



# Corporate Governance Statement

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this Corporate Governance Statement.

The Board adopted the 3<sup>rd</sup> edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**) from 7 August 2015. This Corporate Governance Statement as required by ASX Listing Rule 4.10, reports within the framework of the 3<sup>rd</sup> edition ASX Principles. Where the Company's corporate governance practices have not followed the ASX Principles, the Board has provided its reasons for not following the ASX Principles and disclosed what, if any, alternative practices the Company has or will adopt instead of those in the ASX Principles.

This Corporate Governance Statement is current as at

13 August 2018 and was approved by the Board and is available on the Company's website at: [www.capilanooney.com/au-en/corporate](http://www.capilanooney.com/au-en/corporate)

The following governance-related documents referenced in this Corporate Governance Statement can be found on the Company's website at: [www.capilanooney.com/au/corporate](http://www.capilanooney.com/au/corporate)

## Charters

- Board
- Audit & Compliance Committee
- Human Resources, Remuneration & Nomination Committee
- Honey Supply & Industry Committee

## Policies

- Code of Conduct
- Continuous Disclosure and Shareholder Communications
- Diversity
- Evaluation of the Board
- Independence of Directors
- Privacy
- Securities Trading
- Selection, Appointment and Election of Directors
- Whistleblower

## Principle 1: Lay solid foundations for management and oversight

### ASX Principles Recommendation 1.1

The Company has established the functions reserved to the Board, the Managing Director and Senior Executives and these are set out in the Board Charter.

The Board is responsible for promoting the success of the Company through its key functions of:

- defining the strategic direction for the Company and monitoring implementation;
- overseeing the management of the Company;
- appointing the Chairman;
- appointing and removing the Managing Director, General Manager Finance and Company Secretary;
- overseeing the overall corporate governance of the Company;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- monitoring the financial performance of the Company and approving the annual budget of the Company;
- reviewing and monitoring systems of risk management, codes of conduct and legal compliance;
- monitoring compliance with all of the Company's legal and regulatory obligations; and
- ensuring the Board is appropriately skilled.

The Board has delegated authority and responsibility to the Managing Director for running the affairs of the Company and to implement the policies and strategy approved by the Board.

Senior Executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

The functions delegated to the Managing Director and Senior Executives are set out in the Board Charter.

### ASX Principles Recommendation 1.2

In determining candidates for the Board, the Human Resources, Remuneration & Nomination Committee follows a prescribed process where it will evaluate the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Human Resources, Remuneration & Nomination Committee identifies the particular skills and diversity that will best increase the Board's effectiveness.

Consideration is also given to the balance of independent Directors. Potential candidates are identified and, if relevant, the Human Resources, Remuneration & Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to approval by shareholders.

At the commencement of the Non-Executive Director selection process, the Company undertakes appropriate checks on potential candidates to consider their suitability to fill a casual vacancy on the Board or for election as a Non-Executive Director.

Prior to appointment, candidates are required to provide the Chairman with details of other commitments and an indication of time involved, and to acknowledge that they will have adequate time to fulfil his or her responsibilities as a Non-Executive Director of the Company.

Directors available for re-election at a general meeting are reviewed by the Human Resources, Remuneration & Nomination Committee and recommended to the Board. Directors are re-elected in accordance with the Company's Constitution and the ASX Listing Rules. Shareholders are provided with all material information for a Director's election in the Notice of Meeting that is relevant for shareholders to make a decision on whether or not to elect or re-elect a Director, such as the Director's qualifications, experience and contribution to the Board.

### ASX Principles Recommendation 1.3

Newly appointed Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment. Additionally, the Company enters into employment contracts with each newly employed Senior Executive, setting out in further detail the responsibilities specifically delegated to them.

### ASX Principles Recommendation 1.4

The Company Secretary is accountable directly to the Board through the Chair on all matters to do with the proper functioning of the Board. The responsibilities of the Company Secretary are set out in the Board Charter.

### ASX Principles Recommendation 1.5

The Company reports its measurable objectives set for the reporting period, its progress for achieving them as at 30 June 2018; and targets set for 30 June 2019:

	Objective 2017/18	Actual 2017/18	Target 2018/19
Number of women on the Board	30%	25%	30%
Number of women in Senior Executive <sup>1</sup> positions	50%	43%	50%
Number of women in Management positions	30%	50%	50%
Number of women employees in the whole organisation	45%	42%	45%

The table below outlines the proportion of women and men employed by the Company as at 30 June 2018:

	Women		Men	
Board	2	25%	6	75%
Senior Executives <sup>1</sup>	3	43%	4	57%
Managers <sup>2</sup>	5	50%	5	50%
Whole Organisation	64	42%	87	58%

For the purpose of the above Diversity calculations:

<sup>1</sup> Senior Executives - includes all employees who report directly to the Managing Director on the Organisational Chart.

