

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

This statement outlines the Company's main corporate governance practices and its compliance with the 3rd edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations).

The Company's Board and Committee Charters and a number of the corporate governance policies referred to in this statement are available in the "Corporate Governance" section of the Company's website at www.sevengroup.com.au/about-us/corporate-governance. Those policies which are not separately available on the Company's website are summarised in this statement. A copy of this statement is available on the Company's website.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and responsibilities of the Board

The Board is empowered to manage the business of the Company subject to the *Corporations Act 2001 (Corporations Act)* and the Company's Constitution.

The Board is responsible for the overall corporate governance of the Group and has adopted a Board Charter, which is available on the Company's website. The Board Charter sets out the role and responsibilities of the Board as well as those functions delegated to management.

The Board Charter provides that the Board's role includes:

- representing and serving the interests of shareholders by overseeing, reviewing and appraising the Company's strategies, policies and performance in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution;
- contributing to, and approving management's development of, corporate strategy and performance objectives and monitoring management's performance and implementation of strategy and policies;
- reviewing and monitoring systems of risk management and internal control and ethical and legal compliance;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing 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; and
- on an annual basis, reviewing the effectiveness of the Company's Diversity Policy.

The Board Charter provides that matters which are specifically reserved for the Board or its Committees include:

- appointment and removal of the Chief Executive Officer;
- approval of dividends;
- approval of annual budget;
- monitoring capital management and approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- the establishment of Board Committees, their membership and delegated authorities; and
- calling of meetings of shareholders.

Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee, the Remuneration & Nomination Committee and the Independent & Related Party Committee. These standing Committees were established by the Board to allow detailed consideration of complex issues.

Each Committee has its own written Charter which is reviewed on an annual basis. The Charter of each Committee is available on the Company's website.

Further details regarding the Audit & Risk Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting" and further details regarding the Remuneration & Nomination Committee and the Independent & Related Party Committee are set out under "Principle 2 – Structure the Board to Add Value" in this Corporate Governance Statement.

The Directors' Report on page 53 sets out the number of Board and Committee meetings held during the 2016 financial year under the heading "Meetings of Directors", as well as the attendance of Directors at those meetings.

Delegation to management

Subject to oversight by the Board and the exercise by the Board of functions which it is required to carry out under the Company's Constitution and Board Charter, and the *Corporations Act*, it is the role of management to carry out functions that are expressly delegated to management by the Board, as well as those functions not specifically reserved to the Board, as it considers appropriate, including those functions and affairs which pertain to the day-to-day management of the operations and administration of the Company.

Management is responsible for implementing the policies and strategic objectives approved by the Board. Management must supply the Board with information in a form, time-frame and quality that will enable the Board to discharge its duties effectively.

The Company has adopted a Delegated Authority Policy, which delegates to management the authority to carry out expenditure in relation to specified areas of the Company's operations, subject to the Company's policies and procedures in respect of the authorisation and signing of Company contracts, which includes a system of legal review.

The functions exercised by the Board and those delegated to management, as explained in this statement and set out in the Board Charter, are subject to ongoing review to ensure that the division of functions remains appropriate.

Senior management team

Company executives are each employed under written employment agreements, which set out the terms of their employment, including role and duties, the person to whom they report, remuneration, obligations of confidentiality, and the circumstances in which the executive's employment may be terminated.

The management of the Company during the financial year comprised the Managing Director & Chief Executive Officer, Chief Operating Officer, Chief Financial Officer as well as several Group Executives who together provide expertise in finance, mining, systems and processes, security and compliance. In addition, several Seven West Media Limited executives provided management services to the Company, and as part of these arrangements, a portion of their salary cost was charged to the Company for the services provided to it.

Mr Ryan Stokes is Managing Director & Chief Executive Officer of the Company who is charged with the responsibility for overseeing and supervising the Company's investments in accordance with the Board's strategies as well as managing the Company's executive team. Mr Ryan Stokes also reports to the Board on the performance, management and operations of the Group as well as matters relating to process, governance and optimisation of the businesses of the Group. The Chief Financial Officer of the Company is Mr Richard Richards. Mr Richards works closely with the Managing Director & Chief Executive Officer and the Chief Operating Officer and reports to the Board on the financial performance and position of the Group and its businesses as well as matters relating to Group's financial governance, controls and processes.

Mr James Scott was Chief Operating Officer of the Company from 1 July 2015 tasked with responsibility for continuous improvement of the Company's operating activities, driving business transformation and productivity initiatives. Effective 1 July 2016, Mr Scott will occupy the role of Group Executive – Technology and Innovation.

Appointment of Directors

The Board has established a Remuneration & Nomination Committee to assist it in the appointment of new Directors. Further information regarding the Committee is set out under "Principle 2 – Structure the Board to Add Value" in this statement.

