Delegation of Execution, Financial & Negotiation Authority Policy. The Policy:

- defines the delegations of authority for the negotiation, approval and execution of sales and other agreements on behalf of the Company;
- defines the delegations of authority for entering into of financial obligations and authorisation of expenditure on behalf of the Company; and
- provides guidelines on the circumstances and requirements on delegates when exercising those delegations including for sub-delegation.

This Policy is reviewed by the Board on a periodic basis to ensure appropriate levels of control and management of risk are retained by the Board and was last updated on 18 February 2014.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

### Recommendation 1.2: Conduct appropriate checks before appointing Company Directors and provide shareholders with material information relevant to re-election decisions of the Company's Directors

Appropriate checks are undertaken by the Company's Human Resources department before new appointments are made, including through use of telephone screening, in person interviews, employment history and character reference checks and criminal history checks for financial related positions.

The composition of the Company's Board, which did not change during the 2016 Financial Year, is as follows:

Director	Status	Professional Experience	Original Date of appointment
A Brackin	Independent Director Non-executive Director Company Chairman Member of Audit & Risk Committee Member and Chairman – HR and Remuneration Committee	Chairman, Non-executive Director. Joined the Board in November 2011. Allan has been involved in the technology industry for over 30 years at both executive and non- executive level. Allan was formerly Director and Chief Executive Officer of Volante Group Limited from 2000-2004. From 1986 – 2000 Allan cofounded a number of IT companies which all became part of the Volante Group.  Qualifications: Bachelor of Applied Science.  Other listed company directorships in last three years: Director of GBST Holdings Limited since 2005	November 2011
R Mathews	Managing Director Chief Executive Officer (CEO) Member – HR and Remuneration Committee	Richard was previously the Non-executive Chairman and Chief Executive Officer of eServGlobal Limited. He has more than 20 years' of management experience in telecommunications, software and investment. He is a founding partner of MHB Holdings Pty Ltd.  Richard was formerly CEO of Mincom, Australia's largest enterprise software company. Richard has also held the role of Senior Vice President, International at J D Edwards and Director of TransLink Transport Authority.  Qualifications: Bachelor of Commerce, Bachelor of Science, ACA  Other listed company directorships in last three years: Non-executive Chairman and Director of eServGlobal Ltd in 2009 - 2014.	February 2012 (August 2012 in Executive capacity)
Dr I Runge	Non-executive Director Member of Audit & Risk Committee	Qualifications: M.E.(Mining Engineering), Ph D. (Economics), FAusIMM, FAICD  Other listed company directorships in last three years: None	December 1986
R Walker	Independent Director Non-executive Director Chairman of Audit & Risk Committee Member – HR and Remuneration Committee	Joined Pitcher Partners Brisbane (previously Johnston Rorke) in 1985, Managing Partner in 1995 – 2008 and again from 2014 – to-date. Predominantly involved in corporate finance, auditing, valuations, capital raisings and mergers and acquisitions for the past 20 years.  Qualifications: Bachelor of Commerce, FCA  Other listed company directorships in last three years: None	March 2007



## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

The Company ensures it provides shareholders with material information in its possession relevant to a decision by the shareholders to re-elect a director. This information is provided to shareholders annually as part of the agenda and materials for the Company's Annual General Meeting.

### **Recommendation 1.3: Directors and Senior Executives have a clear understanding of their roles and responsibilities and have written agreements**

The Directors are engaged under, and the Company's Senior Executives are employed under, service agreements which set out the terms on which the individuals are appointed including details of their respective duties, responsibilities, rights and remuneration entitlements.

### **Recommendation 1.4: The Company Secretary is accountable to the Board through the Chair on all matters to do with the proper functioning of the Board**

The Company Secretary reports to the Board through the Chairman and all Directors have access to the Company Secretary as required. The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes monitoring and advising the Board and its Committees on governance matters, providing a point of reference and coordination for dealings between the Board and management, monitoring whether Board policy and procedures are being followed, and co-ordination, timely completion and dispatch of Board agenda and briefing materials.

