



**2016 Corporate  
Governance Statement**

# CORPORATE GOVERNANCE STATEMENT

This statement sets out the material governance principles and processes of Clarius Group Limited ('the Group'). The Board of Directors ('the Board') of the Group has followed recommendations established in the ASX Corporate Governance Principles and Recommendations, 3rd Edition with the following exception:

- ▶ the Board has not undertaken a formal review during financial year 2016 as there has been a board renewal process.

The Directors have resolved to consider and apply these recommendations unless it is determined that, in the circumstances of the Group, there is a sound reason in the interests of shareholders not to do so.

Features of the Group's corporate governance regime are summarized below. Further details on the Group's corporate governance codes, policies and charters are available in the Investor – Corporate Governance section of the Group's website ([www.clarius.com.au/investors-media/governance/](http://www.clarius.com.au/investors-media/governance/)).

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

The role of the Board is to represent shareholders and to promote and protect the interests of the Group. Through its governance of the Group, the Board guides and monitors the business and affairs of the Group on behalf of the shareholders.

The responsibilities and accountabilities of the Board have been framed in a Board Charter which reflects its governance principles. The Board Charter is available on the Group's website (<http://www.clarius.com.au/investors-media/governance/>).

During the year the Board met 12 times. Meetings are held at regular intervals throughout the year supplemented by additional meetings as required in the conduct of the Board's responsibilities.

The Board operates on the principle that all significant matters are dealt with by the full Board and has specifically reserved the following matters for its decisions:

- ▶ Strategy and Planning
- ▶ Staffing
- ▶ Remuneration
- ▶ Capital Management and Financial Reporting
- ▶ Performance Monitoring
- ▶ Risk Management
- ▶ Audit, Risk and Compliance
- ▶ Board Processes and Policies

To assist in its deliberations, the Board has established two main committees which, apart from routine matters, act primarily in a review or advisory capacity on the matters set out in their respective Charters. These are the Board Audit, Risk and Compliance Committee and the Board Remuneration and Nomination Committee. The Charters of each Committee are summarised in this report. Other committees may be established to address specific issues as may be required from time to time.

## CHAIRMAN'S RESPONSIBILITIES

The Chairman's responsibilities are expressly identified in the Board's Charter. The Chairman is responsible for ensuring that the Board receives timely, clear and relevant information to facilitate the efficient organisation and conduct of the Board's duties in regard to strategic direction, governance and monitoring the performance of management. The Chairman is also responsible for ensuring that procedures to assess the performance of the Board and Directors are operating; facilitating Board discussion and effective contribution of all Directors; and overseeing representations to and communications with the shareholders.

## DIRECTORS' SELECTION

It is the role of the Board Remuneration and Nomination Committee to identify suitable candidates to complement the existing Board and to make recommendations to the Board on their appointment. The Board considers the appointment or retirement of Directors annually under succession plan principles having regard to the size of the Group and to the appropriate skills and experience of Directors. Skills and experience regarded as important include experience as Chief Executive; recruitment and broader service industry experience; experience in financial markets, including acquisitions; financial experience; and broad experience in governance and risk management, including ASX-listed companies.

Before appointing a Director, the Group undertakes comprehensive checks including employment character reference, criminal history, bankruptcy and disqualified company director checks.

## DIRECTORS' PERFORMANCE REVIEW

During the year the Board has discussed the performance of the Chairman, the Directors, the Board and its committees. A Board renewal process is currently underway after which a formal review will be undertaken during the course of FY2017.

## COMPANY SECRETARY

The Company Secretary is appointed by the Board and is accountable to the Board, through the Chairman, on all governance matters. Biographical details showing the relevant skills, experience and expertise held by the Company Secretary are included in the Directors Report in the FY2016 Annual Report.

## ROLE OF THE CHIEF EXECUTIVE OFFICER

The responsibility for implementing the approved business plans and for the day-to-day operations of the Group is delegated to the Chief Executive Officer who, with the executive leadership team, is accountable to the Board. The Board approves the Delegation of Authority which sets out the authority limits for the Chief Executive Officer and senior management.