The policy and procedure for the selection and appointment of new Directors is set out in an attachment to the Board Charter. The factors that will be considered when reviewing a potential candidate for the Board appointment include:

- the skills, experience, expertise and personal qualities that will best complement the Board effectiveness, including a deep understanding in the areas of corporate management, operational, safety and financial matters and the media, industrial services and energy industries in which the Group operates;
- the existing composition of the Board, having regard to the factors outlined in the Company's Diversity Policy and the objective of achieving a Board comprising Directors from a diverse range of backgrounds;
- the capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other board or executive appointments); and
- potential conflicts of interest, and independence.

The Board believes the management of the Company benefits from and it is in the interests of shareholders for Directors on the Board to have a mix of tenures, such that some Directors have served on the Board for a longer period and have a deeper understanding of the Company and its operations, and new Directors bring fresh ideas and perspectives.

As part of the selection and appointment process:

- the Board and Remuneration & Nomination Committee, if so requested, identify potential Director candidates, with the assistance of external search organisations as appropriate;
- background information in relation to each potential candidate is provided to all Directors;
- appropriate background checks are undertaken before appointing a Director, or putting forward to shareholders a Director candidate for election;

- an invitation to be appointed as Director is made by the Chairman after having consulted all Directors, with recommendations from the Remuneration & Nomination Committee (if any) having been circulated to all Directors.

Appointed Directors receive a formal letter of appointment which set out terms of their appointment, including remuneration entitlements and the Company's Corporate Governance Policies, including the Company's Share Trading Policy, which Directors are to abide by. Under the letter of appointment, Directors are also provided with a schedule of Board meetings, a Deed of Indemnity & Access and a summary of Director insurance arrangements.

The date at which each Director was appointed to the Board is announced to ASX and is provided in this Annual Report on pages 40 to 41.

New Director appointment during the year

During the year, the Board, with the assistance of the Remuneration & Nomination Committee, undertook a review of the Board's structure and composition, and appointed an additional Non-Executive Director, Ms Annabelle Chaplain, to the Board on 24 November 2015.

The Board considers that Ms Chaplain's experience in investment banking, financial services, mining, engineering and major infrastructure services as well as overall board experience adds further depth and strength to the Board and its Committees and that Ms Chaplain will make a valuable contribution to the Company.

Election and re-election of Directors

Directors appointed to fill casual vacancies hold office until the next Annual General Meeting and are then eligible for election by shareholders. In addition, each Director must stand for reelection at the third Annual General Meeting of the Company since they were last elected.

The Notice of Meeting for the Annual General Meeting discloses material information about Directors seeking election or re-election, including appropriate biographical details, qualifications and other key current directorships.

Company Secretary

The Company Secretary's role is to support the Board's effectiveness by:

- monitoring whether Company policies and procedures are followed;
- preparing Board and Committee minutes;
- advising the Board and Committees on governance matters; and
- co-ordinating the timely distribution of Board and Committee agendas and briefing materials.

The Company Secretary's appointment and removal is a matter for the Board. The Company Secretary is accountable to the Board through the Executive Chairman on corporate governance matters. Each of the Directors has unrestricted access to the Company Secretary.

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Board, Committee and Director performance evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees and meets with individual Board members during a financial year to ensure that the Board and its Committees operate effectively and efficiently. The Executive Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance. Matters which may be taken into account include the expertise and responsibilities of the Board member and their contribution to the Board and any relevant Committees and their functions.

During a financial year, the Chair of each Committee also monitor and evaluate the performance of their respective Committee according to the function and objectives of the Committee, its program of work, and the contributions of its members, and discuss the Committee's performance with the Executive Chairman and its members.

For the purposes of his own performance evaluation, the Executive Chairman met with two Directors, including at least one Independent Director to review his performance.

During the reporting period, performance evaluations of the Board, its Committees and individual Directors were carried out in accordance with this process.

Assessment of management performance

The performance of the Managing Director & Chief Executive Officer is formally reviewed by the Board against the achievement of strategic and budgetary objectives in respect of the Group's operations and investments whilst also having regard for his personal performance in the leadership of the Group. The Board's review is carried out annually in regard to certain goals against which he is assessed, and throughout the year in regard to others, and forms the basis of the determination of the Managing Director & Chief Executive Officer's performance-based remuneration. The Remuneration Report sets out further details of the performance criteria against which the Managing Director & Chief Executive Officer's performance-based remuneration is assessed on pages 55 to 71.

The performance of senior executives of the Company are reviewed on an annual basis in a formal and documented interview process with either the Managing Director & Chief Executive Officer or the particular executive's immediate supervisor, who evaluates performance against agreed performance goals and assessment criteria in relation to the senior executive's duties and material areas of responsibility, including management of relevant business units within budget, motivation and development of staff and achievement of, and contribution to, the Company's objectives.