### **Recommendation 1.5: The Company has a policy concerning diversity, has set measurable objectives, and reports against those objectives**

In May 2012, the Board adopted a Diversity Policy to describe how the Company is committed to a diverse workforce that recognises and embraces the value that different people can bring to an organisation. The Company promotes a diverse workplace by aiming to ensure that all employees and applicants for employment are fairly considered according to their skills, qualifications and abilities irrespective of their gender, age, ethnicity, cultural background, marital status, sexual orientation and/or religious beliefs.

The Diversity Policy can be found on the Company's website [here](#).

The Diversity Policy is reviewed periodically by the Board to ensure it remains up-to-date and was last reviewed by the Board on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015.

The Policy sets out the roles and responsibilities of the Board, the Human Resources and Remuneration Committee, and the Company's employees in relation to workplace diversity. The initiatives which have been adopted by the Company to assist with improving gender diversity are also set out within the Policy.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

The Company's measurable objective set in 2012 was to have 35% of women across the whole organisation, subject to the overriding objective that all appointments will be made on the basis of merit. This objective was originally set against a 30 June 2013 target date.

In accordance with the requirements of the Australian Workplace Gender Equality Act 2012 (Act), the Company lodges annual public reports with the Workplace Gender Equality Agency for the Company's Australian operations.

The latest report lodged by the Company was on 13 May 2016 for the twelve months ending 31 March 2016. A copy of this report can be found on the Company's website [here](#).

At a Group level, as at 30 June 2016, of the 265 employees employed throughout the Group in full time, part time and casual employment, 21% (55) employees are female and 79% (210) are male.

The Company remains committed to striving towards its measurable objective for diversity set in 2012 to have 35% of women across the whole organisation, however due to current market conditions the Board has recognised this objective is likely to be achieved over a longer period as the market improves. Accordingly, the Board resolved on 12 August 2014 to reset the target date for achieving this objective to 30 June 2017.

Moreover, The Company undertakes to assess an individual's credentials on their merit, with complete objectivity and without bias so that the Company may attract, appoint and retain the best people to work within the company where all persons have equal opportunity

The following table details the proportion of female employees across the Group as at 30 June 2016:

	No.	%
Female Directors on the Board / Chief Executive	-	-
Female Key Management Personnel (KMP)	-	-
Female Other Executives (excl. KMP) at a CEO-1 level within the Company as at 30 June 2016	1	20%
Total Female Employees across the Group as at 30 June 2016	55	21%

### Recommendation 1.6: Periodic review and evaluation of the performance of the Company's Board, its committees and individual directors has occurred

It is the responsibility of the Board and its Committees to review their performance (group and individual) annually to ensure that they are operating effectively and in the best interests of the Company.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONTINUED)

The Company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. In place of a formal review process, the Board conducts an introspective annual discussion of its performance on a collective basis to identify general aspects of its performance that could be improved upon, and such analysis includes the roles played by each Board member. Such reviews therefore encapsulate collective discussion around the performance of individual Board members, their roles on specific projects during the financial year, and where relevant, how their role could be modified or suggestions for individual development or performance improvement for the future. Until such time as the company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the company.

A comprehensive internal review of the Board and its Committees in accordance with the above process was completed during the 2014 financial year. During the 2016 financial year discussions were held on a one-on-one basis by the Chairman and each Director.

The performance of the CEO has been assessed for the 2016 financial year in accordance with the process adopted by the Board. The assessment for the 2016 financial year was in accordance with the performance criteria set out in the Managing Director's employment contract including evolution and execution of strategy, meeting operational and financial targets.

### **Recommendation 1.7: Periodic review and evaluation of the performance of the Company's Senior Executives has occurred**

Finalisation of performance reviews for the Company's Executives for the 2016 financial year are currently underway.

