

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

GRAYS ECOMMERCE GROUP LIMITED

ABN / ARBN:

94 125 736 914

Financial year ended:

30 JUNE 2016

Our corporate governance statement² for the above period above can be found at:³

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These pages of our annual report:

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This URL on our website:

<http://www.graysecommercegroup.com.au/investor-information.html>

The Corporate Governance Statement is accurate and up to date as at **22 August 2016** and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:

22 August 2015

Name of Director or Secretary authorising
lodgement:

Leanne Ralph – Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² “Corporate governance statement” is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity’s corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes “OR” at the end of the selection and you delete the other options, you can also, if you wish, delete the “OR” at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Board Charter at http://www.graysecommercegroup.com.au/investor-information.html	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> detailed at 1.2(a) Corporate Governance Statement 1.2(b) All material information relevant to a decision on whether to elect or not elect or re-elect a director is contained in the Company's AGM notice of Meeting at http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> in our Board Charter at http://www.graysecommercegroup.com.au/investor-information.html	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p>in respect of (c) (2)</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html</p>	<p><input checked="" type="checkbox"/> an explanation why that is so for 1.5 (c) in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> details of the outcomes of the performance evaluation undertaken during the year for the CEO and senior executives can be found in the Remuneration Report in the Annual Report. Refer http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>2.1(a)(4) Corporate Governance Statement</p> <p>2.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link</p> <p>Note : The Committee is a combined Remuneration and Nomination Committee</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here] ... and, where applicable, the information referred to in paragraph (b): Not Applicable ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>4.1(a)(4) Corporate Governance Statement and http://www.graysecommercegroup.com.au/board-of-directors.html</p> <p>4.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link</p> <p>Note: The Committee is a combined Audit and Risk Committee.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html , http://www.graysecommercegroup.com.au/about.html and http://www.graysecommercegroup.com.au/board-of-directors.html	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>7.1(a)(4) Corporate Governance Statement</p> <p>7.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link</p> <p>Note: The Committee is a combined Audit and Risk Committee.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html /</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>8.1(a)(4) Corporate Governance Statement</p> <p>8.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link</p> <p>Note : The Committee is a combined Remuneration and Nomination Committee</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> in the Remuneration Report section of the Annual Report at http://www.graysecommercegroup.com.au/investor-information.html at the Group Announcements link</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at http://www.graysecommercegroup.com.au/investor-information.html</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

GRAYS ECOMMERCE GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (**Statement**) outlines the main corporate governance practices currently in place for Grays eCommerce Group Limited (**Company** or **Grays**) and references these practices against the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The board believes the Company accords with the majority of the ASX Recommendations and where it doesn't, reasons are provided in this Statement.

The corporate governance policies and practices described below are those that have been in place for the 2015-16 financial year, or as at the date of this report where indicated. The board continues to review the governance framework and practices of the Company to ensure they meet the interests of shareholders.

All references to the Company's website are to: www.graysecommercigroup.com.au

Principle 1: Lay solid foundations for management and oversight

(a) Role of the Board

The board is committed to effectively representing and promoting the Company, and thereby adding long-term value to all shareholders. The board is accountable to shareholders for the management of the Company's business and affairs and as such is responsible for the overall strategy, governance and performance of the Company. To clarify the roles and responsibilities of directors and management and to assist the board in discharging its responsibilities, the Company has established a governance framework, which sets out the functions reserved to the board and provides for the delegation of functions to board committees and to senior management. The board operates under a formal charter, which can be found on the Company's website.

(b) Appointments to the Board

When considering the appointment of directors to the board, appropriate checks are conducted. In addition, the board considers and formally resolves to support the election or re-election of directors at general meetings/annual general meeting.

The board supplies all material information in relation to the election or re-election of directors in the notice of meeting and explanatory notes for the general meetings to enable shareholders the ability to make an informed decision.

Non-executive directors are appointed pursuant to formal letters of appointment. These letters outline key terms and conditions of the appointment, the board's expectations in relation to the director's performance, procedures for dealing with a director's potential conflict/s of interest, disclosure obligations of the director and details of the director's remuneration.

(c) Governance Framework

The following diagram depicts the operation of the Company's governance framework.

BOARD

The board formally delegates certain functions to each of the board committees and management, via the formal board and committee charters.