A performance evaluation of the Managing Director & Chief Executive Officer and other senior executives took place during the year in accordance with this process. For further information about the performance-related remuneration of senior executives and employees, please see the discussion set out under "Principle 8 – Remunerate Fairly and Responsibly".

Diversity Policy

The Company's Diversity Policy is posted on the Company's website. Under the policy the Company recognises the benefits of an inclusive and respectful workplace culture that draws on the experiences and perspectives of all Directors and employees, having regard to diversity factors, including but not limited to gender, age and cultural background.

The Diversity Policy requires that the Board set measurable objectives and assess the objectives and the company's progress towards achieving them annually. The Board is committed to:

- **flexible work practices** – developing, on a case by case basis, flexible work practices that assist employees to balance work with family, carer or other responsibilities;
- **career development and performance** – ensuring that decisions regarding employment and remuneration are based on merit, ability, performance and potential and are made in a transparent and fair manner; and
- **equal employment opportunities** – upholding the Company's obligations in regard to equal opportunity through training and workplace awareness.

The Company undertakes an annual review of its Diversity Policy to assess the effectiveness of the Policy and to incorporate any developments concerning the Company's practices and commitments in regards to workplace diversity.

The Board is also committed to regularly establishing, reviewing and assessing achievement of the work practices objectives above in relation to gender diversity. The Board will continue to review the appropriateness of its diversity objectives.

Company progress on diversity objectives in 2016

Flexible work practices

In the Board's view, the Company has achieved the objective of offering flexible working arrangements with an increased take up of flexible working across the Group. During the year, the Company implemented a parental leave program which includes additional personal leave provisions to ensure that parents returning to the workplace have the flexibility to care for sick children when needed. Support is also extended to an employee assistance program for employees who are experiencing family or domestic violence.

The Company continues to set clear expectations of behaviours for employees that foster an inclusive and supportive organisational culture. The Company monitors performance against this objective to ensure expectations are clear and cultural outcomes attained.

Career development and performance

The Company's commitment and progress towards achieving this objective includes establishing processes to determine fair and equitable benchmarked remuneration, commensurate with the employee's experience and performance in the position they hold, regardless of age, gender or cultural background. Within the WesTrac Australia business, the implementation of a new talent management system and alignment of positions with a remuneration banding framework has enabled greater ability to ensure transparency in both performance management and remuneration processes.

Equal employment opportunities

The Company strives to maintain a significant level of female participation throughout the organisation and endeavours to attract female employees at all levels.

The Group has continued to focus on partnering with indigenous employment agencies to assist in cultural awareness training and supporting candidates to assist with increasing representation of indigenous Australians and to provide specific services to assist indigenous employees at work. Additionally, the WesTrac Australia business has set a minimum goal of 15 per cent for its intake of indigenous employees into its apprentice program.

Gender Diversity

The proportion of women employed within the Group is as follows:

Level	Number of Women	Proportion of Women
Board	1 of 10	10%
Senior executives*	10 of 76	13%
Whole of organisation	542 of 3,979	14%

* Senior executives include Executive Directors of Seven Group Holdings Limited and its subsidiaries, as well as other members of the Executive leadership team and, where appropriate, direct reports to the Executive leadership team. Executive Directors have been included in both the Board and the senior executive categories. The Board and senior executives are included in the Whole of Organisation category. For the purpose of this section of the report employee numbers and statistics have been calculated based on employees who were paid in the final pay periods of April 2016.

The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experience and perspectives. With these considerations in mind, in the 2015 Annual Report the Board committed to the appointment of a female director as part of the succession process to fill the vacancy on the Board created by the retirement of Mr Don Voelte AO. Fulfilling that commitment, Ms Annabelle Chaplain was appointed to the Board on 24 November 2015. The Board will continue to review its composition to ensure that it remains appropriate for the Company, including with regard to gender diversity, as it manages succession on the Board.

Additionally, the Company has posted its Workplace Gender Equality Act Public Report for 2015–2016 on its website, which contains the Company's Gender Equality Indicators, in the 'Corporate Governance' section of its website.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Board composition

The Company's Constitution provides for a minimum of three Directors and a maximum of 12 Directors on the Board.

As at the date of this statement, the Board comprises 10 Directors, including six Non-Executive Directors.

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC Executive Chairman
- Mr Ryan Stokes Managing Director & Chief Executive Officer
- Mr Bruce McWilliam Commercial Director
- Mr Warwick Smith AM Director

The Independent Directors in office are:

- Ms Annabelle Chaplain Director
- Mr Terry Davis Director
- Mr David McEvoy Director
- Mr Christopher Mackay Director
- Mr Richard Uechtritz Director
- Professor Murray Wells Director

The qualifications, experience, expertise and period in office of each Director of the Company at the date of this report are disclosed in the Board of Directors section of this Annual Report on pages 40 to 41.