Performance reviews for the 2015 financial year were reported to the HR and Remuneration Committee on 16 August 2016. Performance reviews for the 2016 financial year are currently underway.

Both qualitative and quantitative measures are utilised consistent with KPOs set by the CEO in consultation with the key executives.



## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Company's Constitution provides for a minimum of 3 directors and a maximum of 8 unless the Company in general meeting determines otherwise. The Board is of the view that the current size, capabilities and composition of the Board being limited to four (4) directors is appropriate and conducive to decision making for the current operations. The Board will consider appointment of another independent director with the appropriate skills and experience to add value to the Board when appropriate and required to support the Company's operations.

**Recommendation 2.1: The Board has established a Nominations Committee to address succession and ensure the Board has an appropriate balance of skills, knowledge, experience, independence and diversity necessary to discharge its duties and responsibilities effectively**

The Board is committed to ensuring that its members have a broad range of skills, experience and expertise necessary to maximise performance and ensure appropriate levels of shareholder return.

The Board has established a Nominations Committee with the primary objectives to assist the Board to discharge its responsibilities with regard to the following areas:

- overseeing the composition of the Board and competencies of Board members;
- providing recommendations of appointment and evaluation of the Managing Director;
- ensuring that appropriate procedures exist to assess the performance levels of the Chairman, Non-executive Directors, Executive Directors; and
- developing succession plans for the Board and overseeing development by management of succession planning for senior executives.

The Nominations Committee Charter can be found on the Company's website [here](#).

The Charter requires that a majority of members of the Nominations Committee must, as far as possible, be independent Non-executive Directors. The Chairman of the Nominations Committee is an independent Director. The current members of the Nominations Committee are the entire Board, so the Committee is not currently comprised of a majority of independent Directors.

The Board is currently of the view that the entire Board brings the appropriate mix of skills and experience to satisfy the responsibilities under the Committee's Charter. For that reason, the duties of the Nominations Committee are currently being carried out by the entire Board and as such separate meetings for the Nominations Committee did not occur during the 2016 Financial Year.

**Recommendation 2.2: The Board should disclose a board skills matrix setting out the mix of skills and diversity that the Company has or is seeking to achieve**

The skills, experience and length of appointment relevant to each Director are set out in Recommendation 1.2 above.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

The Board does not currently maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. The current Board members represent individuals that have extensive industry experience as well as professionals that bring to the Board their specific skills in order for the Company to achieve its strategic, operational and compliance objectives. Each Director's suitability is therefore determined primarily on the basis of their ability to deliver outcomes in accordance with the Company's short and longer term objectives to deliver value to shareholders.

### Recommendation 2.3: The Board should disclose the independence of Directors, factors relevant to assessing that independence and the length of service of each Director

Director	Status	Factors Relevant to Independence	Length of Service
A Brackin	Independent Director Non-executive Director Company Chairman Member of Audit & Risk Committee Member and Chairman – HR and Remuneration Committee	The Board has assessed that Mr Brackin's current shareholding in the Company (which does not constitute a substantial holding within the meaning of the Corporations Act) does not impact on Mr Brackin's independence.	4 Years (originally appointed November 2011)
R Walker	Independent Director Non-executive Director Chairman of Audit & Risk Committee Member – HR and Remuneration Committee	The Board has assessed that Mr Walker's current shareholding in the Company (which does not constitute a substantial holding within the meaning of the Corporations Act) does not impact on Mr Walker's independence. The Board is of the view that notwithstanding Mr Walker's independence has not been compromised by his longstanding tenure as a Director of the Company (which is currently less than 10 years).  The Company has previously engaged Pitcher Partners, a professional services company of which Mr Walker is a partner, to provide tax advice to the Company. The services (as set out in Item 20F of the Remuneration report and note 29(b) (Other Transactions with Key Management Personnel) of the financial statements) are not considered to be material or to impact on Mr Walker's independence.	9 Years (originally appointed March 2007)
Dr I Runge	Non-executive Director Member of Audit & Risk Committee	Whilst Dr Runge is a Non-executive Director of the Company, the Board has assessed that Dr Runge is <b>not</b> an independent director due to his substantial shareholding in the Company and his longstanding tenure with the Company (as the original founder of Runge). The Company has previously engaged Dr Runge to present a training course to a client. The services (as set out in Item 20F of the Remuneration report and note 29(b) (Other Transactions with Key Management Personnel) of the financial statements) are not considered to be material.	29 Years (originally appointed December 1986)
R Mathews	Managing Director Chief Executive Officer (CEO) Member – HR and Remuneration Committee	As the Company's current Chief Executive Officer, Mr Mathews is <b>not</b> able to be an independent Director.	4 Years (originally appointed in February 2012 (August 2012 in Executive capacity))