<sup>2</sup> Managers – includes all employees in the first tier of management for each Department and Site.

### ASX Principles Recommendation 1.6

The Board has the overall responsibility for evaluating the performance of the Board as a whole, the Board Committees and individual Directors. The process employed by the Board for performance evaluation involves completion of Board Self-Assessment forms, Board Peer Review forms, a Chairman's Assessment form and a Managing Director's Assessment form. The Managing Director's performance is reviewed annually by the Board against achievement of set financial performance objectives based on half year and full year results, leadership and business operations.

Measures against which the performance of the Board, its Committees and individual Directors will be measured include:

- assessment of the skills, performance and contribution of individual members of the Board;
- the performance of the Board as a whole and of its various committees;
- awareness of Directors of their responsibilities and duties as Directors of the Company and of corporate governance and compliance requirements;
- awareness of Directors of the Company's strategic direction;
- understanding by the Directors of the Company's business and the industry and environment in which it operates; and
- avenues for continuing improvement of Board functions and further development of Director skill base.

The Board undertakes a performance evaluation of the Board and its Committees at least annually. During the reporting period, the Board conducted a performance evaluation using the aforementioned forms, following which, the Board conducted a round-table discussion on the results of the performance evaluation.

### ASX Principles Recommendation 1.7

The Managing Director and the Board evaluate the performance of Senior Executives biannually. The Managing Director meets with each Senior Executive individually on a six-monthly basis to review performance against the Senior Executive's responsibilities as outlined in his or her contract with the Company and reports this to the Board.

During the reporting period, performance evaluations were conducted for the Senior Executives in accordance with the processes outlined above. The outcome of the performance evaluations were reported to the Human Resources, Remuneration & Nomination Committee to consider remuneration changes based on Senior Executive performance and external benchmarking recommendations. Subsequently, these recommendations were recommended to the Board for approval.

## Principle 2: Structure the board to add value

### ASX Principles Recommendation: 2.1

The Board has a Human Resources, Remuneration & Nomination Committee comprising Mr Simon Tregoning (Chairman), Mr Trevor Morgan, Mr Phillip McHugh and Ms Valentina Tripp, all of whom are Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director.

The Company has a Human Resources, Remuneration & Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Human Resources, Remuneration & Nomination Committee.

A profile of each of the Human Resources, Remuneration & Nomination Committee members and their attendance at Human Resources, Remuneration & Nomination Committee meetings during the reporting period are set out in the Directors' Report.

### ASX Principles Recommendation: 2.2

The Human Resources, Remuneration & Nomination Committee assists the Board in developing a Board skills matrix to identify and assess necessary and desirable Director skills and competencies, and provide advice to the Board on the skills and competency levels of Directors with a view to enhancing the Board composition.

The Board considers that the current directors collectively possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's strategic priorities.

Key skills and competencies include:

- Specific Industry Knowledge: Honey Supply, Fast Moving Consumer Goods, Packaging, Retail and Export.
- Technical & Professional Skills: Strategic Planning, Finance, Business Development and Brand Marketing.
- Risk, Governance & Compliance: ASX Regulations, Corporate Compliance and Risk Management.

To the extent that any additional skills are not directly represented on the Board, they are augmented through management and external advisors.

### ASX Principles Recommendation: 2.3

For the reporting period, the independence of Directors was measured having regard to the Company's Policy on Independence of Directors.

The following sets out the Directors of the Company during the reporting period, including their length of service and non-executive and independent status.

