

**THORN GROUP LIMITED AND ITS CONTROLLED ENTITIES ACN 072 507 147 CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

**CORPORATE GOVERNANCE STATEMENT**

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

**BOARD OF DIRECTORS**

*Role of the Board*

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, management information system, legal and compliance frameworks. It is also responsible for approving and monitoring financial, regulatory and other reporting.

In order to ensure that the Board functions and responsibilities are clearly identified, the Company has adopted a formal Board Charter.

A copy of the Board Charter is located on the Company's website ([www.thorn.com.au](http://www.thorn.com.au)).

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and Chief Executive Officer and executive management. Responsibilities are delineated by formal authority delegations.

The Company Secretary is accountable to the Board, through the Chair of the Board, on all matters relating to the proper functioning of the Board.

*Board Processes*

To assist in the execution of its responsibilities, the Board has established an Audit Committee, Risk and Compliance Committee and a Remuneration and Nomination Committee and such other ad hoc committees as are deemed necessary to discharge the responsibilities of the Board. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The Board has also established a framework for the management of the Company including a system of internal control, an enterprise risk management framework and the establishment of appropriate ethical standards.

The full Board currently holds 7 scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. The Board Charter requires the full Board to meet at least once per year to review the performance of the directors, committees, and senior executives, as well as, the relationship between the Board and management and matters of general corporate governance.

The agenda for Board meetings is prepared in conjunction with the Chair, Managing Director and Company Secretary. Standing items include business performance and operations, strategic matters, governance and policy, and continuous disclosure. Submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

*Director and Executive Education*

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy, the culture and values of the Company, and the expectations of the Company concerning performance of directors. In addition, Directors are also educated regarding meeting arrangements and director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit the Company's facilities and meet with management to gain a better understanding of business operations.

Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

#### *Independent Professional Advice and Access to Company Information*

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chair, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chair's approval of the fee payable for the advice before proceeding with consultation. A copy of the advice received by the director is made available to all other members of the Board.

#### *Composition of the Board*

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the directors' report. The composition of the Board is determined using the following principles:

- a minimum of three directors, with a broad range of expertise both nationally and internationally;
- a majority of independent non-executive directors;
- a majority of directors having extensive knowledge of the Company's industries, and/or extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- a non-executive independent director as Chair; and
- directors are subject to re-election every three years (except for the Managing Director).

The Board considers the mix of skills and diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential directors' skills to ensure they have appropriate industry expertise in the Company's operating segments.

#### **BOARD SKILLS MATRIX**

The Directors have been appointed by assessing their range of personal and professional experiences, skills and expertise. The Board seeks to achieve an appropriate mix of skills, diversity and tenures, including a significant understanding of the sectors in which Thorn operates, including any future strategic directions, as well as corporate management and operational, financial and regulatory matters.

For the year ended 31 March 2019 the Directors contribute the skills and experience in the following categories, identified for Thorn as important to drive shareholder value and to address the issues affecting the Company:

<b>Category of skills and experience</b> [Number of Directors – 4* Non-Executive Directors and 1 Executive Director]	<b>Number of Directors with strong skills in this category</b>
<b>Board &amp; Governance</b>	3
<b>Operations Management</b>	3
<b>Financial Acumen</b> e.g. Accounting, Finance, Capital Management, Debt funding, M & A	2
<b>Financial Services</b>	2
<b>HR Management/Remuneration</b> e.g. Culture, Diversity, Talent	2
<b>Information Technology</b>	2
<b>Legal/Regulatory Policy/Risk Management</b>	2
<b>Retail</b> e.g. Market <b>Customer Relations Management</b> e.g. Customer, Data, Insights	2
<b>Strategy</b>	5

*\*There were 5 Non-Executive Directors until 1 June 2018*

The Board Skills Matrix has been developed on the basis of identifying the most important values that each Director believes he/she specifically contributes to the Board. The Matrix is also intended to provide information to investors as to the range of skills and experience that the Board believes are necessary to address changes to the business and governance issues.

On a collective basis, the Directors have the range of skills, knowledge and experience necessary to direct the Company. The core strengths are seen as being in Strategy, Operations Management and Board and Governance. In all categories, the Directors have experience and a reasonable level of knowledge to be able to contribute to the Board on a broad range of matters. The criteria used to determine the skills needed are based on the evolving nature of the

business matched to the level of experience that each Director has brought to the Company.

The Board considers the diversity of existing and potential directors to ensure they are in-line with the geographical and operational segments of the Company.

The Board Skills Matrix is reviewed on an annual basis with further reference to the skills and experience required when a new Director is being sought and appointed.