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

### **Recommendation 2.4: A majority of the Board should be independent Directors**

The names of the Directors of the Company in office at the date of this report which the Company considers to be independent are set out in Recommendation 2.3 above.

The Board is committed to ensuring that there will be at least four Directors on the Board and that a majority of those Directors should be Non-executive Directors and, as far as possible, at least two will be independent Directors.

When determining the independent status of a Director, the Board has considered the factors detailed in Box 2.3 of the ASX Principles and Recommendations and as detailed in Recommendation 2.3 above, the Board has determined, on an individual by individual basis, that each of the two Directors designated as independent Directors in Recommendation 2.3 above satisfy all of the above criteria. In addition, the Board comprises a majority of Non-executive Directors and one Executive Director.

The Board presently does not comprise a majority of independent Directors, but the Board believes that the current individuals on the Board are able to make quality and independent judgements in the best interests of the Company on all relevant issues and the absence of a strict majority of independent directors is not an impediment to the Company's operations or the interests of its shareholders. The Company may consider appointing an additional independent Director if and when the scale of its operations justifies such an appointment and an appropriate candidate becomes available.

The Non-executive Directors understand the benefits of conferring regularly with and without management present, and do so.

The Board is also committed to ensuring that all Directors, whether independent or not, bring an independent judgment to bear on Board decisions. To facilitate this, the Board has agreed on a procedure for Directors to have access, in appropriate circumstances, to independent professional advice at the Company's expense.

### **Recommendation 2.5: The Chair of the Company should be an independent Director and not the CEO**

It is a requirement of the Company's Board Charter that the Chair should be an independent Director. The Board is satisfied that the Company's Chairman, Allan Brackin, is, and has been throughout the year, an independent Director. The Chairman and the CEO roles are performed by different persons.

### **Recommendation 2.6: The Company should have an induction program for new Directors and provide opportunities for professional development**

Whilst there have been no new director appointments during the 2016 Financial Year, the Company's Human Resources department run an induction program which any new director appointments would attend.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Board continually assesses the need for continued professional development of each independent Director as and when necessary to support the Board and Company's operations. The Board fully supports a strong commitment to ethical and responsible decision making.

### **Recommendation 3.1: The Company has a Code of Conduct**

The Company has established a Code of Conduct Policy setting out the standards of ethics and conduct to which all Directors, executives and employees within the Group must adhere whilst conducting their duties.

The Code of Conduct Policy can be found on the Company's website [here](#), was first adopted by the Board on 11 April 2008 and is reviewed periodically to ensure it remains up-to-date and in the best interest of the Company. The Code was reviewed by the Board on 16 August 2016 with no further updates made to the version last amended and adopted last amended by the Board on 12 August 2015 and incorporates the Company's Whistleblower Policy. The Code of Conduct Policy sets out a number of overarching principles of ethical behaviour and, among other things, requires the Directors, executives and employees of the Group to:

