

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2017

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/corporategovernance.

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 2017 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 Murray Vitlich commenced as Chief Operating Officer of the Company on 1 June 2017, and is tasked with responsibility for continuous improvement of the Company's operating activities, driving business transformation and productivity initiatives and engagement with key external stakeholders and business partners.

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.

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 re-election 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.

Board, Committee and Director performance evaluation

The Executive Chairman closely monitors the performance and actions of the Board and its Committees. During the financial year Directors completed a Board Evaluation questionnaire concerning Board, Committee and Director, including Chairman, performance from which aggregated data and responses are provided to the Chairman and then presented to the Board for discussion and feedback. The Board Evaluation questionnaire provides an opportunity for the Board to benchmark results year-on-year and to identify Board performance priorities, governance framework gaps and improve the effectiveness of meetings and Company processes.

The aggregated questionnaire results also provide the basis of individual discussions between Directors and the Chairman. The 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.

Additionally, during the financial year, a report on the program of work undertaken by the Board and each of its Committees, assessed against their respective Charter responsibilities and duties, is provided to the Board for discussion and for the purposes of reviewing performance of the Board and the Committees, as well as their Charters, to ensure that the Board and its Committees operate effectively and efficiently.

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 73.

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. As an entity holding investments in companies operating across a range of industries, the Company recognises the benefits diversity brings, and supports the initiatives taken in this area across those businesses.

The Diversity Policy specifically references the commitment to:

- flexible work practices – developing on a case by case basis, flexible work practices that assist employees to balance work with family, caring or other responsibilities;
- career development and performance – ensuring that decisions regarding employment and remuneration are based on skills, experience, ability, performance and potential and are made in a transparent and fair manner; and
- equal employment opportunity – ensuring that training and workplace awareness is at a level to secure equal and opportunity in talent and succession planning processes.

The Company evaluates and reports on progress against these objectives and other diversity initiatives to the Remuneration & Nomination Committee at least annually.

Company progress on diversity objectives in 2017

Flexible work practices

During the year, flexible work initiatives have been increased in their reach and variety in the Company. A range of part-time, compressed weeks and working from home practices have been utilised, with a particular emphasis on working rosters that support family-friendly practice. Feedback and take-up has been positive, with a recognition that this is enabling employees to better manage their work and home lives.

The Company has also introduced Domestic Violence leave and improved paid maternity provisions in a number of its operating businesses.

Career development and performance

Initiatives have continued being delivered across the Company to further improve the transparency and fairness in performance and development processes.

Manager training and support for performance and development programs has been delivered with further enhancements to processes following prior year feedback from managers and employees.

A national WesTrac Talent Review was initiated this year, providing a platform for consideration of candidates for progression and succession. This process established a set of base-line talent and diversity metrics which will be used to evaluate progress in future years.

Executive KPIs have been further developed across the Company to ensure continued progress in this area.

Equal employment opportunity

Training on Diversity and Equality, including anti-bullying, harassment and discrimination has been extended in the year. Managers are being provided with additional support in addressing these issues with their teams.

Executive search processes which have been undertaken during the year have paid specific attention to securing a 'diverse slate' of talent for consideration. Whilst it is recognised that this can be challenging in the industrial sector, this is a positive and important step from the Company.

In WesTrac, work continued to ensure diversity in our apprentice population. Goals have been established for the employment of both female and indigenous apprentices, and partnerships established with organisations who assist both in achieving these goals and in enhancing the cultural awareness of the managers involved in the development of these employees.

Gender Diversity

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

Level	Number of Women	Proportion of Women
Board	1 of 9	11%
Senior executives*	10 of 71	14%
Whole of organisation	540 of 3,842	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 June 2017.

The Board is mindful of and recognises the benefits of a Board comprising directors with a broad range of skills, experience and perspectives. 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 2016–2017 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 nine Directors, including five 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 resigned and retired from the Board effective at the close of the Company's Annual General Meeting held on 17 November 2016. 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 five Independent Directors. From 1 July 2015 until Professor Wells' retirement from the Board on 17 November 2016, the Board comprised four Non-Independent Directors and six 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.