The board directly retains responsibility for a number of matters including:

- Corporate Strategy – evaluation, approval and monitoring of strategic and financial plans for the Company.
- Oversight of Management - guidance and monitoring of management's performance, implementation of strategy, appointment and replacement of CEO, executive succession planning, and performance monitoring and remuneration for the CEO and senior management team.
- Oversight of Financial Management – review and approval of annual operating budgets and financial reports of the Company, evaluation and approval on decisions concerning major capital expenditure of the Company.
- Oversight of Capital Management – approval of Company capital structure changes, determination of a Distribution Policy and approval of dividend payments pursuant to that policy, and approval of the establishment and subsequent issue of any equity rights via incentive plans.
- Board Composition and Structure – board composition reviews, succession plans and the implementation of annual performance reviews.
- Compliance and Risk Management – monitoring strategic risk management systems and the integrity of internal control and reporting systems.
- Stakeholder Communications – approval of all material reporting and other external communications by the Company and comprehensive review of policies and procedures to ensure compliance with ASX continuous disclosure requirements.
- Ethics and Responsible Decision Making – active promotion of ethical and responsible decision making and monitoring compliance with policies governing the operation of the Company.
- Remuneration of executives and board, employee incentives, remuneration policy, share equity schemes.
- Director nomination matters.

Audit and Risk Committee

Key function - to oversee, review and make recommendations to the board on:

- The integrity of the Company's external financial reporting and financial statements
- The appointment, remuneration, independence and competence of Grays' external auditors;
- The effectiveness of Grays' system of risk management and internal controls; and
- Grays systems and procedures for compliance with applicable legal and regulatory requirements.

Remuneration and Nomination Committee

Key function - to oversee, review and make recommendations to the board on:

- Non-executive director remuneration;
- Executive remuneration;
- Incentive schemes and equity based remuneration;
- Recruitment, retention and termination policies for CEO and senior executives;
- Annual remuneration report;
- Board size, required competencies and skills matrix;
- The process for selection, appointment and re-election of directors;
- Induction procedures for new directors;
- Board performance evaluation; and
- Board and executive succession plans.

CEO and Other Senior Executives

(d) Board Committees

The ultimate responsibility for the oversight of the operations of the Company rests with the board. However, the board may discharge any of its responsibilities through committees of the board in accordance with the Company constitutions and *Corporations Act 2001* (Cth) (**Corporations Act**).

The board has established the following committees, to assist in the execution of its responsibilities. The composition and effectiveness of the committees are reviewed on an annual basis:

- Audit and Risk Committee; and
- Remuneration and Nomination Committee.

Each of these committees operate in accordance with specific charters approved by the board. These charters can be viewed on the Company's website.

The applicable composition requirements and current membership of each of the board committees are set out below:

Board Committee	Composition Requirements	Membership
Audit and Risk Committee	At least three members, all non-executive and the majority of whom are independent. The chairman should be a non-executive director. One member must also have financial expertise.	Bernie Campbell, Chairman of the Committee; Jonathan Pinshaw; Will Vicars; and Naseema Sparks.
Remuneration and Nomination Committee	At least three members, the majority of whom are non-executive independent. The Chairman should be an independent non-executive director.	Naseema Sparks, Chairman of the Committee; Bernie Campbell; Jonathan Pinshaw; and Will Vicars.

The number of board and committee meetings held during the financial year ended 30 June 2016 and the number of meetings attended by each of the existing directors is set out in the table below:

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Jonathan Pinshaw	13	13	5	5	2	1
Naseema Sparks	13	11	5	5	2	2
Will Vicars	13	11	5	3	2	1
Mark Bayliss	13	13	-	-	-	-
Bernie Campbell	13	12	5	5	2	2
Bernard Stanton (alternate director Will Vicars)*	2	1	2	2	1	1

A: Meetings eligible to attend B: Meetings attended

* The meetings recorded as unattended by Mr Vicars, were attended by Mr Stanton.

(e) The Company Secretary

The company secretary acts as secretary of the board and attends all meetings of the board and its committees, as required. The company secretary is accountable to the board through the chairman on all corporate governance matters and the proper functioning of the board.

(f) Diversity

In appointing members to the board, consideration is given to the skills, business experience and educational backgrounds of candidates. The advantage of having a mix of relevant business, executive and professional experience on the board, the importance of cultural and ethical values, and the benefits of diversity, including gender diversity, are also recognised. These factors are considered in any future appointments to the board addressing any identified skill 'gaps'.

The Remuneration and Nomination Committee oversees the director nomination process. Ultimately, the board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews, due diligence and reference checking of all candidates.

The Company board has one female non-executive director out of its five directors, Ms Naseema Sparks.

A formal Diversity Policy has been adopted by the board that outlines the Company's commitment to workplace diversity and the provision of a work environment that is free from discrimination and promotes equal opportunity for all. Grays promotes an inclusive workplace where employee differences in areas including gender, age, culture, disability and lifestyle choice are valued.

The unique skills, perspectives and experience that the Company's employees bring to the organisation encourage creativity and innovation to better represent Grays' diverse customer base, ultimately driving improved business performance.

The Diversity Policy does not include measurable objectives for achieving gender diversity as the Company has always had a policy of actively encouraging gender diversity at all levels in the organisation, and possessing a culture that supports workplace diversity.

In accordance with the requirements of the Workplace Gender Equality Act 2012, the Company has lodged its 2016 annual public report with the Workplace Gender Equality Agency. This can be found on the Company's website.