- a) act with high standards of honesty, integrity, fairness, equity and personal integrity;
- b) comply fully with the content and spirit of all laws, legislation and regulations which govern the Company's operations, its business environment and its employment practices;
- c) not directly or indirectly offer, pay, solicit or accept bribes, secret commissions or other similar payments or benefits in the course of conducting business;
- d) not divulge any information about the Company without appropriate authorisation;
- e) not participate in insider trading by using knowledge not generally available to the market to gain unfair advantage in the buying or selling of the Company's securities;
- f) not knowingly participate in any fraudulent, corrupt, illegal or unethical activity;
- g) not enter into any arrangement or participate in any activity that would conflict with the interests of the Company or prejudice the performance of professional duties;
- h) not take advantage of their position or the opportunities arising therefrom for personal gain; and
- i) report any possible improprieties in financial reporting, internal control or other matters covered by the Code.

The Managing Director in conjunction with the EGM Human Resources ensures that all employees are made aware of all procedures and policies on induction and on an ongoing basis to ensure any necessary reporting steps are undertaken. The Company is committed to ensuring that employees may raise concerns regarding illegal conduct or unethical behaviour and will support employees who report violations in good faith. RPM will not act to the detriment of any employee as a consequence of them raising any breach of law, concerns about possible improprieties in financial reporting, internal control or other matters including any violation of the Code. All reports received will be thoroughly investigated and any necessary action taken.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

**Recommendation 4.1: The Board has an Audit Committee of at least three members, chaired by an independent Director (who is not chair of the Board), with a documented charter that met during the 2016 financial year**

The Board has established an Audit and Risk Committee. The primary purpose of the Audit and Risk Committee is to assist the Board to discharge its responsibilities with regard to:

- monitoring and reviewing the effectiveness of the control environment in the Group in the areas of operational and balance sheet risk, legal/regulatory compliance and financial reporting; and
- providing an independent and objective review of financial and other information prepared by management, in particular that to be provided to members and/or filed with regulators.

Further, the Audit and Risk Committee leads the review of the performance of the external auditors and sets the procedures for both the selection and appointment of external auditors and the rotation of external audit engagement partners.

During the 2016 financial year, the Committee consisted of three Non-executive Directors, one of whom is independent and chaired the Committee. The Committee retains the unrestricted right of access to executive management including the Chief Financial Officer and Group General Counsel and Company Secretary as required. The Committee is chaired by Mr Ross Walker who is not the Chairman of the Board. The current composition of the Audit and Risk Committee is:

Director	Status
R Walker	Chairman of Audit and Risk Committee (Independent Director, Non-executive Director, Member – HR and Remuneration Committee)
A Brackin	Member of Audit and Risk Committee (Independent Director, Non-executive Director, Company Chairman, Member and Chairman – HR and Remuneration Committee)
Dr I Runge	Member of Audit and Risk Committee (Non-executive Director)

Each Director has an appropriate knowledge of the Company's affairs and has the financial and business expertise to enable the Committee to discharge its mandate effectively. The members of the Committee have direct access to employees, external auditors and financial and legal advisers with and without management present (as required).

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)

The Audit and Risk Committee's formal Charter, which complies with the ASX Principles and Recommendations, can be found on the Company's website [here](#).

The Audit and Risk Committee Charter was adopted by the Board on 11 April 2008 and is reviewed periodically to ensure it is operating effectively and in the best interests of the Company. The Charter was last reviewed on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015.

The Audit and Risk Committee meets as often as required. Attendance at Audit and Risk Committee meetings during the 2016 Financial Year was as follows:

	Audit and Risk Committee	
	Attended	Held
R Walker	4	4
A Brackin	4	4
Dr I Runge	4	4

The Company Secretary is the secretary of the Committee and was present at all meetings during the financial year. The Audit and Risk Committee keeps minutes of its meetings and includes them with materials for the next full Board Meeting.