Board independence

The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. The Board currently comprises a majority of Independent Directors, with four Non-Independent Directors and six Independent Directors. From 1 July 2015 until Ms Annabelle Chaplain's appointment to the Board on 24 November 2015, the Board comprised four Non-Independent Directors and five Independent Directors.

In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is, or has previously been, employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor of, or a material consultant to, the Company or another Group member, or an employee materially associated with the service provider;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another group member other than as a Director.

The Board determines the materiality of a relationship on the basis of fees paid or monies received or paid to either a Director or an entity which falls within the independence criteria above. If an amount received or paid may impact the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of the Group in the previous financial year by more than five per cent, then a relationship will be considered material.

Mr Kerry Stokes AC, Mr Ryan Stokes and Mr Bruce McWilliam are not considered to be independent due to their executive positions with the Company. In addition, Mr Warwick Smith AM is not considered to be independent as he is the chairman of the advisory board of Australian Capital Equity Group of companies which is controlled by Mr Kerry Stokes AC.

In the Board's view, the Independent Directors referred to above are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company. In terms of longevity of time in office, the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, and the independence of Directors who have held office for some time is considered on a case-by-case basis. The Company has diverse operations that have grown considerably over the course of time and, in the Board's view, the Company derives the benefits from having long-serving Directors with detailed knowledge of the history and experience of the Group's operations.

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Independent & Related Party Committee

The Independent Directors (identified above) are members of the Independent & Related Party Committee, which has Mr Terry Davis as its Chairman. The Committee provides a forum for the review of material transactions between the Company and its related parties, including transactions with Australian Capital Equity Pty Limited and interests associated with Mr Kerry Stokes AC. Review of related party transactions by the Committee occurs without management or Non Independent Directors present. The Committee meets at least twice during the year, and the Committee otherwise holds discussions and receives management reports concerning related party transactions as necessary. As such, the Committee provides an opportunity for the Independent Directors to meet regularly without management or Non-Independent Directors present.

Chairman

The roles of the Chairman and Managing Director & Chief Executive Officer are separate. Mr Kerry Stokes AC is Executive Chairman of the Company. The Board acknowledges the ASX Recommendation that the Chairman should be an Independent Director, however the Board has formed the view that Mr Stokes AC is the most appropriate person to lead the Board as its Chairman, given his history of leadership across the businesses and investments comprising the Group, including in the areas of heavy equipment management and services, property and television management and related media investments. In addition, Mr Stokes AC's grasp of new technologies driving television production and transmission and his incentive to maximise the interests of the Group are considered beneficial for the Company. Mr Stokes AC has been involved in investing in and managing diverse businesses for more than four decades and currently has broad business interests and investments in a range of major business sectors in Australia and overseas, including construction, mining, oil and gas exploration. His experience and insights are considered to be invaluable to the Group.

Board skills, experience and expertise

Each Director brings a range of personal and professional experiences and expertise to the Board. The Board seeks to achieve an appropriate mix of skills, tenures and diversity, including a deep understanding of the industries in which it holds investments and operates, as well as corporate management and operational, financial and safety matters. Directors devote significant time and resources to the discharge of their duties.

The Board has identified the following areas as strategic priorities for the Company to drive shareholder value:

1. Investing and operating in a diversified portfolio of market leading assets and businesses in the Company's core business areas of industrial services, media, and energy investments with a focus on maximising profit and return on capital.
2. Driving efficiencies and adding value to the Company's operations and investments in assets and businesses through ensuring the best teams are in place with strong governance and oversight of systems and processes.
3. Identifying and investing in growth opportunities which leverage off our Company's expertise in areas that could be outside our core current operating areas with a focus on taking advantage of opportunistic situations.
4. Prudent capital and balance sheet management to sustain future development of the Company and enhance shareholder returns.

The Board has achieved a membership which has regard to the strategic aims and priorities of the Company, including the following skills and experience which are well-represented on the Board:

Skills and experience	Percentage
Executive leadership	
Significant business experience at a senior executive level	100%
Financial analysis, risk management and reporting	
Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls	90%
Industrial services	
Senior executive or Board level experience in the industrial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	60%
Media industry	
Senior executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	40%
Energy, oil and gas	
Senior executive or Board level experience in the energy, oil and gas industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	40%
Technology	
Senior executive or Board level experience in the strategic use and governance of information management, information technology as well as the oversight of implementation of major technology projects	50%
Strategy and corporate activity	
Experience in identifying, developing and implementing a successful strategy and developing an asset or investment over the long-term	90%
Corporate governance and regulatory	
Commitment to the highest standards of corporate governance, including experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people	
Board remuneration committee membership or management experience in relation to managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	80%

The percentages of Directors assessed to possess each category of skill and/or experiences was determined as at the date this Corporate Governance Statement was approved.