This report shows the Company's performance across a number of gender equality indicators as defined by the Act. These indicators include:

- Gender composition of the workforce;
- Gender composition of the governing bodies of the Company;
- Equal remuneration between women and men;
- Availability and utility of employment terms, conditions and practices relating to flexible working arrangements for employees and to working arrangements supporting employees with family or caring responsibilities; and
- Consultation with employees on issues concerning gender equality in the workplace.

The report outlines the following composition of the Company's workforce:

- The proportion of female non-executive directors: 25%
- The proportion of female managers as defined by the Workplace Gender Equality Act 2012: 23%
- The proportion of female non managers defined by the Workplace Gender Equality Act 2012: 30%

The board has considered the establishment of gender diversity targets and has agreed these would not be established at this time. This position will be re-considered during the 2017 financial year.

(g) Board and Director Performance

The board is committed to enhancing its effectiveness through performance management and review.

In July 2016, the board conducted a formal, structured evaluation that involved each director completing a confidential questionnaire covering the board's role, composition, processes and the carrying out of its responsibilities. The results of the questionnaire and an analysis of these results were reported to the board.

Results of the evaluation indicated that the role, function, procedures, working style, behaviours and administration of the board are highly effective, and that the board and each of the committees are performing well.

The evaluation identified that the high quality of interaction between board members and the relationship between the board and management and the board's strong understanding of the business were key factors in its effective function.

The evaluation process noted strengths, recommended improvements and identified areas for increased focus.

Non-executive directors' fees are outlined in their letters of appointment with remuneration reviewed on an annual basis.

(h) Senior Executives

The board delegates the responsibility for the day-to-day management of the Company to the Chief Executive Officer (**CEO**), who is assisted by the senior executives who report to him.

The CEO consults with the Chairman on any matters that the CEO considers are of such a sensitive, significant or strategic nature as to warrant the attention of the board, regardless of value. The authorisation thresholds for the control of expenditure and capital commitments are established and defined in the Company's Delegated Authorities Matrix, which are set to optimise the function and decision-making of the executive as the Company continues to grow and expand, whilst maintaining appropriate oversight by the board.

Subject to these policy limits and the directions of the Audit and Risk Committee, the CEO may sub-delegate the day-to-day running of the Company to the senior executive team. The exercise of delegated authority is restricted to specific organisational functions and roles, including: determining conditions of employment, the write-off of assets, instructing external advisers, property transactions, taxation payments and treasury transactions and dealings (contractual and otherwise) with other parties.

The Delegated Authorities Matrix details the delegated thresholds for various types of commitment and individual positions, as well as the authorisation processes required to be followed.

All senior executives are appointed to their positions after a thorough recruitment process. Each member of the senior executive team, including the executive director, have signed formal employment contracts at the time of their appointment, covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each contract refers to a specific formal job description. Each contract sets out the remuneration of the executive, including their entitlements to any rights under incentive plans.

(i) Performance of Senior Executives

The evaluation for all executives is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved, and the development of management and personnel.

The CEO's performance is formally assessed on an annual basis by the board. The Remuneration and Nomination Committee carefully considers all key performance indicators to assist in the evaluation of the CEO's performance and makes recommendations to the board.

An annual assessment of the performance of all other senior executives is undertaken by the board on the basis of recommendations by the CEO, who conducts performance reviews on each senior executive.

A performance evaluation for all senior executives, including the CEO, was undertaken in the 2016 financial year in accordance with the process disclosed above.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Annual Report under the heading "Remuneration Report".

Principle 2: Structure the board to add value

(a) Board Size and Composition

The Constitution of the Company provides there be a minimum of three directors and not more than seven directors.

At the date of this report, the board comprises four non-executive directors and one executive director.

Current board members are:

- Mr Jonathan Pinshaw (Chairman), (appointed 7 November 2014)
- Ms Naseema Sparks (Non-executive Director), (appointed 17 January 2014)
- Mr Will Vicars (Non-executive Director), (appointed 7 November 2014)
- Mr Bernie Campbell (Non-executive Director), (appointed 9 March 2015)
- Mr Bernard Stanton (Alternate Director for Mr Vicars), (appointed 17 November 2014)
- Mr Mark Bayliss (Executive Director and CEO), (appointed 7 November 2014)

The board considers the existing board structure is appropriate for the Company's current operations and stage of development.

Directors' details are listed in the Directors' Report in the Annual Report and include details of their listed entity directorships and experience. This information can also be found on the Company's website.

(b) Board Skills and Diversity

The board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The full biographies of all directors are included in the Directors' Report in the Annual Report.

In summary, the directors have a wealth of experience in strategy, operations, people and performance, finance, legal and compliance with all directors holding senior positions in other organisations prior to joining Grays.