### **Recommendation 4.2: the Board receives CEO and CFO declarations prior to approving financial statements**

The Board has received declarations from the Managing Director and the CFO pursuant to s295A of the Corporations Act which state that the financial statements are founded on sound risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Recommendation 4.3: The Company ensures that its external auditor attends its AGM and is available to answer questions from security holders**

The Board ensures that its external auditors attend the Company's Annual General Meeting and that appropriate time is allowed for questions from security holders to be made to the auditors at that meeting.

The Company does not publish on its website the procedures for the selection and appointment of external auditors, and for the rotation of external audit engagement partners. The Company has had no need to formalise these procedures at this stage, although it recognises the potential benefits to developing such procedures should the size and/or operations of the Group require that to occur.



## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### **Recommendation 5.1: The Company has a written policy for complying with its continuous disclosure obligations**

The Board supports continuous disclosure consistent with the ASX Principles and Recommendations.

The Company's Board approved a Continuous Disclosure Policy and Market Disclosure Guidelines which are designed to ensure that:

- shareholders have equal and timely access to material information concerning the Company; and
- Company announcements are clear, concise, factual and balanced.

A copy of the Continuous Disclosure Policy and Market Disclosure Guidelines can be found on the Company's website [here](#). The Continuous Disclosure Policy and Market Disclosure Guidelines were adopted by the Board on 30 October 2008 and are reviewed periodically to ensure they remain up-to-date and in the best interests of the Company and Shareholders. The Policy was last reviewed on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015.

The Board has overall responsibility for ensuring compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines. The Board has established a Disclosure Committee, currently consisting of the Chairman, the Managing Director and the Company Secretary, to assist the Board in ensuring compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines. The Disclosure Committee in turn appoints reporting officers, and those officers are required to:

- immediately disclose any material information which may need to be disclosed; and
- ensure awareness of and compliance with the Continuous Disclosure Policy and Market Disclosure Guidelines.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

### Recommendation 6.1: The Company provides information about itself and its governance to investors via its website

The Company operates a dedicated section of its website to investor relations <http://www.rpmglobal.com/about-us/investor-centre/corporate-governance/>. Within the investor section of the Company's website, users can navigate to view:

- The Company's Corporate Governance materials including this statement, the Board and Committee Charters and governance policies - <http://www.rpmglobal.com/about-us/investor-centre/corporate-governance/>
- Current and historical (up to three years) ASX announcements for the Company - <http://www.rpmglobal.com/about-us/investor-centre/asx-announcements/>
- Current and historical annual reports, financial results announcement and presentations and Annual General Meeting materials - <http://www.rpmglobal.com/about-us/investor-centre/annual-reports-and-presentations/>
- The names and biographical details for the Company's Board - <http://www.rpmglobal.com/about-us/our-people/board-of-directors/>
- The names, photographs and biographical details for the Company's senior executives - <http://www.rpmglobal.com/about-us/our-people/management-team/>

### Recommendation 6.2: The Company's communications with Shareholders

Shareholder communication is conducted in accordance with the Company's [Continuous Disclosure Policy](#) and the Company's [Shareholder Communications Policy](#). The Company's Shareholder Communication Policy was adopted by the Board on 30 October 2008 and is reviewed periodically to ensure it remains up-to-date and in the best interests of the Company and Shareholders. The Policy was last reviewed on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015.

### Recommendation 6.3: Processes to facilitate and encourage participation at shareholder meetings

Shareholders are encouraged to attend and actively participate at General Meetings. The Company's Directors and the Chairmen of all Committees plus senior management will be present at each Annual General Meeting to answer shareholder questions. The Company's auditor is also present at each Annual General Meeting to answer any shareholder questions. Shareholders that are unable to attend meetings are able to exercise their right to ask questions about the Company by submitting those to the Company ahead of time and are able to appoint a proxy to vote on their behalf.