- **Mr Trevor Morgan, FAICD**  
Chairman
  - Foundation Shareholder's appointed Beekeeper  
Director since: 26 November 2010
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 20 years and 5 months
  - Director since: 4 February 1998
  - Deputy Chairman: 1 October 2004 - 7 October 2005
  - Chairman since: 7 October 2005

- **Mr Phillip McHugh**, Deputy Chairman
  - Foundation Shareholder's appointed Beekeeper
  - Director since: 26 November 2010
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 24 years and 9 months
  - Director since: 8 October 1993
  - Deputy Chairman since: 6 November 2007
- **Dr Benjamin McKee**, B.Agric.Sci (Hons), PhD, GAICD Managing Director
  - Independent: No
  - Non-Executive: No
  - Length of Service: 15 years and 4 months
  - Managing Director since: 31 May 2013
- **Mr Robert Newey**, GAICD Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 5 years and 7 months
  - Director since: 23 November 2012
- **Mr Brian O'Donnell**, B. Com, FCA Director
  - Independent: No
  - Non-Executive: Yes
  - Length of Service: 1 year and 7 months
  - Director since: 9 December 2016
- **Mrs Julie Pascoe**, BA (Syd), Grad Dip Mktg, FAICD, QPMR (AMSRS), GIA (Cert) Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 1 year and 9 months
  - Director since: 7 October 2016
- **Mr Simon Tregoning**, B.Com, FAICD Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 12 years
  - Director since: 1 July 2006
- **Ms Valentina Tripp**, MBA, B.Com, CPA, MAICD Director
  - Independent: Yes
  - Non-Executive: Yes
  - Length of Service: 2 months
  - Director since: 1 May 2018

The current Board has eight Directors comprising one Executive Director, six Independent Non-Executive Directors and one Non-Executive Director.

Mr Trevor Morgan, Mr Phillip McHugh and Mr Simon Tregoning were appointed as Directors prior to the listing of the Company on 9 July 2012. The Board does not consider the length of service of the Directors to compromise the independence of the Directors.

The Foundation Shareholder (as defined in the Company's Constitution) of the Company i.e. Capilano Beekeepers Ltd is entitled to appoint two Directors on the Board of the Company referred to as the Beekeeper Directors. Currently, Mr Trevor Morgan and Mr Phillip McHugh are the Beekeeper Directors.

#### ASX Principles Recommendation 2.4

The Board has a majority of Directors who are independent. The Company's Managing Director, Dr Benjamin McKee and Mr Brian O'Donnell are the only non-independent Directors on the Board.

#### ASX Principles Recommendation 2.5

The Chairman of the Board, Mr Trevor Morgan is an Independent Non-Executive Director, and is not the same person as the Managing Director of the Company.

#### ASX Principles Recommendation: 2.6

New Directors undergo a formal induction program in which they are given a full briefing on the Company, its operations and the industry in which it operates. This includes meeting members of the existing Board, Company Secretary and the Senior Management for new Directors to familiarise themselves with the Company and Board practices and procedures. The Board, with the assistance of the Company Secretary, is responsible for reviewing induction procedures for newly appointed Directors to facilitate their ability to discharge their responsibilities.

To achieve continuing improvement in Board performance and to enhance the skills of Board members, all Directors have access to ongoing education and professional development. On a periodic rotational basis, different parts of the business are required to present to the Board and Committees key developments in the Company and in the industry and environment in which it operates.

### Principle 3: Promote ethical and responsible decision making

#### ASX Principles Recommendation 3.1

##### • Code of Conduct

The Company has a Code of Conduct that establishes the standards of behaviour expected of the Directors, employees, contractors and consultants (Personnel) of the Group when dealing with each other, shareholders, other stakeholders and the broader community.

The Code of Conduct prescribes the practices necessary to maintain confidence in the Company and its subsidiaries' integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board monitors implementation of the Code of Conduct. Any breach of compliance with the Code of Conduct is to be reported directly to the Company Secretary, the Managing Director, or the Chairman. Anyone breaching the Code of Conduct may be subject to disciplinary action, including termination.

##### • Securities Trading Policy

The Securities Trading Policy applies to all Personnel. The Securities Trading Policy prohibits Personnel and officers from dealing in the Company's securities while in possession of price-sensitive or inside information.

In addition, Key Personnel (as defined in the Securities Trading Policy), are prohibited from dealing in Company's Securities (subject to exceptional circumstances) during certain prohibited periods (black out periods as defined in the Securities Trading Policy) and may deal in the Company's securities during periods outside of the black out periods, subject to approval requirements as outlined in the Securities Trading Policy.

Key Personnel are prohibited from entering into hedging arrangements or otherwise permitting a grant of a charge over the Company's Securities.

Senior Executives and Non-Executive Directors are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration plan currently in operation or which may be offered by the Company in the future.