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	89%
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	67%
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	33%
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	44%
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	55%
Strategy and corporate activity Experience in identifying, developing and implementing a successful strategy and developing an asset or investment over the long-term	100%
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	89%

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 comprised of the following members, all of whom are Independent Directors except for Mr Warwick Smith AM:

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

Mr Richard Uechtritz was Chairman of the Remuneration & Nomination Committee throughout the financial year and until 3 August 2017 at which date Mr Terry Davis was appointed Chairman of the Committee.

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:

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

Until Professor Murray Wells' retirement from the Board on 17 November 2016 Professor Wells was the Chairman and a member of the Audit & Risk Committee. Ms Annabelle Chaplain was appointed Chairman of the Audit & Risk Committee effective from Professor Wells' retirement. Since that time the Committee has comprised three independent and one non-independent Non-executive Director: Ms Annabelle Chaplain (Chairman), Mr Chris Mackay, Mr David McEvoy and Mr Warwick Smith AM. In appointing Ms Chaplain as Chairman of the Audit & Risk Committee, the Board noted Ms Chaplain's financial expertise and her professional experience on Audit & Risk Committees of substantial Australian listed companies and her experience in investment banking, financial services, mining, engineering and major infrastructure services.

Mr Mackay, a former investment banker and corporate and banking lawyer, has financial expertise and considerable experience in business management, capital allocation, risk management and investment. Mr McEvoy brings significant Board experience and expertise in accounting matters and operations, including relating to the oil and gas industries as well as extensive risk management experience. Over the course of a highly distinguished career, Mr Smith has held a variety of senior roles in finance, banking and government and is considered to possess financial expertise.

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, Chief Operating 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.

Following a comprehensive competitive tender process, Deloitte Touche Tohmatsu ("Deloitte") was selected as the auditor of the Company for the financial year ended 30 June 2017. The tender comprised a two stage process. The first stage involved an initial expression of interest in which firms were required to submit qualitative information of their proposed audit approach, focussing on knowledge of the Group, audit quality and innovation. In the second stage shortlisted firms submitted proposed audit fees and formally presented to a sub-committee of the Company's Audit & Risk Committee comprised of Professor Murray Wells, Ms Annabelle Chaplain and Mr Warwick Smith AM. The sub-committee unanimously recommended to the Board, and the Board resolved, that Deloitte be appointed as the Company's auditor, subject to shareholder approval which was obtained at the Company's Annual General Meeting held on 17 November 2016. The Board wishes to recognise and thank KPMG for its diligence and dedication as the Company's auditor since its formation through until the appointment of Deloitte.

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 2016 and financial year ended 30 June 2017.

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 continues to implement campaigns to encourage shareholders to elect to receive all shareholder communications electronically to help reduce the impact on the environment and cost associated with printing and sending materials by post.

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, including the following:

- 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; and
- 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 & 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.

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 34. 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 35 to 38 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 35 to 38 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 35 and 38 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 72 to 73.

No retirement benefits apply in respect of Company directorships other than superannuation contributions. One Non-Executive Director Retirement Deed remained current in respect of Seven Network Limited during the 2017 financial year. The benefits payable upon retirement under that Deed was frozen on 1 August 2003 and from that date, retirement benefits have not been offered to any newly appointed Non-Executive Directors. Retirement benefits payable under the only Non-Executive Director Retirement Deed were realised during the 2017 financial year.

During the year, fees received by Non-Executive Directors were reviewed by the Remuneration & Nomination Committee against market benchmarks and, on the Committee’s recommendation, the Board determined that in view of the considerable time commitment and wide range of responsibilities that the Audit & Risk Committee Chair consistently fulfils, the Audit & Risk Committee Chair fee be increased from \$60,000 to \$80,000 commencing 1 July 2017. (Ms Chaplain did not participate in the Board’s review of the Audit & Risk Committee Chair fee). The Board also determined to increase base Non-Executive Director fees by \$10,000 commencing 1 July 2017. There have been no previous changes 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’s remuneration arrangements and approvals are generally overseen by a WesTrac Executive Committee within a budget approved by the Board and reported to the Remuneration & Nomination Committee. Remuneration policy matters as well as regular reports concerning industrial relations and Enterprise Agreements relating to WesTrac are brought to the Remuneration & Nomination Committee or Board for review and/or approval 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 73.

This statement has been approved by the Board and is current as at 22 August 2017.