### Recommendation 6.4: Electronic communication with the Company and its share registry

Shareholders are able to interact with the Company electronically through the Company Secretary (email to [companysecretary@rpmglobal.com](mailto:companysecretary@rpmglobal.com)) and are able to elect to receive shareholder communications electronically from the Company's share registry managed by Computershare.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### **Recommendation 7.1: The Company's Board and Audit and Risk Committee oversees risk and establishes policies for the oversight and management of material business risks**

The Board understands the importance of maintaining a sound and practical system of risk oversight and management and internal control. Ultimate responsibility for risk management rests with the Board, however the Audit and Risk Committee is tasked with responsibility to ensure all areas of risk relevant to the Company are managed appropriately.

The Audit and Risk Committee's formal Charter, which complies with the ASX Principles and Recommendations, can be found on the Company's website [here](#).

The specific responsibilities of the Audit and Risk Committee relevant to management of risk as set out in the Charter include reviewing and reporting to the Board that:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

The Group faces a wide variety of risks due to the nature of its operations and the regions in which it operates including commercial risks, legal risks, compliance risks and financial risks. The Group has a number policies adopted by the Board that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Delegations of Authority policy;
- Workplace Health and Safety policies;
- Code of Conduct policies;
- Securities Trading Policy - in respect of trading in Company shares by the Group's Directors, executives and employees. The Policy can be found on the Company's website [here](#). The Company's Securities Trading Policy was adopted by the Board on 30 October 2008 and is reviewed periodically to ensure it remains up-to-date and in the best interests of the Company and Shareholders. The Policy was last reviewed on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015.

At a management level, risk is managed by the Company's Group General Counsel in conjunction with the Chief Executive Officer. The Board maintains oversight on risk with operational, financial and legal reports provided to the Board at each meeting to highlight and address areas of risk and concern.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONTINUED)

### **Recommendation 7.2: the Board or its committee reviews the Company's risk management framework**

The Board adopted an Enterprise Risk Management Policy and Manual ("ERM Policy") in September 2011 to detail the potential risks the Company may face together with the reporting and control mechanisms required to be followed to endeavour to mitigate those risks. The ERM Policy was prepared and based on the principles of International Standard ISO 31000: 2009 Risk Management – Principles and Guidelines.

Whilst the formal ERM Policy is not currently actively utilised by the Company, the Board and management remain committed to diligent risk management and the Board has reviewed the risk management process employed by management during the 2016 financial year and remains of the view that those processes, which are actively managed by the Company's Group General Counsel in conjunction with the Chief Executive Officer and supplemented by regular reporting to the Board at each meeting, are suitable and appropriate to manage risk for the Company in its current size and operations.

### **Recommendation 7.3: The Company does not have a dedicated internal audit function however deploys other processes to evaluate and improve risk management and internal control**

The Company does not currently have a dedicated internal audit function. The Directors have assessed a need to establish an internal audit function this year and are of the view that sufficient internal control mechanisms currently exist in the Company without the necessity for a dedicated internal audit function. The responsibility for management of risk and internal controls on a day-to-day basis lies with the Company's Chief Financial Officer and Group General Counsel with regular reporting and oversight by the Chief Executive Officer, the Audit and Risk Committee, the Board and the Company's external auditors. Necessary action is taken to protect the integrity of the Company including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of Company assets.

The Board will continue to assess the appropriateness of these internal functions to meet the Company's internal control and risk management obligations and should the Company's operations require it, will at the appropriate time, consider forming a dedicated internal audit function.

### **Recommendation 7.4: The Company's exposure to economic, environmental and social sustainability risks**

As a global business with operations in twelve countries, the Board recognises the importance of being aware of how the operations of the business impact on a range of stakeholders including shareholders, employees, customers, suppliers, creditors, consumers, governments and the local communities in which the Company operates and the mechanisms needed to ensure sustainable longevity in the Company's operations.