## Principle 4: Safeguard integrity in financial reporting

### ASX Principles Recommendation 4.1

The Board has an Audit & Compliance Committee comprising Mr Robert Newey (Chairman), Mr Brian O'Donnell and Mrs Julie Pascoe, the majority of whom are independent Non-Executive Directors and chaired by an Independent Non-Executive Director who is not the Chairman of the Board.

The Company has an Audit & Compliance Committee Charter which describes its role, composition, functions and responsibilities of the Audit & Compliance Committee.

All Audit & Compliance Committee members consider themselves to be financially literate and have industry knowledge.

A profile of each of the Audit & Compliance Committee members and their attendance at Audit & Compliance Committee meetings during the reporting period are set out in the Directors' Report.

### ASX Principles Recommendation 4.2

Prior to Board approval of the half-year and annual financial statements, the Managing Director and the General Manager Finance must provide a declaration to the Board in accordance with section 295A of the *Corporations Act 2001 (Cth)* and the statement under Recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2018, the Managing Director and General Manager Finance provided the Board with declarations that, in their opinion, the financial records of the Company had been properly maintained and that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

An equivalent declaration will be given by the Managing Director and General Manager Finance for the half-year ended 31 December 2018.

### ASX Principles Recommendation 4.3

The Company's external auditor attends each Annual General Meeting (AGM) and is available to answer shareholder questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. The Company believes this is important in both promoting and encouraging shareholder participation in the meeting and providing balanced and understandable information. The Company also considers that this reflects and underlines the role of the auditor and the auditor's accountability to shareholders.

## Principle 5: Make timely and balanced disclosures

### ASX Principles Recommendation 5.1

The Board has a Continuous Disclosure and Shareholder Communications Policy to ensure the Company's compliance with its disclosure obligations under the *Corporations Act 2001 (Cth)* and ASX Listing Rules. The Continuous Disclosure and Shareholder Communications Policy outlines the procedures that apply to the central collection, control, assessment and if required, release to ASX, of material information.

The only persons authorised to speak to ASX or externally (such as analysts, investors, brokers or shareholders) in relation to the Company are the:

- Chairman;
- Managing Director;
- Company Secretary; and
- General Manager Finance

## Principle 6: Respect the rights of shareholders

### ASX Principles Recommendation 6.1

The Board is committed to providing shareholders with sufficient information to enable them to assess the performance of the Company, and to inform shareholders of major developments affecting the state of affairs of the Company. Information is

communicated to shareholders by lodging all relevant financial and other information with the ASX and publishing information on the Company's website, [www.capilanooney.com/au/corporate](http://www.capilanooney.com/au/corporate)

The Company's corporate website contains an overview of the Company's profile and business. The following Company and governance information is available on the website:

- Annual Reports;
- ASX announcements;
- Board and Committee Charters and Policies;
- Board and Management profiles;
- Company profile;
- Key dates; and
- Share price information.

### ASX Principles Recommendation 6.2

The Company will hold its AGM on 15 November 2018 and the Chairman, Managing Director and Company Secretary will engage with shareholders in advance of the AGM, as appropriate.

Should shareholders wish to contact the Company, the contact details of the Company and its Share Registry (refer to Recommendation 6.4) are available on the Company's website.

The Company recognises the importance of its relationships with investors and analysts. The Managing Director is the primary contact for communicating with the investment community. Further details are contained in the Continuous Disclosure and Shareholder Communications Policy.

### ASX Principles Recommendation 6.3

To encourage shareholder engagement and participation at the AGM, shareholders have the opportunity to attend the AGM, ask questions on the floor, participate in voting and meet the Board and Management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the Notice of Meeting. Shareholders have the opportunity to submit written questions to the Company and external auditor, or make comments on the management of the Company and access AGM presentations and speeches made by the Chairman and Managing Director prior to the commencement of the meeting. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

### ASX Principles Recommendation 6.4

Shareholders have the option of receiving all shareholder communications (including notification that the Annual Report is available to view, Notices of Meeting and dividend payment statements) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all shareholders.

The Company and Share Registry's contact details are available on the Company's website. Shareholders have the option of contacting the Company and Share Registry via email.

## Principle 7: Recognise and manage risk

### ASX Principles Recommendation 7.1

During the reporting period, the Company's risk function and responsibilities were allocated to the Audit & Compliance Committee comprising Mr Robert Newey (Chairman), Mr Brian O'Donnell and Mrs Julie Pascoe. A majority of the Committee members are Independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director.

