

## TZ Limited – Corporate Governance Statement

As a listed entity, the company must comply with the Corporations Act 2001 (Corporations Act) and the Australian Securities Exchange Listing Rules (ASX Listing Rules).

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the recommendations (“Recommendations”) in the Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition) published by the ASX Corporate Governance Council.

The company is a small company and accordingly the Board considers that many of the Recommendations intended to apply to larger companies are not practical for the company.

This corporate governance statement discloses the extent to which the company followed the Recommendations during the year ended 30 June 2015.

This statement is current as at 24<sup>th</sup> September 2015, and has been approved by the board of the company.

### ASX Principle 1:

#### Lay solid foundations for management and oversight

##### *Recommendation 1.1*

*A listed entity should disclose:*

- 1. the respective roles and responsibilities of its board and management; and*
- 2. those matters expressly reserved to the board and those delegated to management.*

The board’s primary responsibility is to oversee the company’s business activities and management for the benefit of company’s shareholders, which it accomplishes by:

- establishing corporate governance and ethical business standards;
- setting objectives, goals and strategic direction with a view to maximise shareholder value;
- approving and monitoring budgets and major investments;
- ensuring adequate internal controls exist and are appropriately monitored;
- ensuring significant business risks are identified and appropriately managed; and
- appointing senior executives and monitoring their performance.

The board has delegated responsibilities and authorities to management to enable management to conduct the company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require board approval.

*Recommendation 1.2:*

*A listed entity should:*

1. *undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
2. *provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a director.*

The company's practice has been for the board to vet each new candidate for appointment as a director. In cases where existing board members do not have personal knowledge of a candidate's background, checks on candidates are made by seeking character references from knowledgeable sources.

Security holders are provided with a summary of each candidate's experience and qualifications in notices of meeting proposing the election or re-election of directors. In the case of candidates standing for re-election, the candidate's experience and qualifications are also disclosed on the company's website and in its annual reports.

*Recommendation 1.3:*

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

Each non-executive director on joining the board receives a letter of appointment detailing the terms and conditions of the appointment, including remuneration, indemnity and insurance arrangements and key corporate policies. Senior executives other than the current executive directors have written agreements with the company setting out their position, duties and responsibilities and entitlements.

*Recommendation 1.4:*

*The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The company secretary reports to and takes directions from the chairman on all matters to do with supporting the proper functioning of the board.

*Recommendation 1.5:*

*A listed entity should:*

1. *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; and*
2. *disclose that policy or a summary of it; and*
3. *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:*
  - a. *the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*
  - 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.*

The board is committed to an inclusive workplace that embraces and promotes diversity. The company is committed to setting measurable objectives for attracting and engaging women at the board level, in senior management positions and across the consolidated entity as a whole; however due to the relatively small size of the company and its operations, the company has yet to establish measurable objectives for diversity and progress towards achieving them.

*Recommendation 1.6:*

*A listed entity should:*

1. *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
2. *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The performance of the board, its committees and individual directors is considered on an informal, as needs basis, due to the small size of the board and the company's limited resources.

A performance evaluation of the board, its committees and directors did not take place in the reporting period for the reasons given above.

*Recommendation 1.7:*

*A listed entity should:*

1. *have and disclose a process for periodically evaluating the performance of its senior executives; and*
2. *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The performance of senior executives, other than the executive directors, is considered by the board as part of its annual executive remuneration review.

A formal performance evaluation for senior executives, other than the executive directors, was undertaken during the reporting period.

## **ASX Principle 2:**

### **Structure the board to add value**

*Recommendation 2.1:*

*The board of a listed entity should:*

1. *have a nomination committee which*
  - *has at least three members, a majority of whom are independent directors; and*
  - *is chaired by an independent director,*

*and disclose:*

  - *the charter of the committee;*
  - *the members of the committee; and*
  - *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*
2. *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.*

Due to the small size of the current board, the company does not have a board nomination committee. The board as a whole considers board composition and succession issues by discussion at meetings of the board. This includes devising criteria for board membership; regularly reviewing the need for various

skills and experience on the board; considering the company's objectives with respect to diversity when selecting candidates; and identifying specific individuals for nomination as directors.

The board also oversees management succession plans and evaluates the chairman's and the board's performance and makes recommendations for the appointment and removal of directors. When a vacancy exists on the board or where it is considered that a director with particular skills or experience is required, the board selects a panel of candidates with the appropriate expertise and experience from which the most suitable candidate is appointed on merit.

Directors appointed by the board by reason of a vacancy are subject to re-election by the company's shareholders at the following annual general meeting. Directors are subject to re-election by rotation at least every three years.

*Recommendation 2.2:*

*A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The company does not have a board skills matrix. The board is satisfied that it has an appropriate mix of skills and diversity for strategic decision-making and effective oversight in relation to the company's affairs. The skills and experience of each director are set out in the 'Information on directors' section of the company's annual reports.