Remuneration & Nomination Committee

The Board has established a Remuneration & Nomination Committee, which is comprised of:

- Mr Richard Uechtritz (Chairman)
- Ms Annabelle Chaplain
- Mr Terry Davis
- Mr Warwick Smith AM

Ms Chaplain was appointed to the Committee on 14 April 2016 following a Board review of the composition of Committees of the Board. Prior to her appointment Ms Chaplain attended meetings of the Committee as a non-member.

The Remuneration & Nomination Charter is available on the Company's website. The Charter provides that the Committee must consist of a minimum of three members and must have a majority of Independent Directors, all of whom must be Non-Executive Directors.

Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee. The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting. It is the practice of the Committee for the Managing Director & Chief Executive Officer and Group Executive, Human Resources to attend Committee meetings to present to, or to assist, the Committee.

The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations.

Further details concerning the Remuneration & Nomination Committee's role in relation to Board appointments are set out in this Corporate Governance Statement under the heading "Principle 1 – Lay Solid Foundations for Management and Oversight" and under "Principle 8 – Remunerate Fairly and Responsibly" in relation to its role regarding the Company's remuneration arrangements.

Director induction and ongoing training

As part of the induction process, Board appointees attend a briefing with the Executive Chairman, meet with the Company Secretary about the Company's corporate governance (including its policies and procedures), visit key business sites and meet with senior executives.

In addition to the induction process for new Director appointments, from time to time, Directors attend external education seminars and peer group meetings regarding regulatory and compliance developments. The Company arranges presentations to the Board by Executives to update the Directors on the Group's business activities, as well as industry and regulatory developments.

Effective functioning of the Board

The Board, under the terms of appointment of Directors and by virtue of their position, is entitled to access, and is provided with, information concerning the Group needed to discharge its duties efficiently. Directors are entitled, and encouraged, to request additional information if they believe that is necessary to support informed decision-making. Directors are able to obtain independent professional advice to assist them in carrying out their duties, at the Company's expense.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct and other Company policies

The Board has adopted a Code of Conduct for Directors, available on the Company's website, which establishes guidelines for their conduct in matters such as ethical standards and the disclosure and management of conflicts of interests.

Formal Employee Conduct Guidelines have been adopted by the Company for employees, including senior executives, and are available on the Company's website. These Guidelines help to guide employees on how to act and clarify how the Company expects employees to perform.

The Company and its controlled subsidiaries, as applicable, uphold and maintain the following ethical standards:

- General statutory requirements and regulations of the Corporations Act, ASX Listing Rules and Income Tax Assessment Act;
- Equal employment opportunity and affirmative action;
- Encouraging high standards of safe work practices and implementing Occupational Health & Safety compliance procedures;
- Policy of community service through charitable organisations; and
- Policy of responding to national disasters and tragedies.

The Company assesses the Group as part of its compliance with the National Greenhouse and Energy Reporting Act and will be reporting relevant emissions and energy usage and production for the Group for the financial year.

The Company has adopted a formal Issue Escalation Guideline to encourage the reporting and investigation of unethical and unlawful practices and matters of concern which cannot otherwise be adequately dealt with under Company policies. The Guideline, including reporting contacts, is available on the Company's website. The Company requires compliance with Company policies by employees under the terms of their employment and carries out training of employees in relation to its policies and procedures.

The Company has adopted Share Trading Policies for Group Directors and Executives and Staff, which are available on the Company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

As at the date of this statement, the Committee comprised the following members, all of whom are Independent Directors except for Mr Warwick Smith AM:

- Professor Murray Wells (Chairman)
- Ms Annabelle Chaplain
- Mr David McEvoy
- Mr Chris Mackay
- The Hon Warwick Smith AM

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Until 14 April 2016, the Audit & Risk Committee comprised two independent and one non-independent Non-executive Directors: Professor Murray Wells (Chairman), Mr Chris Mackay and Mr Warwick Smith AM. Professor Wells is an Emeritus Professor of Accounting, University of Sydney. Mr Mackay, a former investment banker and corporate and banking lawyer, has considerable experience in business management, capital allocation, risk management and investment. Over the course of a highly distinguished career, Mr Smith has held a variety of senior roles in finance, banking and government.

Ms Chaplain and Mr McEvoy were each appointed to the Committee on 14 April 2016 following a Board review of the composition of Committees of the Board. Prior to their appointments, Ms Chaplain and Mr McEvoy attended meetings of the Committee as non-members. Ms Chaplain and Mr McEvoy each possess extensive experience on Audit & Risk Committees of substantial Australian listed companies. Mr McEvoy brings particular expertise in accounting and operations relating to the oil and gas industries as well as extensive risk management experience.

The Audit & Risk Committee has adopted a formal Charter which is available on the Company's website.