The Company has adopted an Audit & Compliance Committee Charter which describes its role, composition, functions and responsibilities.

A profile of each of the Audit & Compliance Committee members and their attendance at Audit & Compliance Committee meetings during the reporting period are set out in the Directors' Report.

### ASX Principles Recommendation 7.2

During the reporting period, the Board, through the Audit & Compliance Committee, conducted a biannual review of the Company's risk management framework and is satisfied that it continues to be sound.

### ASX Principles Recommendation 7.3

During the reporting period, the Company did not have an internal audit function given the size and scale of operations of the Company. The Company has in place policies and procedures in relation to internal control and internal processes. The external auditor carries out an analysis and gives the Audit & Compliance Committee an appraisal every six months of the adequacy and effectiveness of the internal processes and the internal control system.

### ASX Principles Recommendation 7.4

The Board recognises that material risks facing the Company are the more significant areas of uncertainty or exposure to the Company that could adversely affect the achievement of the Company's objectives and successful implementation of its business strategies.

The material risks facing the Company are as follows:

- apiculture industry;
- access to honey supply at required volume, quality and price;
- bulk export sales;
- climatic conditions;
- counterparty risk;
- change in consumer behaviour and perceptions;
- funding;
- general economic conditions;
- hedging;
- industrial action;
- low barriers to entry;
- market concentration;
- overseas activities and conditions;
- price competition;
- product concentration;
- product contamination; and
- regulatory issues.

The Board will consider these material risks as part of its periodic risk management review, on an as required basis upon advices from Audit & Compliance Committee and/or Senior Management.

## Principle 8: Remunerate fairly and responsibly

### ASX Principles Recommendation 8.1

The Board has a Human Resource, Remuneration & Nomination Committee (HRRN) comprising Mr Simon Tregoning (Chairman), Mr Trevor Morgan, Mr Phillip McHugh and Ms Valentina Tripp. A majority of the Committee members are independent Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director.

The Company has adopted a Human Resource, Remuneration & Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Human Resource, Remuneration & Nomination Committee.

A profile of each of the Human Resource, Remuneration & Nomination Committee members and their attendance at Remuneration Committee meetings during the reporting period are set out in the Directors' Report.

### ASX Principles Recommendation 8.2

The Company's policy is to remunerate Non-Executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. The maximum aggregate amount of fees (excluding superannuation payments) that can be paid to Non-Executive Directors is subject to approval by shareholders. There are no termination or retirement benefits for Non-Executive Directors other than for superannuation entitlements.

Senior Executives are given the opportunity to receive their base remuneration in a variety of forms, including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient whilst controlling costs for the Company. To assist in achieving these objectives, the HRRN Committee links the nature and amount of Senior Executives' remuneration to the Company's financial and operational performance.

In addition, the following remuneration incentive plans are in place:

- incentive plans – established by the Directors to enable executives and key employees to earn bonus payments as rewards for the achievement of business performance and growth targets. The incentive plans assist in motivating, retaining and recruiting skilled and talented people; and
- short term plans (annual) – the Managing Director, Senior Executives and key employees participate in a performance-based annual incentive plan approved by the Board whereby they can earn annual bonuses based on the achievement of operational targets during a financial year. Operational targets include achievement of specified results by individual employees within their areas of responsibility, coupled with overall business results.
- long term incentive plan (LTI) – approved by Shareholders at the 2016 AGM to provide eligible employees with an additional incentive to improve company performance; attract, retain and motivate eligible employees that are essential for the continued growth and development of the company; promote and foster loyalty and support for the benefit of the company; enhance the relationship between the company and eligible employees for the long term mutual benefit of all parties; and provide eligible employees with the opportunity to acquire options in the company as part of the remuneration for their services.

The LTI provides for the granting of options to eligible employees on terms determined by the Board at the time of the offer, in line with the LTI Plan Rules.

The Managing Director is currently the only participant of a LTI.

Key Management personnel's remuneration is detailed in the Annual Report's Remuneration Report and reviewed annually by the Board.

Details of remuneration, including the Company's policy on remuneration, are contained in the Annual Report's Remuneration Report which forms part of the Directors' Report. The Company's remuneration policies are reflected in the Company's Reward Philosophy (as set out at the start of the Remuneration Report).

### ASX Principles Recommendation 8.3

Directors and Senior Executives are not permitted to enter into transactions with securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme which may be offered by the Company at any time in the future.