Mr Bayliss has a strong operational background having previously been Group Chief Executive at Quick Service Restaurants, Partner at Anchorage Capital Partners and Executive Chairman at Antares Restaurant Group. Mr Bayliss is a member of the Institute of Chartered Accountants in England and Wales and was Chief Financial Officer at Fairfax Media, providing a positive addition to the board's financial skills.

Mr Campbell brings strong financial skills to the board through various positions in the finance industry including his current role as Managing Director, Asset Finance at Pepper Group Limited; a diversified finance group with offices in Australia, UK, Ireland, Spain, Hong Kong, China and Korea.

Having previously been the Australian Managing Director and a global partner of communications agency M&C Saatchi, Ms Sparks' experience in sales, marketing and technology are an asset to the board's current skill set. She also has strong experience in technology driven businesses disrupting traditional sectors. Ms Sparks' expertise is future focused opportunities and includes business strategy, marketing, media (traditional and digital), e-commerce and mobile payments platforms.

Mr Pinshaw's areas of experience include finance, ASX listed companies, CEO and management positions, public company chairmanships and corporate governance. Mr Pinshaw possesses an extensive corporate career in both the retail and investment sectors and has held non-executive director roles with a number of large public companies including Just Group (Chairman), Australian Consolidated Investments (Chairman), Fairfax Media (Deputy Chairman), James Hardie and Country Road. He has also chaired a number of private equity owned companies. Previous executive roles include Managing Director of public companies OPSM Group and Freedom Furniture as well as Chief Executive Officer roles with Gestetner Asia-Pacific and Brierley Investments Australia.

Mr Vicars has a strong investment background and is Chief Investment Officer at Caledonia (Private) Investments Pty Limited. He also sits on the board of a number of companies including Caledonia, DFO Investments and The Caledonia Foundation. He is vice-chairman and a non-executive director of St Luke's Hospital Foundation and a non-executive director of Oroton Group and Oneview. These positions highlight his mergers and acquisitions experience, financial and governance skills. Mr Vicars, along with Mr Bayliss, also brings to the board a wealth of Company history and knowledge having been involved with the Company when it was also a private entity.

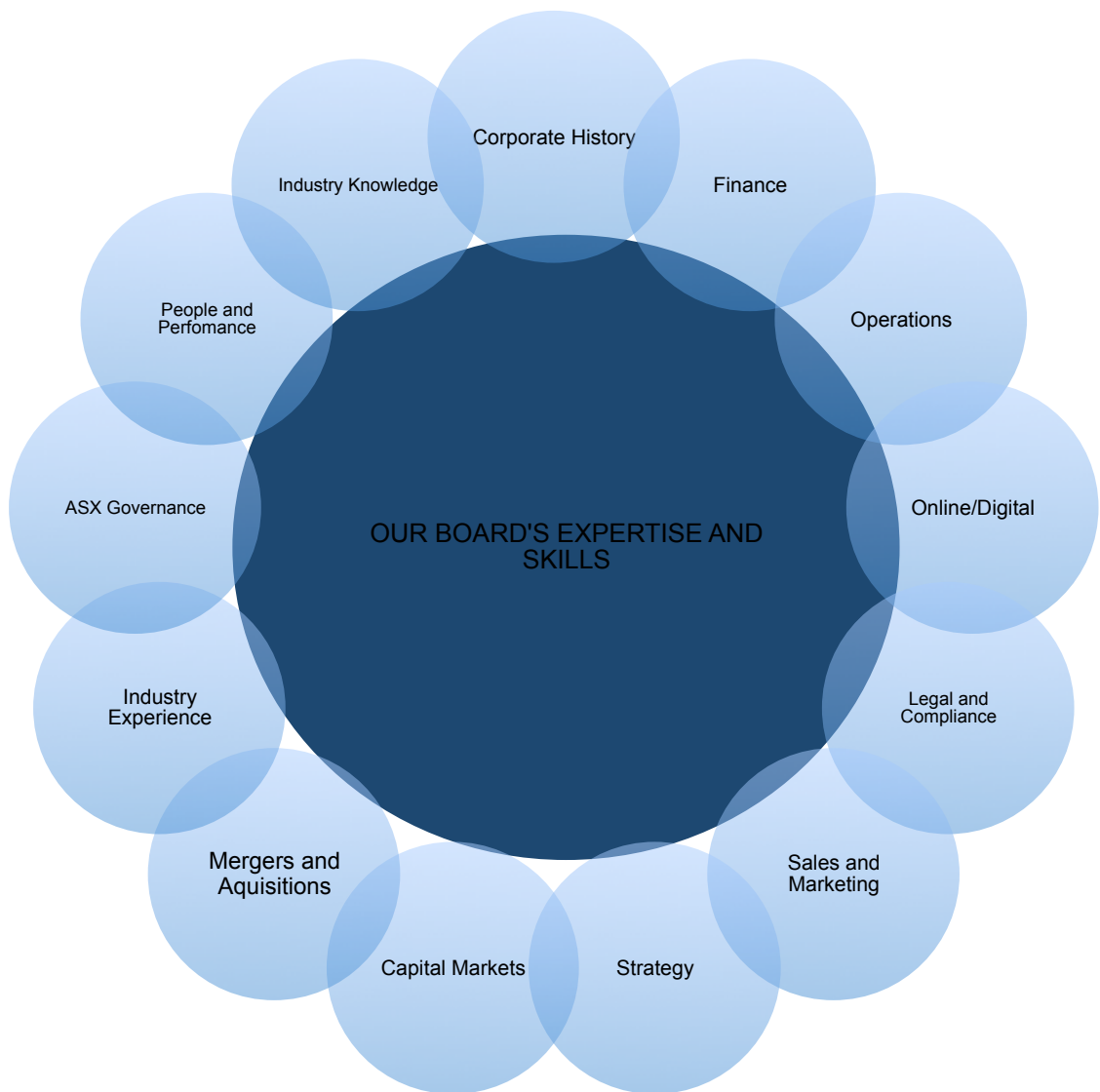
The accompanying diagram sets out the skills and experience considered by the board to be important for its directors to collectively possess. The information presented was extracted from the board's current skills matrix, reviewed and updated during the 2016 financial year.