## SENIOR EXECUTIVES' PERFORMANCE EVALUATIONS

Across the Group, there is a strong performance management discipline teamed with competitive reward and incentive programs. As part of the Chief Executive Officer and senior executives' remuneration packages there is a performance-based component, related to Key Performance Indicators (KPI's). The intention of this program is to facilitate congruence of goals between executives and those of the business and shareholders. The KPI's are set annually, in consultation with executives to ensure their commitment to achieving those goals. The measures are specifically tailored to the areas of each executive's involvement within the business and over which they have control. Performance reviews have been carried out in accordance with policy during the financial year.

## DIVERSITY POLICY

Clarius Group understands that a diverse workforce is one that recognises and embraces the varied skills and perspectives that people bring to the organisation through their differences.

We value the differences between people and the contribution these differences make to our business. Clarius Group recognises its talented and diverse workforce is a key competitive advantage and that our business success is a reflection of the quality and skills of our people. As such Clarius Group is committed to seeking out and retaining the best people to ensure business growth and performance.

Above all, we are committed to ensuring that all employees, clients, consultants, suppliers and third party stakeholders are treated with respect and dignity. We strive to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the Company, regardless of their differences.

The Board understands the importance of maintaining a diversity policy and sets, and monitors performance against, measurable objectives for achieving gender diversity. The values are set out in the Group's diversity policy which is available on the website.

## GENDER DIVERSITY

GENDER REPRESENTATION	30-JUN-16		30-JUN-15	
	FEMALE (%)	MALE (%)	FEMALE (%)	MALE (%)
Board representation	50%	50%	33%	67%
Key Management Personnel representation	0%	100%	71%	29%
Executive Personnel representation	45%	55%	33%	67%
Group representation	64%	36%	58%	42%

Throughout the year, the Group has continued to focus on key areas that support gender balance. These items include ensuring equitable pay rates between males and females within job categories and consideration of applications for staff to work part-time and with flexible work arrangements.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board comprises three Directors. The Board considers this number appropriate in the present circumstances of the Group. The Board Charter requires that there be a majority of Directors who are independent and non-executive. All Directors in office are independent and non-executive. One-third of the Board is required to retire at each Annual General Meeting and may stand for re-election. The Director(s) to retire shall be those who have been longest in office since their last election. A director appointed to fill a casual vacancy or as an additional Director only holds office until the next Annual General Meeting, when they must retire, and seek re-election by shareholders at the meeting.

Biographical details showing the relevant skills, experience and expertise of by each Director are included in the Information on Directors section of the Directors Report in the FY2016 Annual Report.

The Clarius Group Board comprises the following directors at the date of this report:

NAME	POSITION	APPOINTED
Garry Sladden	Chairman, Independent and Non-Executive Director	September 2013
Jennifer Elliott	Independent and Non-Executive Director	May 2014
Julian Sallabank	Independent and Non-Executive Director	September 2014
Gabrielle Trainor	Independent and Non-Executive Director	December 2015

### DIRECTORS' INDEPENDENCE

The Board has established a policy on Directors' independence. An 'Independent Non-Executive Director' is independent of Management, free of any significant business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment, and otherwise meets the criteria for independence set out in the ASX Corporate Governance Principles and Recommendations, 3rd Edition.

Directors are considered to be independent if they meet the following criteria:

- ▶ they are not a substantial (5% or greater) shareholder of the Group or an officer of a substantial shareholder of the Group;

- ▶ they have not been employed in an executive capacity in the last three years by the Group or a subsidiary of the Group;
- ▶ they have not been employed as a Principal of a material professional advisor to the Group during the past three years;
- ▶ they are not a material supplier or customer of the Parent Entity, or any subsidiary of the Group;
- ▶ they have no material contractual relationship with the Group (other than as a Director); and
- ▶ they are free from any interest, business or personal, which could, or could reasonably, be perceived to materially interfere with the Director's ability to act in the best interests of the Group.