*Recommendation 2.3*

*A listed entity should disclose:*

1. *the names of directors considered by the board to be independent directors; and*
2. *if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations 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*
3. *the length of service of each director.*

The names of the directors in office at the date of this report, the date they were appointed, the date of their most recent re-election by the company's shareholders and their status as non-executive, executive or independent directors are set out in the table below:

<b>Director</b>	<b>Appointed</b>	<b>Re-Elected</b>	<b>Non-Executive</b>	<b>Independent</b>
Mark Bouris	18 June 2009	17 November 2013	No	No
Kenneth Ting	18 June 2009	18 November 2014	No	No
Paul Casey	27 May 2013	N/A	Yes	No

*Recommendation 2.4:*

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

The company has not adopted the Recommendation for a majority of the board to be independent directors. Due to the company's small size and limited resources, at this stage it is considered appropriate to maintain a small board with close knowledge of the group's businesses. The current directors have gained that close knowledge by executive experience in the group's businesses.

Mr Bouris and Mr Ting are not considered independent under the criteria in the Recommendations because they are employed in an executive capacity by the company. Mr Casey is not considered independent under those criteria because he was formerly employed by the group in an executive capacity and that employment ended less than three years ago.

The board maintains protocols to ensure that any potential or actual conflicts of interest and duty are properly identified and managed, and to ensure that directors act in accordance with their fiduciary responsibilities.

Directors are able to seek independent professional advice on their duties as directors at the company's expense. \_

*Recommendation 2.5:*

*The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The company has two executive directors who together perform the functions of a CEO for the company. One of the executive directors is the chairman of the board and accordingly the company does not have an independent director as its chairman. The reason for this is that due to the company's small size and limited resources, the board considers it appropriate to maintain a small board with close knowledge of the group's businesses. The current executive directors have gained that close knowledge by executive experience in the group's businesses.

*Recommendation 2.6:*

*A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The company does not have an induction or development program for new directors. Directors are assisted by fellow directors and senior management to maintain and develop their skills and knowledge in relation to corporate governance policies and the business sector in which the company operates. All directors have direct access to the entire senior management team and are provided with information on a timely basis. The skills and knowledge of directors are also developed and maintained by their directorships with other public and private companies.

### **ASX Principle 3:**

**A listed entity should act ethically and responsibly**

*Recommendation 3.1:*

*A listed entity should:*

- 1. have a code of conduct for its directors, senior executives and employees; and*
- 2. disclose that code or a summary of it.*

The company does not have a formal written code of conduct to guide compliance with legal and other obligations. This reflects the company's size which makes its legal compliance a less onerous task than with larger companies. The board continues to review the situation to determine the most appropriate and effective operational procedures.

Directors are required to disclose to the board any material personal interest they may have in a matter being considered by the board, and to not vote on the matter or be present when the matter is being considered by the board.

The directors and senior executives of the company are required to comply with a share trading policy under which they will not deal in the company's shares except during defined periods around the release of the company's annual and half-year results, nor at any time whilst they are in possession of price sensitive information.

Directors must advise the company of any transactions conducted by them in shares in the company and details of such transactions are disclosed to the ASX.

## ASX Principle 4:

### Safeguard integrity in financial reporting

#### *Recommendation 4.1:*

*The board of a listed entity should:*

1. *have an audit committee which*
  - *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - *is chaired by an independent director, who is not the chair of the board,*  
  
*and disclose:*
    - *the charter of the committee;*
    - *the relevant qualifications and experience of the members of the committee; and*
    - *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*
2. *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The company was not a company required by ASX Listing Rule 12.7 to have an audit committee during the year. The board has determined that, due to the current small size and composition of the board, it would not be efficient to appoint a formal audit committee. Nevertheless, the board has adopted procedures to adequately address issues related to the integrity of the company's financial reporting and to oversee the independence of the external auditors. The procedures include the following main responsibilities:

- monitor the integrity of the financial statements of the company and review significant financial reporting changes;
- review the company's internal financial control system and risk management systems;
- appoint the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- monitor and review the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements; and
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.



*Recommendation 4.2:*

*The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

The board received the above declaration from the CEO and CFO before approving the company's financial statements for the year ended 30 June 2015.

*Recommendation 4.3:*

*A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The company complies with this Recommendation. The Company's external auditor is required by the Corporations Act to be represented at the AGM by a person who is a suitably qualified member of the audit team that conducted the audit and who is in a position to answer questions about the audit.