Each of the small circles in the diagram represents a competency that the board believes it requires to effectively discharge its duties. The board via the use of its skills matrix has assessed the relevant level of each competency on the board and although collectively some competencies and skills have a higher expertise or skill level than others, the board is of the opinion that collectively it has an adequate skill level for all competencies to discharge its duties.

In addition to the skills and experience set out in diagram below, the board considers that each director has the following attributes:

- Honesty and integrity;
- The ability to think strategically;
- The time available to devote to the Grays business;
- A willingness to question and challenge; and
- A commitment to the highest standards of governance.

All directors are expected to use their range of relevant skills, knowledge and experience and to apply their judgement to all matters discussed at board meetings.



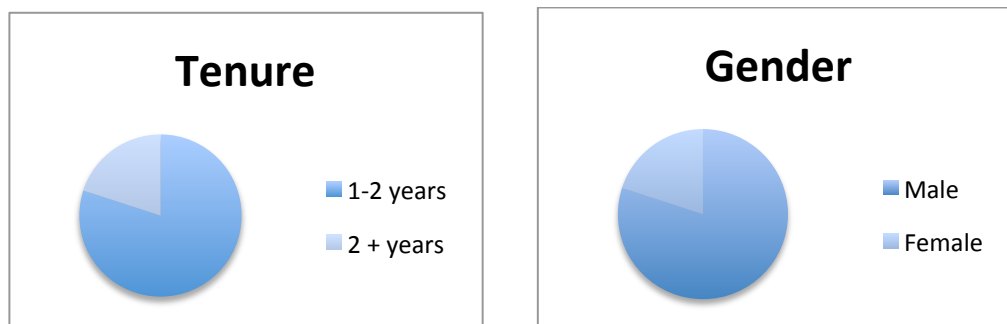
SKILL	DESCRIPTION
Strategy	Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions.
Finance	The ability to analyse financial statements and reporting, critically assess the financial performance of the Company, contribute to budget planning and efficient use of capital and resources.
Operations	A broad range of commercial and business experience in business systems, practices, improvements, risk and compliance, sales, technology and human resources.
Sales and Marketing	Clear understanding of developing and implementing sales and marketing teams and strategies, recruiting, running and incentivising sales teams, and setting sales budgets and targets.
Capital Markets	Expertise in considering and implementing efficient capital management including alternative capital sources and distributions, yields and markets.
Industry Experience	Experience and broad understanding of the technology healthcare and education markets in the Australia, including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
Mergers and acquisitions	Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments.
People and performance	Appreciation for the best practices in HR planning and management with familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management.
Industry Knowledge	Industry expertise and knowledge.
Legal and Compliance	Ability to identify key risks to the Company in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.
ASX Governance	Knowledge and experience in best practice ASX and Corporations Act, governance structures, policies and processes.
Online/Digital	Expertise in the analysis of online/digital feasibility and assessment, strategies for optimising value and understanding and mitigating risk from of online/digital opportunities.

Corporate History

The board has a good understanding of recent corporate background including organisational structure, litigation, key contracts and relationships, performance and capital structures.

Whilst the current board composition meets the Company's needs, this skills and experience analysis will assist to identify opportunities for director training and development and determine skills gaps to be addressed through future board appointments.

The board's tenure and gender diversity are depicted in the diagrams below.



The tenure of most existing directors is less than two years due to the restructures of the Company in January 2014 and again in November 2014.