In determining whether or not a material relationship exists with a third party such as a supplier, professional advisor or customer, the Board considers that relationship to be material if it meets the following criteria:

- ▶ the customer accounts for more than 5% of the Group's consolidated gross revenue per annum;
- ▶ the Group accounts for more than 5% of the supplier's consolidated revenue;
- ▶ the total value of any contract or relationship between the Group and the Director (other than as a Director of the Group) exceeds \$200,000.

### INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice at the Group's expense. The Board's prior consent to obtaining such advice is required. The Director concerned does not participate in the Board's consideration of its consent.

## INDUCTION OF NEW DIRECTORS AND ONGOING DEVELOPMENT

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including their duties and responsibilities, required time commitment, requirement to disclose notifiable interests or other interests and matters affecting independence.

New Directors participate in an induction program designed to introduce the Director to all aspects of the Group's business and corporate strategies, as well as incorporating information in relation to areas in which the Director will particularly be involved. The new Director will meet with the Chairman and each Director, the Chief Executive Officer, and other executives and senior managers in order to gain an insight in to the values and culture of the Group.

On an ongoing basis, Directors are provided with presentations and briefings on matters impacting the strategy and operations of the Group.

## BOARD SKILL MATRIX

The Non-Executive Directors Board skill matrix is set out below:

SKILLS MATRIX	
STRATEGIC AREAS	SKILLS
Strong capital management and appropriate oversight of financial controls and risk	▶ Risk Management
	▶ Financial accounts literacy
	▶ Shareholder and investor relations
	▶ Investment banking and capital management
Understanding of employment/labour hire business	▶ Information technology
	▶ Marketing
	▶ Digital strategy
	▶ Employment/labour hire business
International business experience	▶ Senior management experience leading international divisions
	▶ Strategy
Other areas	▶ Executive/senior management experience
	▶ Corporate governance experience
	▶ Diversity and inclusion

## BOARD REMUNERATION AND NOMINATION COMMITTEE

The Board Remuneration and Nomination Committee operates under a Charter approved by the Board. The Committee's objective is to assist the Board in the consideration of personnel and remuneration issues within the Group. The Committee ordinarily comprises a minimum of three Directors, a majority of whom are Independent Non-Executive Directors.

The members of the Committee during the year were:

- ▶ Garry Sladden
- ▶ Jennifer Elliott
- ▶ Julian Sallabank (Committee Chairman)
- ▶ Gabrielle Trainor (Appointed a Director on 1 December 2015)

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out in the Meetings of Directors section of the Directors Report in the FY2016 Annual Report.

The responsibilities of the Board Remuneration and Nomination Committee are delegated by the Board and include:

- ▶ recommending the structure and constituency of the Board such that it has the effective composition, size and commitment to properly discharge its responsibilities and duties;
- ▶ ensuring appropriate Board succession planning, including identification, induction and training of new Directors as required;
- ▶ performance assessment in relation to the Board and individual Directors;
- ▶ assisting the Chairman in relation to the efficacy of Board processes;
- ▶ recommending Chairman and Non-Executive Director remuneration;
- ▶ recommending remuneration framework and levels for the Managing Director and other senior management;
- ▶ assisting the Chairman in relation to performance; goals for, and assessment of, the Managing Director and senior management;
- ▶ policies and procedures regarding the senior management team for recruitment, retention, remuneration, training and succession planning;
- ▶ policies on superannuation arrangements for the Group.

For details on the amount of remuneration, and all monetary and non-monetary components for each of the highest paid Executives who were not Directors during the year, and for all Directors, refer to the Details of Directors' and Key Management Personnel Remuneration section of the Directors Report in the FY2016 Annual Report. In relation to the payment of bonuses, options, and other incentive payments, discretion is exercised by the Board having regard to the overall performance of the Group and the performance of the individual during the period.

There is no scheme to provide retirement benefits to Non-Executive Directors, other than statutory superannuation.

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### CODE OF CONDUCT / ETHICAL BUSINESS BEHAVIOUR

The Board recognises the need to observe the highest standards of corporate practice and business conduct. The Board has adopted a Code of Conduct applicable to all Directors and to all employees. The Code directs standards of behavior and of interpersonal dealings. Within the letter and spirit of the Code, the Directors and all employees are expected to act lawfully, in a professional manner, and with the utmost integrity and objectivity in their dealings with clients, contractors, candidates and competitors, the community and each other, striving at all times to enhance the reputation and performance of the Group.