An independent director is a director who is not a member of management (a non-executive director) and who:

1. holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
2. has not within the last three years been employed in an executive capacity by the Company or a related body corporate or has become a director within three years of ceasing to hold any such employment;
3. does not receive performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of the Company;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Company member or an employee materially associated with the service provided;
5. is not a material supplier, or material customer, or a partner in or controlling shareholder, or executive officer, of a material supplier or material customer of the Company or a related body corporate;
6. has no material contractual relationship with the Company or a related body corporate other than as a director of the Company;
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
8. does not have close family ties with any person who falls into any of the categories described above.

The Board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least ten per cent of the relevant segment's or the director-related business' revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold (refer Note 20).

Applying these criteria, the Board is satisfied that David Foster, Stephen Kulmar, Belinda Gibson and Andrew Stevens are independent. In accordance with the ASX Corporate Governance Guidelines, the Chair is an independent director, and the positions of Managing Director and Chair are held by different directors.

#### **REMUNERATION AND NOMINATION COMMITTEE**

The Remuneration and Nomination Committee has a documented charter, approved by the Board. All members are non-executive directors with a majority being independent. The Remuneration and Nomination Committee assists the Board in its oversight responsibilities by monitoring and advising on:

- remuneration packages of senior executives, non-executive directors and executive directors;
- share option schemes and incentive performance packages;
- executive contracts;
- recruitment, retention and termination policies relating to the Board and senior executives; and
- monitoring the size and composition of the Board.

The members of the Remuneration and Nomination Committee during the year were:

- Stephen Kulmar (Chair) – Independent, Non-Executive
- David Foster – Independent, Non-Executive
- Andrew Stevens – Independent, Non-Executive

The Managing Director is invited to Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to himself.

The performance of the directors was evaluated during the 2018-2019 financial year.

From time to time, the Committee takes advice from external consultants to identify potential candidates for the Board. The Committee makes recommendations to the Board on the candidates, which votes on them. The Board then appoints the most suitable candidates. Board candidates must stand for election at the general meeting of shareholders immediately following their appointment.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all Board meetings, minimum hourly commitment, appointments to other boards, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Remuneration and Nomination Committee meets at least three times a year and as required. The Committee met four times during the year and Committee members' attendance record is disclosed in the table of directors' meetings.

#### **AUDIT COMMITTEE**

All members of the Audit Committee are non-executive directors with a majority being independent. The Chair may not be the Chair of the Board. The Audit Committee advises the Board on internal control and appropriate ethical standards for the management of the Company.

The members of the Audit Committee were:

- Andrew Stevens (Chair) – Independent, Non-Executive
- David Foster – Independent, Non-Executive
- Belinda Gibson – Independent, Non-Executive

The General Counsel and the Company Secretary, acts as Secretary to the Committee.

The internal and external auditors, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and the General Counsel are invited to Audit Committee meetings at the discretion of the Committee. The Committee is required to meet at least four times during the year and committee members' attendance record is disclosed in the table of directors' meetings in the directors' report.

The Company's external auditor meets with the Audit Committee without management being present.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company and the consolidated entity for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 March 2019 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

This statement is required annually.

The responsibilities of the Audit Committee include:

- reviewing the annual and half year financial reports and other financial information distributed externally;
- assessing management processes supporting external reporting;
- assessing the performance and objectivity of the internal audit function;
- establishing procedures for selecting, appointing and if necessary, removing the external auditor or internal audit co-sourcing provider;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001; and

- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the external audit, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

## **RISK AND COMPLIANCE COMMITTEE**

All members of the Risk and Compliance Committee are non-executive directors with a majority being independent. The Chair may not be the Chair of the Board. The Risk and Compliance Committee advises the Board on the establishment and maintenance of a framework of risk management for the Company.

The members of the Risk and Compliance Committee were:

- Belinda Gibson (Chair) – Independent, Non-Executive
- Stephen Kulmar – Independent, Non-Executive
- Andrew Stevens – Independent, Non-Executive

The General Counsel and Company Secretary, acts as Secretary to the Committee.

The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and the General Counsel are invited to Risk and Compliance

Committee meetings at the discretion of the Committee. The Committee is required to meet at least twice during the year and committee members' attendance record is disclosed in the table of directors' meetings in the directors' report.