(c) Director Appointments

Under the charter governing its delegated responsibilities, the Remuneration and Nomination Committee reviews and where appropriate, makes recommendations to the board on the size and composition of the board, including assessment of necessary and desirable competencies of board members. To this end, the Remuneration and Nomination Committee will periodically assesses the appropriate mix of competencies, skills, experience and expertise required by the board and assess the extent to which the required skills and experience are represented on the board.

The Remuneration and Nomination Committee is also responsible for reviewing and making recommendations to the board on its membership, including recommendations for the appointment and re-election of directors and where necessary, proposing candidates for consideration by the board. The Remuneration and Nomination Committee must have regard to the factors set out in the Remuneration and Nomination Committee Charter, including that the board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds in accordance with the Diversity Policy.

In accordance with the Company's Constitution, a director appointed by the board holds office until the conclusion of the next Annual General Meeting when they will be eligible for election at that meeting. The Remuneration and Nomination Committee's current membership is set out earlier in this statement and the independence of the members is discussed below.

(d) Director Remuneration and Induction

Non-executive director remuneration is reviewed on an annual basis.

A director induction program has been designed and directors are expected to participate in this induction and orientation program on appointment.

(e) Directors' Independence

The board has considered specific principles in relation to directors' independence. The board considers an independent director to be a non-executive director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles.

On an annual basis, the board assesses the independence of all directors against the criteria outlined in Box 2.3 of the third edition of the ASX Recommendations.

Mr Jonathan Pinshaw, Ms Naseema Sparks and Mr Bernie Campbell are considered by the Board to be independent. Under the ASX criteria Mr Will Vicars and Mr Bernard Stanton (Mr Vicars' alternate) are not considered independent as Mr Vicars is a director of a substantial shareholder of the Company, however, both bring an independent mind to all board deliberations. Mr Bayliss, by virtue of his executive appointment as CEO, is considered non-independent.

Based on this assessment the board has a majority of independent directors.

(f) Directors' Interests

Directors are required to keep the board advised of any interest that could be in conflict with those of the Company, and restrictions are applied to directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest could exist, directors concerned might be required to temporarily exit the board meeting and the matter considered in their absence.

The Company has also entered in to a deed of disclosure with each director, designed to facilitate the Company's compliance with its obligations under the ASX Listing Rules relating to the disclosure of changes in directors' interests and shareholdings. Directors and their nominated related party shareholdings are also monitored to identify changes that might require disclosure.

Standing items at each board meeting include:

- Directors' Shareholding Register; and
- Directors' Standing Notice Register.

(g) Chairman

The same individual does not occupy the role of Chairman and CEO. The board has agreed it should continue to have a majority of independent non-executive directors, that the positions of Chairman and CEO must be separate, and that the Chairman should be an independent non-executive director.

Mr Jonathan Pinshaw was appointed Chairman of the Company on 7 November 2014 and is considered an independent director in accordance with recommendation 2.5 of the ASX Recommendations.

(h) Board Meetings

The board typically schedules meetings on a monthly basis, with additional meetings convened as required. Agendas for each meeting are prepared by the CEO and Company Secretary with input from the Chairman and are distributed prior to the meeting with supporting papers.

Standing items include the CEO's Report, Financial Report and additional reports addressing matters of strategy, governance and compliance. Senior executives are directly involved in board discussions where required and directors have the opportunity to contact a wider group of Company employees.

(i) Independent Advice

The board has a policy of enabling directors to seek independent professional advice for Company related matters at the Company's expense, subject to the prior notification of the Chairman and where the estimated costs are considered to be reasonable.

Principle 3: Act Ethically and Responsibly

(a) Code of Conduct and Ethical Behaviour

The board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Company.

The board has endorsed a Code of Conduct (**Code**) that outlines 'acceptable behaviour' and attitudes expected from all staff to promote and maintain the confidence and trust of all those dealing with the Company.

The Code was established to ensure a high standard of ethical business behaviour is observed by all staff members and deals with issues including:

- Conflicts of interests;
- Insider trading;
- Whistleblowing;
- Gifts, Entertainment and Anti-bribery; and
- Handling of confidential information.

In addition to their obligations under the Corporations Act, all directors, employees and consultants have a duty of confidentiality to the Company regarding confidential information they possess.

The Code can be viewed on the Company's website.

(b) Employee and Director Trading in Grays Securities

The Company has a Security Trading Policy that governs the ability of directors, employee or contractor shareholders and employees to trade in the Company's securities. Subject to necessary prior written consents being obtained, the Company's directors, officers, other key management personnel, employee or contractor shareholders (**Designated Persons**) cannot trade in the Company's securities at any time during the following prohibited periods:

- From the day after Grays' half year end, being 1 January, to the close of trading on the business day after Grays' half yearly results are announced to the ASX;
- From the day after the financial year end, being 1 July, to the close of trading on the business day after Grays' annual results are announced to the ASX; and
- During any extension to the above closed periods, and during any additional prohibited periods, as specified by the board.