All Directors, management and employees acknowledge that they have read, understand and will comply with this Code. The code is available on the Group's website at [www.clarius.com.au](http://www.clarius.com.au).

In addition, the Group has implemented a 'tip-off' or whistle-blower policy empowering employees to report instances of workplace misconduct. The procedures are protective of the interests and concerns of employees who are genuinely exposed to such instances.

### SHARE OWNERSHIP AND DEALINGS

Details of shareholdings of Directors in the Company are set out in the Directors Report in the FY2016 Annual Report.

### SECURITIES TRADING POLICY

Directors, management and employees are subject to the Corporations Act 2001 which restricts their buying, selling or trading in securities in Clarius (CND) if they are in possession of inside information.

The Board has adopted a formal policy for securities trading which is available on the Group's website.

Directors, management and employees of the Group are not permitted to undertake any transactions in relation to shares in the Group in the period between the end of the financial half or full year until the release of the financial information relating to that period. Directors, management and employees of the Group are further prohibited from undertaking transactions involving the Group's shares at any time whilst in possession of information which is not in the public domain and which could reasonably lead to a change in the share price of the Group.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

The Board Audit, Risk and Compliance Committee operates under a charter approved by the Board. Its objectives are to assist the Board in safeguarding integrity in financial reporting; making timely and balanced disclosure to shareholders, and potential shareholders in accordance with the principles of continuous disclosure; recognising and managing risk; and overseeing the Company's process for monitoring compliance with laws and regulations and the code of conduct. The Committee ordinarily comprises a minimum of three Directors all of whom are to be independent Non-Executive Directors.

The members of the Committee during the year were:

- ▶ Garry Sladden
- ▶ Jennifer Elliott (Committee Chairman)
- ▶ Julian Sallabank
- ▶ Gabrielle Trainor (Appointed a Director on 1 December 2015)

Qualifications of Committee members are set out in the Information on Directors section of the Directors Report in the FY2016 Annual Report.

The Committee, which is accountable to the Board, is required by its Charter to meet at least twice per year. Details of the number of meetings of the Committee held during the year, and the attendees at those meetings, are set out in the Meetings of Directors section of the Directors Report in the FY2016 Annual Report.

The responsibilities of the Board Audit, Risk and Compliance Committee are delegated by the Board and include:

- ▶ monitoring the integrity of statutory reporting and reviewing, with recommendations, the policies and disclosures inherent in the half-year and full-year accounts;



- ▶ reviewing and approving financial policies and procedures so as to ensure the effectiveness of financial management and reporting; the completeness of compliance obligations; and adherence with continuous disclosure requirements;
- ▶ monitoring and appropriately advising the Board in relation to related party transactions;
- ▶ monitoring and assessing the Group's internal control frameworks and risk management strategies and processes, including recommending the insurance strategy;
- ▶ overseeing the scope, cost and performance of external audit; and directing the strategies and scope of internal audit;
- ▶ recommending the appointment of external auditors and monitoring the independence of external auditors.

## EXTERNAL AUDITORS

The Group's policy is to appoint external auditors who are independent and who demonstrate that independence.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the notes to the Financial Statements. It is the policy

of the external auditors to provide an annual declaration of their independence to the Board and to explain the basis upon which non-audit services do not impair their independence.

The external auditor will attend the Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and preparation, and the content of the Audit Report.

## FINANCIAL REPORTING

The Chief Financial Officer has stated, in writing, to the Board that the Group's financial statements for the year ended 30 June 2016 present a true and fair view in all material respects of the Group's financial position and its operations for the year, and that they are in accordance in all material respects with all relevant accounting standards. The Chief Financial Officer has further stated to the Board, in writing, that the Group's records have been properly maintained under law; that the financial statements are underpinned by sound systems of risk management and internal controls which are operating effectively in all material respects; and that there are no post 30 June 2016 events which would materially impact the effectiveness of those systems.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Group's practice, as reflected in the Communications and the Continuous Disclosure Policies available on our website, is to release all price-sensitive information in a timely manner and in accordance with practices directed by the ASX Listing Rules. For disclosure purposes, price-sensitive information is taken to be information that a reasonable person would expect to have a material effect on the price of the Group's securities.