The Committee's key responsibilities in respect of its audit function are to assist the Board in fulfilling its responsibilities in relation to:

- the accounting and financial reporting practices of the Company and its subsidiaries;
- the consideration of matters relating to the financial controls and systems of the Company and its subsidiaries;
- the identification and management of financial risk; and
- the examination of any other matters referred to it by the Board.

The Audit & Risk Committee is also responsible for:

- making recommendations to the Board on the appointment (including procedures for selection), and where necessary, the replacement of the External Auditor;
- evaluating the overall effectiveness of external audit function through the assessment of external audit reports and meetings with the External Auditor;
- reviewing the External Auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee; and
- assessing whether non-audit services provided by the External Auditor are consistent with maintaining the External Auditor's independence.

The Audit & Risk Committee's key responsibilities in respect of its risk function are set out below under "Principle 7 – Recognise and Manage Risk".

Attendance at Committee meetings by management is at the invitation of the Committee. Directors who are non-Committee members may attend any meeting of the Committee. The Committee may request that Directors who are non-Committee members are not present for all or any part of a meeting. It is the practice of the Committee for the Managing Director & Chief Executive Officer, Chief Financial Officer, and Head of Internal Audit & Process Improvement to attend Committee meetings to present to, or to assist, the Committee.

The Chairman of the Committee reports to the Board on the Committee's considerations and recommendations.

External Audit function

Each reporting period, the External Auditor provides an independence declaration in relation to the audit of the Company. Additionally, the Audit & Risk Committee provides advice to the Board in respect of whether the provision of non-audit services by the External Auditor are compatible with the general standard of independence of auditors imposed by the *Corporations Act*.

The current practice is for the rotation of the appropriate External Audit partner(s) to occur every five years (subject to the requirements of applicable professional standards and regulatory requirements). If a new auditor is to be appointed, the selection process involves a formal tender evaluated by the Audit & Risk Committee. The Chair of the Committee leads the process, in consultation with the Chief Financial Officer.

The Board ensures that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Audit Report.

Declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer

Before the Board approves the financial statements for each of the half-year and full year, it receives from the Managing Director & Chief Executive Officer and the Chief Financial Officer a written declaration that, in their opinion, the financial records of the Company have been properly maintained and the financial statements are prepared in accordance with the relevant accounting standards and present a true and fair view of the financial position and performance of the consolidated group. These declarations also confirm that these opinions have been formed on the basis of a sound system of risk management and internal compliance and control which is operating effectively.

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given for the half-year ended 31 December 2015 and financial year ended 30 June 2016.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company complies with the disclosure obligations of the ASX Listing Rules.

The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the Company Secretary for review. A summary of the Continuous Disclosure Policy is available on the Company's website.

The Company Secretary has been nominated as the person with primary responsibility for communication and liaison with the ASX in relation to ASX Listing Rules and disclosure requirements, including periodic and continuous disclosure issues. The Company Secretary also has responsibility for ensuring internal compliance with those ASX Listing Rules and the oversight of information released to the ASX and shareholders.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with shareholders

As disclosed in the Shareholder Communications Policy, which is available on the Company's website, the Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs and that there is effective two-way communication with shareholders.

The Company adopts a communications strategy that promotes effective communication with shareholders, principally through ASX announcements, the Company website, the provision of the Annual Report, including the financial statements, and the Annual General Meeting (and any extraordinary meeting held by the Company) and notices of general meetings. Information concerning resolutions for consideration at the Company's general meetings is provided in the notice of meeting. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.

Shareholders are given the option to receive communications from, and to send communications to, the Company and the Company's Share Registry electronically, to the extent possible. The Board continues to review its channels of communications with shareholders for cost effectiveness and efficiencies, including using electronic delivery systems for shareholder communications where appropriate.

The Company's website

The Company's website www.sevengroup.com.au provides various information about the Company, including:

- Overviews of the Company's operating businesses, divisions and structure;
- Biographical information for each Director;
- Copies of Board and Committee Charters;
- Corporate Governance Policies;
- Annual Reports and Financial Statements;
- Announcements to ASX;
- Security price information;
- Contact details for the Company's Share Registry;
- Details concerning the date of the Annual General Meeting, including the Notice of Meeting, when available; and
- Access to live webcasts of the Annual General Meeting.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk oversight and management

The Board recognises that the management of business and economic risk is an integral part of its operations and has established policies and procedures for the oversight and management of material business risks, including the establishment of the Audit & Risk Committee. Details regarding the Committee are set out under "Principle 4 – Safeguard Integrity in Corporate Reporting".

The Board also believes a sound risk management framework should be aimed at identifying and delivering improved business processes and procedures across the Group which are consistent with the Group's commercial objectives.