Designated Persons may, in exceptional circumstances as defined in the policy, trade in a prohibited period but only with the prior written consent of the chairman for directors and the company secretary for other applicable employees. Notwithstanding the prohibited periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Company that is not available in the public domain.

The policy also prohibits short term trading, margin lending, short selling and hedging of the Company's securities.

The Company's Securities Trading Policy can be viewed on the Company's website.

Principle 4: Safeguard integrity in corporate reporting

The Audit and Risk Committee is responsible for assisting the board in discharging its responsibilities to safeguard the integrity of the Company, the Company's financial reporting and the system of internal control. A key component of the Committee's role is to provide appropriate advice and recommendations to the board to assist the board to fulfil its responsibilities in regard to financial reporting, the internal control environment and audit management where appropriate across the Company.

The Audit and Risk Committee operates pursuant to a Charter (available on the Company website) that outlines the roles and responsibilities of the Audit and Risk Committee as well as contemporary governance practices. The Audit and Risk Committee Charter also includes details on the appointment and oversight of the external auditor. The Company will ensure the external auditor is available to shareholders at the Annual General Meeting to answer any questions they have about the Company's external audit.

The Audit and Risk Committee's current membership, the independence of the members and details of Audit and Risk Committee meetings and attendance by each committee member are set out earlier in this Corporate Governance Statement and the Directors' Report in the Annual Report.

The qualifications and experience of the members of the Audit and Risk Committee are outlined in the Directors Report in the Annual Report and below:

Mr Bernie Campbell (Chairman of the Committee): Bernie is the Managing Director, Asset Finance at Pepper Group, a diversified finance group with offices in Australia, UK, Ireland, Spain and Korea. He was previously Managing Director, Asset Finance at St George Bank, one of Australia's leading retail and business banking brands following the bank's acquisition of Capital Finance in 2013. Bernie was Managing Director of Capital Finance Australia, a financier of vehicles and heavy commercial equipment from 2008 to 2013, after initially joining the company in 1995. Bernie holds a Masters of Applied Finance from Macquarie University.

Mr Jonathan Pinshaw: Jonathan is an experienced board director and business leader. He has held Non-Executive director roles in a number of public companies including Just Group (Chairman), Australian Consolidated Investments (Chairman), Fairfax Media (Deputy Chairman), James Hardie and Country Road. He has also chaired a number of private equity owned companies. Previous executive roles include Managing Director of public companies OPSM Group and Freedom Furniture as well as CEO roles with Gestetner Asia-Pacific and Brierley Investments Australia

Mr Will Vicars: Will is Chief Investment Officer at Caledonia and sits on the boards of Caledonia, DFO Investments and The Caledonia Foundation. Will is Vice-Chairman and a non-executive director of St Luke's Hospital Foundation, and a non-executive Director of Oron Group and Oneview. Prior to Caledonia, Will worked as a Senior Portfolio Manager at NRMA Investments and at Bankers Trust.

Ms Naseema Sparks: Naseema is an experienced director with strong experience in technology driven businesses disrupting traditional sectors. Her expertise is future focused and includes business strategy, marketing, media (traditional and digital), e-commerce and mobile payments platforms. She was previously the Australian Managing Director and a global partner of communications agency M&C Saatchi.

In accordance with the Company's legal obligations and Recommendation 4.2 of the ASX Recommendations, Mark Bayliss (CEO) and John Martin (Chief Financial Officer) have made the following certifications to the board in relation to the Financial Statements for the financial period ended 30 June 2016:

- The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001, Corporations Regulations, International Reporting Standards and other mandatory professional reporting requirements;
- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at the balance date and performance of the Company for the period ended as required by Section 297 of the Corporations Act 2001;
- The financial records of the Company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- The integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board;
- The risk management and internal compliance and control systems of the company relating to financial reporting objectives are operating effectively, in all material respects; and
- Subsequent to the end of the financial period, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the Company.

Principle 5: Make timely and balanced disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring its shareholders are kept well-informed of all major developments affecting the Company's state of affairs, in order to promote transparency and investor confidence.

The Company has a Disclosure Policy that incorporates the continuous disclosure framework as set out in the ASX Listing Rules Chapter 3, as well as the revised ASX Listing Rules Guidance Note 8. This policy is available on the Company's website.

The Disclosure Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of the board for achieving compliance. More specifically, it:

- Explains the Company's obligations under ASX Listing Rule 3.1 and the Corporations Act;
- Establishes internal processes for reporting of information considered to be potentially price-sensitive and for consideration of information reported by the board;
- Establishes processes for the disclosure of price sensitive information, taking into account ASX Guidance Note 8;
- Establishes internal processes for briefing of analysts, investor and media companies, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market; and
- Appoints the company secretary as the person responsible for communication with the ASX in relation to listing rule matters and for general administration of the policy.