All material information issued to the ASX, the Annual Reports, full year and half year results and presentation material given to analysts, is published on our website ([www.clarius.com.au](http://www.clarius.com.au)).

The Company Secretary is the primary person responsible for communication with ASX. Only authorised spokespersons can communicate on behalf of the Group with shareholders, the media or the investment community.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The rights of shareholders are detailed in the Clarius' constitution. Those rights include electing members of the Board. In addition, shareholders have the right to vote on important matters which have an impact on the Group. To allow shareholders to effectively exercise these rights, the Board is committed to improving the communication to shareholders of high quality, relevant and useful information in a timely manner, through:

- ▶ ASX announcements,
- ▶ Company publications including Annual Reports,
- ▶ The Annual General Meeting,
- ▶ Group Website ([www.clarius.com.au](http://www.clarius.com.au))

Shareholders are encouraged to make their views known to the Group and to directly raise matters of concern. Shareholders are encouraged to attend the Annual General Meeting and use this opportunity to ask questions. The Annual General Meeting will remain the main opportunity each year for the majority of shareholders to comment and to question the Board and management. The Company encourages two way communication with investors and to this end has set up electronic communications facility via its website.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

During the year, the Board has established and reviewed a Risk Management Framework which incorporates a Risk Management Policy and Implementation Process and which formalises the approach to management of material business risks. The policy is in the process of being fully implemented through a top down and bottom up approach to identifying, assessing, monitoring and managing key risks across the Group's businesses.

The Board is responsible for approving strategies and policies in relation to the identification of and management of risk and compliance. Including delegation to the Board Audit Risk and Compliance Committee and to management, the Board oversees the effective management of risk and compliance. The Board Audit Risk and Compliance Committee reports to the Board on the effectiveness of the risk and compliance management framework that is in place and all material business risks.

The external audit function, which is separate and independent to the Internal Audit function, also review the Group's risk assessment and risk management.

The Group monitors its exposure to all risks to the business including economic, social, governance and environmental sustainability risks. The Group has no material exposure to environment and social sustainability risks, other than in the normal course of business.

### INTERNAL AUDIT

The Board Audit Risk and Compliance Committee will endorse the Internal Audit Strategic Plan and approve the Internal Audit Plan for the year. As the business has been restructured over the course of the year, the Internal Audit function is an area that is still under review with a view to roll out in FY2017. The Internal Audit function will report directly to the Board Audit Risk and Compliance Committee.

Internal Audit will review the various areas of the Group's business on an ongoing basis employing a risk based audit approach which will focus on the higher risk activities in each business as assessed by the Board Audit Risk and Compliance Committee with input from management. The International Standard for the Professional Practice of Internal Auditing will be adopted. The Board Audit Risk and Compliance Committee will receive formal reports on significant issues.

In the absence of an Internal Audit function, management regularly review its risk management and internal control processes to ensure that they meet the evolving needs of the business.

### WORKPLACE HEALTH AND SAFETY

The Group recognises the importance of workplace health and safety issues and is committed to the highest level of performance. The Board Audit and Risk Committee facilitates the systematic identification of issues relevant to all workers under the Group's responsibility, and ensures effective management of them.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Board Remuneration and Nomination Committee's Terms of Reference include setting out the terms and conditions by which the Managing Director and other senior executives' remuneration is determined. The Remuneration and Nomination Committee seek professional advice from independent external consultants where required. All executives receive a base salary and superannuation which may include fringe benefits, options and performance incentives. The Remuneration and Nomination Committee reviews executive remuneration annually, as requested by the Chief Executive Officer, by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors

and other listed companies in similar industries.

Following amendments made to the Corporations Act 2001 involving recommendations by "remuneration consultants" which came into force on 1 July 2011, Clarius recognises the importance of ensuring that any recommendations given in relation to the remuneration of key management personnel provided by remuneration consultants are provided independently of those to whom the recommendations relate.





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