The responsibilities of the Risk and Compliance Committee include:

- overseeing Thorn's risk management framework, including appropriate risk policies and mitigation plans for managing material risks;
- assist in setting the risk appetite for Thorn Group's operations;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- review and monitor Thorn's WHS program;
- other compliance management framework, including compliance with legal requirements; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

## **RISK MANAGEMENT**

### *Oversight of the Risk Management Framework*

The Board oversees the establishment, implementation and review of the Company's Risk Management Framework. Management has established and implemented the Risk Management Framework for assessing, monitoring and managing material business risks, for the consolidated entity. The Chief Risk Officer is responsible for Thorn's Risk, Compliance and Internal Audit function.

The relevant Committee had reviewed Thorn's risk management framework on an annual basis. A review took place during the FY 2018-2019 and it is satisfied that it is sound.

### *Risk Profile*

Thorn's Chief Risk Officer provides the risk profile to the relevant Committee that outlines the material business risks to Thorn. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. The relevant

Committee reports the status of material business risks to the Board on a regular basis.

Material business risks for the Company include credit risk, operational risks (including workplace health and safety risks), financial risks (foreign exchange and interest rate movements, liquidity and capital), strategic risk, legal and compliance risks, regulatory risk and culture and conduct risk.

#### *Risk Management, Compliance and Control*

The Company strives to ensure that its products and services are of the highest standard. The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude errors and irregularities.

#### *Quality and Integrity of Personnel*

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

#### *Financial Reporting*

The Chief Executive Officer and the Chief Financial Officer have provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets and forecasts for the year are prepared regularly.

#### *Economic, Environmental and social sustainability risks*

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The Directors are of the belief that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any

of those environmental requirements as they apply to the consolidated entity. There is no material exposure to economic, environmental and social sustainability risks.

#### *Internal Audit*

The internal audit function assists the Board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the risks and controls throughout the Thorn Group. The results of internal audits are reported on a regular basis to the Board.

#### *Conflict of Interest*

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest. Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of direct or related entity transactions with the Company and the consolidated entity are set out in note 20 to the financial statements.

#### *Mission and Values Statement, Code of Conduct and Whistleblower Policy*

All directors, managers and employees are expected to act with integrity and objectivity, constantly striving to improve the reputation and performance of the Company and consolidated entity.

A Mission and Values Statement communicates the core Company values and objectives, and promote ethical and responsible decision making. The Mission and Values Statement is reviewed by the Board.

The Code of Conduct, underpinned by our values, covers issues such as delivering shareholder value, managing conflicts of interest, confidentiality, fair and honest dealings, workplace health and safety, equal opportunity and compliance with laws.

The Company has advised each director, manager and employee that they must comply with the Code of Conduct. There are also processes in place to

continually promote and communicate our values to employees.

The Code encourages the reporting of unethical behaviour. The Company has a Whistleblower Policy and a confidential whistleblowing service which provides staff with an avenue to report suspected unethical, illegal or improper behaviour.

#### *Securities Dealing Policy*

The Company and the consolidated entity has a Securities Dealing policy, which sets out the circumstances under which directors, senior executives, and employees of the Company and the consolidated entity may deal in securities with the objective that no director, senior executive or other employee will contravene the requirements of the Corporations Act 2001 or the ASX Listing Rules.

The policy outlines the approved trading window for the Company as the six week period commencing 24 hours after the announcements of the Company's half yearly or annual financial results to ASX, but subject to any additional restriction that the Company may put in place during that period, and any other period designated by the Board.

#### *Diversity and Inclusion Policy*

The Board is committed to having an appropriate blend of diversity on the Board and senior executive positions. The Board has established a policy regarding gender, age, ethnic and cultural diversity.

The policy is reproduced in full on the Company's website. The consolidated entity's diversity performance is as follows:

Gender Representation	2018 Male	2018 Female	2019 Male	2019 Female
Board Representation	67%	33%	75%	25%
Senior executive Representation	80%	20%	71%	29%
Group Representation	50%	50%	46%	54%

### **COMMUNICATION WITH SHAREHOLDERS**

The Board provides shareholders with information using a Continuous Disclosure and Communications

Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases. The Continuous Disclosure and Communications Policy is available on the Company's website.

In summary, the Continuous Disclosure and Communications policy operates as follows:

- the policy identifies information that needs to be disclosed;
- the Chief Executive Officer, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board;
- The Company Secretary is responsible for all communications with the ASX;
- the full annual report provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the ASX;
- proposed major changes in the consolidated entity which may impact the share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the

independence of the auditor in relation to the conduct of the audit

The Company provides information to shareholders via the Company's website, which has links to recent Company announcements and past annual reports, results presentations and various ASX pages, including the current share price.

Shareholders can send communications electronically to our security registry. The details of our security registry is found in our website. <http://www.thorn.com.au/irm/content/shareholder-services.aspx?RID=319>

The Board supports full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration Report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.