Principle 6: Respect the rights of security holders

The board aims to ensure that its shareholders are kept well-informed of all major developments and business events that are likely to materially affect the Company's operations and financial standing and the market price of its securities. Information is communicated to shareholders through:

- The Company's website under the 'Investor Information' tab;
- Annual and half year financial reports lodged with the ASX and made available to all shareholders;
- Announcement of market-sensitive and other information, including annual and half year results announcements and analyst presentations released to the ASX; and
- The Chairman and CEO addresses to, and the results of, the Annual General Meeting.

The Company's website contains a large amount of information for investors and this is primarily contained in the 'Investor Information' tab including:

- Share Price details;
- ASX releases;
- Shareholder reports;
- Media presentations;
- Corporate Governance information – including charters and policies; and
- Contact information.

The 'About' tab also contains general Information about the Company and its activities and the 'Board of Directors' tab introduces the directors. Corporate contact information is also located on the website.

The Company has a Continuous Disclosure Policy that includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how the Company meets its disclosure obligations under ASX Listing Rule 3.1. The Company's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and half year result announcements and analyst presentations, as soon as practically possible.

The Company produces two sets of financial information each financial year: the half year financial report for the six months ended 31 December and the annual financial report for the year ended 30 June. Both are made available to shareholders and other interested parties via the Company website and the ASX.

Shareholders have the right, and are encouraged, to attend the Company's Annual General Meeting, usually held in November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on the Company website and lodged with the ASX.

In addition, a document is enclosed with the notice of meeting to invite shareholders to submit questions of the board, auditors or management, which are then addressed at the meeting.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the Annual General Meeting are encouraged to lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry electronically, by mail, hand delivery or by facsimile.

Transcripts of the Chairman and CEO's addresses to shareholders are also released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the meeting results, are also posted on the Company website and the ASX.

The Company has developed, in consultation with an Investor Relations consultant, a program for appropriate engagement with investors, analysts and brokers. This plan will continue to evolve with the strategy of the Company.

The Company's Disclosure Policy outlines the processes to be followed by the Company to ensure communication with shareholders and the investment community is effective, consistent and adheres to the principles of continuous disclosure. The Disclosure Policy also outlines requirements for communications with analysts and investors to ensure communications are effective and comply with the Company's continuous disclosure obligations.

Shareholders are provided with the option to receive communications from, and send communications to, the Company and the security registry electronically.

Principle 7: Recognise and manage risk

(a) Risk Management Framework

The board is responsible for ensuring that sound risk management strategy and policies are in place. The board has delegated to the Audit and Risk Committee the responsibility for identifying and overseeing major risks and ensuring that systems are in place to manage them.

In addition, the Audit and Risk Committee:

- Identifies and assesses the Company's material business risks;
- Regularly reviews and updates the Company's risk profile; and
- Oversees the risk management policies and systems.

The Audit and Risk Committee undertook a review of the risk management framework and the identification of risk within all business operations during the year. The committee was assisted in this review by the engagement of an external consultant. A risk policy and risk matrix were developed and these are reviewed by the Audit and Risk Committee periodically. The most recent review was in May 2016.

The Audit and Risk Committee's current membership and the independence of the members are set out earlier in this statement. Details of Audit and Risk Committee meetings and attendance by each Committee member are also outlined earlier in this statement and in the Directors' Report contained in the Annual Report.

(b) Internal Audit

The Company does not have an internal audit function as the board considers the Company not of the size to warrant such a function.

The Company's risk management framework is integrated with its day-to-day business processes and functional responsibilities. Risks are monitored and managed by management reporting to the Audit and Risk Management Committee on such matters.

(c) Economic, Environmental and Social Sustainability Risks

In accordance with Recommendation 7.4, the Audit and Risk Committee has considered whether the Company has material exposure to economic, environmental and social sustainability risks and determined there is no material exposure to these risks.

Principle 8: Remunerate fairly and responsibly

The board has delegated responsibility for remuneration activities to the Remuneration and Nomination Committee. These duties and responsibilities are outlined in the committee's Charter available on the Company's website.

The Remuneration and Nomination Committee's current membership and the independence of its members are set out earlier in this Corporate Governance Statement. Details of Remuneration and Nomination Committee meetings held and attendance by each Committee member are outlined earlier in this statement and in the Directors' Report contained in the Annual Report.

The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Grays' policy is to reward executives with a combination of fixed, performance-based and equity-based incentives. In relation to ASX Recommendation 8.3, the Company's Security Trading Policy prohibits employee shareholders (which includes those that have obtained shares via the equity-based remuneration scheme) short-term trading, margin lending, short selling and hedging of the Company's securities.

Non-executive directors receive board fees that are established having regard to the responsibilities and risks of the role and market competitiveness.

For details of the Company's remuneration structure, please refer to the Remuneration Report contained within the Annual Report.

Adopted by a resolution of the board on 22 August 2016.