Under the Audit & Risk Committee's Charter, the Committee's key responsibilities in respect of its risk function are to:

- Oversee, evaluate and make recommendations to the Board in relation to, the adequacy and effectiveness of the risk management framework and the risk management systems and processes in place, and be assured and in a position to report to the Board that all material risks have been identified and appropriate policies and processes are in place to manage them.
- Review and approve management's annual report on the effectiveness of the risk management systems.

- Review, at least annually, the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk, and report to the Board regarding its review and any recommended changes to the Company's risk management framework.
- Review, and make recommendations to the Board in relation to, the Company's insurance program and other risk transfer arrangements having regard to the Company's business and the insurable risks associated with it, and be assured that appropriate coverage is in place.
- Monitor compliance with applicable laws and regulations, review the procedures the Company has in place to ensure compliance and be assured that material compliance risks have been identified.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding fraud or non-compliance with applicable laws and regulations and the confidential, anonymous submission by employees of the Company of any concerns regarding business practices.
- Review, and make recommendations to the Board in relation to, any incidents involving fraud or other break down of the Company's internal controls.

The Board requires management to design and implement a risk management and internal control system to manage the Group's material business risks and report to it on the management of those risks. During the reporting period, management reported to the Board as to the effectiveness of the Company's management of its material business risks.

During FY16:

- the Audit & Risk Committee reviewed the Group's risk reporting and risk management framework consistent with Australian Standard ISO 31000:2009;
- the Committee received risk briefings at its meetings from external auditors, management, Head of Internal Audit & Process Improvement concerning review of the Group's key business operations. The Group's business divisions provide regular reporting on workplace safety practices and management within the Group;
- the Committee conducted the annual review of the Company's risk management framework and satisfied itself that the framework continues to be sound and effectively identifies potential risks;
- the Company conducted risk reviews and assessments in a series of workshops conducted by the Head of Internal Audit and Process Improvement jointly with senior management, which identified, assessed and ranked the main strategic risks, including material business risks, facing the Group in respect of which management continues to formulate and record the internal risk controls implemented for those risks; and
- the Board and management continued to focus on driving enhanced risk assessment and mitigation processes in the areas of physical risk and systems risk through the senior Group Executives respectively responsible for security & compliance and for systems & processes, each reporting to the Managing Director & Chief Executive Officer.

CORPORATE GOVERNANCE STATEMENT

Internal Control Framework

The Head of Internal Audit & Process Improvement reports to the Chairman of the Audit & Risk Committee. The Internal Audit function is charged with conducting detailed reviews of relevant controls in the areas of accounting, information and business operations and fulfilling a program of work to test controls implemented by management in these areas. The Audit & Risk Committee reviews and approves the Internal Audit plan, its resourcing as well as monitors its independence and performance. Internal Audit reviews carried out in accordance with the Internal Audit plan are reported to the Committee which reviews and ensures ownership by management in regard to Internal Audit's findings and recommendations and management's responsiveness to any required action items.

Risk Management Policy

The Company has adopted a Risk Management Policy to:

- ensure there is a consistency in the methods used in assessing, monitoring and communicating risks throughout the Company and that risk management efforts are aligned with the Company's strategic and business objectives; and
- promote a balanced approach to risk and return and to ensure that the Board knows in advance the risks of the business.

A summary of the Company's Risk Management Policy is available on the Company's website.

Material risks

Under the risk framework described above, the Company has identified investment, financial and operational risks which it manages and mitigates. Each of the foregoing material business risks is monitored and managed by appropriate Senior Management within the Company who are delegated responsibility to manage or escalate issues to the Company's senior executive team. Where appropriate, external advisers are engaged to assist in managing the risk. More detail concerning these risks is set out in the Operating and Financial Review of this Annual Report on pages 32 to 35. The Company does not believe it has any material exposure to environmental or social sustainability risks. Commentary on the Company's environmental compliance and human capital related initiatives as well as its community engagement is provided on pages 36 to 39 of this Annual Report.

Workplace Safety

The Company is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are managed by health and safety specialists within the Company. Safety related arrangements, particularly within WesTrac's operations, are developed following a risk assessment process that considers potential events in accordance with current Emergency Risk Management guidelines. Workplace health and safety policies are promulgated to staff through induction and training and the availability of information on the Company's intranet as well as through Occupational Health & Safety representatives who ensure that any workplace safety issues are dealt with promptly and in a consultative manner.

Security arrangements at the Company's business sites are developed through formal security risk assessment and vulnerability determination processes using an 'all hazards' approach. Potential security related incidents are rated against consequence and likelihood and security plans are documented following a criticality assessment, incorporating internal prevention and preparedness measures, as well as internal and external emergency response arrangements.

Management provides leadership by promoting a culture of safety and risk identification and monitors and responds to incident reporting and provides regular workplace safety updates and briefings to the Board.

Additionally, to support well-being within the workplace, the Company provides a free and confidential external counselling service for employees and their immediate families.