## **ASX Principle 5:**

### **Make timely and balanced disclosure**

*Recommendation 5.1:*

*A listed entity should:*

- 1. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- 2. disclose that policy or a summary of it.*

The company's directors and senior executives are aware of the continuous disclosure requirements under the ASX Listing Rules and Corporations Act and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The company does not have a written continuous disclosure policy, as this is considered unnecessary due to the small size of the senior management team and their shared close monitoring of material company affairs combined with their awareness of the continuous disclosure requirements.

## ASX Principle 6:

### Respect the rights of security holders

#### *Recommendation 6.1:*

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

The company aims to keep shareholders informed of its performance and all major developments in a timely and ongoing manner. The information for investors provided on the company's website includes:

- copies of the company's ASX announcements;
- copies of the company's annual reports and half-year reports;
- the names and brief biographical information for its directors;
- investor presentation materials and analyst reports on the company; and
- information and news about the company's products and major supply contracts.

#### *Recommendation 6.2:*

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

The company employs an external consultant to assist it with investor relations.

The company provides investors with access to news and information via its website as described above.

#### *Recommendation 6.3:*

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

The company allows a reasonable opportunity at the AGM and other shareholder meetings for questions and comments from shareholders relating to the company and the audit of the company's annual financial report.

#### *Recommendation 6.4:*

*A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

Due to the company's relatively small size and limited resources, the company does not currently comply with this Recommendation. Shareholders receive notices and other communications from the company by ordinary post.

## ASX Principle 7:

### Recognise and manage risk

#### *Recommendation 7.1:*

*The board of a listed entity should:*

1. *have a committee or committees to oversee risk, each of which:*
  - *has at least three members, a majority of whom are independent directors; and*
  - *is chaired by an independent directors,*

*and disclose:*

  - *the charter of the committee;*
  - *the members of the committee; and*
  - *as at the end of the reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
2. *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 adopted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the consolidated entity and its operations. The board has not established a separate committee to deal with these matters as the directors consider the size of the company and its operations does not warrant a separate committee at this time. The directors have identified the significant areas of risk applicable to the consolidated entity and its operations and the board considers the matter of risk management as a standing agenda item at board meetings.

The board endeavours to mitigate any risks by continually reviewing the activities of the company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

#### *Recommendation 7.2*

*The board or a committee of the board should:*

1. *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
2. *disclose, in relation to each reporting period, whether such a review has taken place.*

The board and senior management continuously assess the risks facing the company and consult among themselves to establish a consensus on acceptable levels of risk and measures for managing risks. In view of the informal and continuous nature of the company's risk management processes, there is no periodic review of the risk management framework.

*Recommendation 7.3*

*A listed entity should disclose:*

1. *if it has an internal audit function, how the function is structured and what role it performs; or*
2. *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 a formal internal audit function. In the opinion of the board, the risks facing the company are adequately managed and controlled by the informal processes described above, due to the small size of the executive team, the small company staff, and the limited nature and extent of the company's business operations. The effectiveness of the company's risk management and internal control processes is continuously assessed by the board and senior executives in their close dialogue on company affairs.

*Recommendation 7.4:*

*A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

In the opinion of the board the company does not have any material exposure to environmental or social sustainability risks. The company discloses financial risks to which it is subject in the notes to its annual financial report. The company has not identified any particular risk that poses a "material exposure" for the company within the meaning of the Recommendations (i.e. a real possibility that the risk in question could substantively impact the company's ability to create or preserve value for shareholders over the short, medium or long term).

## **ASX Principle 8:**

### **Remunerate fairly and responsibly**

*Recommendation 8.1:*

*The board of a listed entity should:*

1. *have a remuneration committee which*
  - o *has at least three members, a majority of whom are independent directors; and*

- *is chaired by an independent director,*

*and disclose:*

- *the charter of the committee;*
  - *the members of the committee; and*
  - *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*
2. *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of the remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

Because of the relatively small size of the company and its operations, the board does not consider it appropriate, at this time, to form a separate committee to deal with remuneration for directors and senior executives. Instead, the board as a whole establishes and reviews annually the remuneration of the executive directors and senior executives and the remuneration framework for all directors.

Details of the company's policy for determining the nature and amount of the remuneration of board members and key management personnel of the company are contained in company's annual reports in the 'Remuneration report' section of the directors' report.

*Recommendation 8.2:*

*A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The company's remuneration report is contained in the company's annual report (a copy of which is available on the company's website). The remuneration report discloses the company's remuneration policy for non-executive directors separately from its remuneration policy for senior managers.

*Recommendation 8.3*

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

1. *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*
2. *disclose that policy or a summary of it.*

The company has issued options to the executive directors as part of their remuneration. Details of the options and their terms are set out in the remuneration report of the company's annual report. The company does not have a policy on whether option recipients are permitted to enter into transactions which limit the economic risk of holding the options. However, the board notes that the Corporations Act prohibits the company's key management personnel from entering into hedging arrangements in relation to unvested equity-based remuneration.