As a supplier to the mining industry, the Board understands that the Company's operations are subject to wider economic, environmental, governmental and social sustainability requirements that are outside of the direct control of the Company, or its Board and management. The Board manages these risks by actively monitoring the resources industry, and where necessary adapting the operations of the business to meet the changing requirements of the industry and in doing so endeavours to create and preserve value for the Company's stakeholders in the short, medium and long term.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board recognises that remuneration is a key focus for investors and that the Company needs to ensure a balance between attracting high quality personnel and the remuneration and incentives payable by the Company to those personnel and to align remuneration with Company performance.

### Recommendation 8.1: The Board has established a Human Resources and Remuneration Committee

The Company has established a Human Resources and Remuneration Committee (the 'HR and Remuneration Committee') to assist the Board in establishing appropriate remuneration levels for the Group's employees. The HR and Remuneration Committee, among other things:

- assists the Board in setting remuneration, recruitment, retention, development and termination policies for senior executives;
- recommends to the Board remuneration packages for Executive Directors;
- recommends to the Board a remuneration framework for Directors and all employees in the Group; and
- recommends to the Board appropriate superannuation arrangements.

A copy of the HR and Remuneration Committee Charter can be found on the Company's website [here](#). The HR and Remuneration Charter was adopted by the Board on 30 October 2008 and is reviewed periodically to ensure it is operating effectively and in the best interests of the Company. The Charter was last reviewed on 16 August 2016 with no further updates made to the version last amended and adopted by the Board on 12 August 2015. The Committee is comprised of three Directors, two of whom are independent. The Chairman of the Committee is an independent Director. The current composition of the Committee is:

Director	Status
A Brackin	Member and Chairman – HR and Remuneration Committee (Independent Director, Non-executive Director, Company Chairman, Member of Audit and Risk Committee)
R Walker	Member – HR and Remuneration Committee (Independent Director, Non-executive Director, Chairman of Audit and Risk Committee)
R Mathews	Member – HR and Remuneration Committee (Managing Director, Chief Executive Officer (CEO))

The HR and Remuneration Committee meet as often as required. Attendance at HR and Remuneration Committee meetings during the 2016 Financial Year was as follows:

	HR and Remuneration Committee	
	Attended	Held
A Brackin	1	1
R Walker	1	1
R Mathews	1	1

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (CONTINUED)

The Company Secretary is the secretary of the Committee and was present at all meetings during the financial year. The HR and Remuneration Committee maintains minutes of its meetings and includes them with materials for the next full Board Meeting.

### **Recommendation 8.2: Policies and practices with respect to remuneration of Non-executive Directors, Executive Directors and management**

The Company clearly distinguishes the structure of Non-executive Director remuneration from that of Executive Directors and senior executives.

Non-executive Directors are paid a set fee as agreed by the Board annually, and do not receive performance based fees or retirement benefits. The remuneration of Non-executive Directors is not more than the aggregate fixed sum determined by the Company's shareholders in a general meeting.

The remuneration structure for Executive Directors and senior executives is balanced between fixed salary and incentive schemes that are designed to align as closely as possible with the Company's short term and long term objectives.

The Remuneration Report provides a detailed disclosure of Non-executive Directors, Executive Directors and senior executives in accordance with reporting obligations.

There is not any scheme for retirement benefits, other than superannuation, for Non-executive Directors.

### **Recommendation 8.3: equity based remuneration schemes and hedging risks**

The Company currently operates a Long Term Incentive Employee Share Option scheme which was last approved by shareholders at the Company's Annual General Meeting in October 2013.

The Company operates a Securities Trading Policy (copy [here](#)) and a Margin Loan Policy (copy [here](#)) which are applicable to senior executives and employees who are also shareholders in the Company.

As detailed in the Company's Security Trading Policy, Directors, Officers and employees of the Company are not permitted to enter into transactions in products associated with the Company's securities which operate to limit the economic risk of their security holding in the Company (e.g. hedging arrangements). This extends to any hedging arrangements or other such transactions in respect of rights under any equity based remuneration plan or scheme.