Refer to pages 36 to 39 of this Annual Report for more information on the Group's workplace safety practices within WesTrac, the Group's predominant operating business.

Environment and Sustainability

Environmental risks are considered as part of the Company's risk assessment processes.

Refer to pages 37 and 39 of this Annual Report for more information on the Group's environmental practices within WesTrac and SGH Energy.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Directors consider that the attraction, retention and motivation of its Directors and senior executives is of critical importance in securing the future growth of the Company, its profits, share price and shareholder returns.

Remuneration & Nomination Committee

To assist in the adoption of appropriate remuneration practices, the Board has established a Remuneration & Nomination Committee. Details regarding the Committee are set out under "Principle 2 – Structure the Board to Add Value".

The primary responsibilities of the Committee which relate to remuneration are:

- to review and advise the Board on Directors' fees and the remuneration packages, including equity incentive grants, of the Managing Director & Chief Executive Officer, Chief Executives and senior executives of the Group subsidiaries;
- to provide advice and support and serve as a sounding-board for the Managing Director & Chief Executive Officer and the Board in human resource and remuneration-related matters; and
- to advise on succession planning and employee development policies.

It is the practice for the Managing Director & Chief Executive Officer to attend meetings of the Remuneration & Nomination Committee to report on, or seek approval of, senior Group Management's remuneration, but he is not present during meetings of the Committee (or the Board) when his own performance or remuneration are being discussed or reviewed.

Remuneration of Non-Executive Directors

The remuneration of the Non-Executive Directors is restricted, in aggregate, by the Constitution of the Company and the requirements of the *Corporations Act*.

Currently, Non-Executive Directors' remuneration in aggregate must not exceed \$2 million per annum. Non-Executive Directors receive base fees and fees for chairing or serving on Board Committees. In contrast to Executive Directors and senior executives, Non-Executive Directors do not receive performance-related payments, although they may receive additional payments at the discretion of the Board where appropriate in relation to special services that they perform for the Company. Throughout the financial year no such additional fees were paid to Non-Executive Directors. Fees for Non-Executive Directors are set out in the Remuneration Report on page 61 and pages 70 to 71.

No retirement benefits apply in respect of Company directorships other than superannuation contributions. One Non-Executive Director Retirement Deed remains current in respect of Seven Network Limited. The benefits payable upon retirement under that Deeds was frozen on 1 August 2003 and from that date, retirement benefits have not been offered to any newly appointed Non-Executive Directors.

During the year, fees received by Non-Executive Directors were reviewed by the Remuneration & Nomination Committee and the Committee recommended that the fees not be changed. There has been no change to the fees paid to Non-Executive Directors since their approval in 2010.

Remuneration of Executive Directors and senior executives

The objective of the remuneration process for Executive Directors and senior executives is to ensure that remuneration packages properly reflect the duties and responsibilities of employees and that remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the Managing Director & Chief Executive Officer to consider the remuneration packages paid within the industry and the impact these people are expected to have on the operational and financial performance of the Company. Remuneration packages may be structured to include bonuses, options or share-based payments and the Company has established Share and Option Plans for that purpose. The payment of bonuses is based on the achievement of specific goals which relate to the performance of the Company or as otherwise specified in the relevant employment contracts. Options, performance share rights and share appreciation rights are issued as a part of remuneration packages where they are considered appropriate, with exercise prices and hurdle rates which reflect the long-term objectives of the Company.

Remuneration matters concerning WesTrac Senior Executives who are Key Management Personnel of the Company are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac largely determines performance-based incentives for senior employees and executives of the WesTrac Group within a budget approved by the Board and reported to the Remuneration & Nomination Committee. However, remuneration policy matters relating to WesTrac may also be brought to the Remuneration & Nomination Committee or Board as appropriate.

The Remuneration & Nomination Committee met after the end of the financial year to review and recommend to the Board any performance-based remuneration for the Managing Director & Chief Executive Officer during the financial year, Mr Ryan Stokes, as well as for senior Company executives. This process and the outcomes are summarised in the Remuneration Report.

Hedging Policy

The Company's Group Directors Share Trading Policy, and the Executive and Staff Share Trading Policy, prohibit employees (including Key Management Personnel (KMP)) from dealing in the Company's shares, if the dealing is prohibited under the *Corporations Act*.

Therefore, in accordance with this policy, all KMP are prohibited from entering into arrangements which operate to limit the executives' economic risk in relation to an element of their remuneration that has not yet vested or is subject to a holding lock. The ability to deal with unvested rights is restricted in the Employee Share Option Plan and LTI Plan rules, which apply to any options over shares in the Company which may be granted from time to time.

Further details relating to remuneration and the Company's remuneration policy, framework and structure are contained within the Remuneration Report on pages 55 to 71.

This statement has been approved by the Board and is current as at 3 August 2016.