

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2018

This statement outlines the Company's main corporate governance practices that were in place throughout the financial year and, unless otherwise stated, its compliance with the 3rd edition of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations ("ASX Recommendations").

As part of the periodic review of its Board and Committee Charters during the financial year, the Company took a proactive approach to identifying areas of emerging developments in corporate governance, as raised in the draft 4th edition ASX Corporate Governance Council Corporate Governance Principles and Recommendations released on 8 May 2018 ("Draft 4th Edition ASX Recommendations"). The resulting amendments to the Board and Committee Charters are aligned with emerging market expectations and reflect many of the responsibilities and processes that the Board and its Committees were already undertaking.

Reporting of compliance within this Corporate Governance Statement remains against the 3rd edition of the ASX Recommendations, however, reference is also made herein to corporate governance enhancements which relate to the Draft 4th Edition ASX Recommendations. The Board will continue to review developments in corporate governance as part of its periodic review of governance at the Company. 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, including reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial reporting, financial controls and other reporting;

- developing a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership;
- approving the entity's statement of core values;
- demonstrating leadership by approving the Company's purpose, strategic objectives and code of conduct for directors, senior executives and employees;
- developing and reviewing corporate governance principles and policies and monitoring compliance with those principles and policies to underpin and instil the desired culture within the Company and reinforce a culture across the Company of acting lawfully, ethically and in a socially responsible manner;
- ensuring Management has formal and rigorous processes in place to validate the quality and integrity of the Company's corporate reporting; and
- in accordance with the Company's Diversity Policy, reviewing, on an annual basis, the report prepared by the Remuneration & Nomination Committee outlining the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Group.

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 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 21 sets out the number of Board and Committee meetings held during the 2018 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, business model 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. Management is charged with promulgating the Company's values across the organisation.

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.

Prior to the commencement of employment, the Company undertakes appropriate background checks on new senior executives.

The management of the Company during the financial year comprised the Managing Director & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Group Executive – People & Culture, Chief Executives of each of WesTrac Australia, Coates Hire, AllightSykes and SGH Energy and as well as several Seven West Media Limited executives who provide 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. Profiles of members of the Senior Management team are available at pages 6 to 7 of this Annual Report.

Governance and SGH Subsidiary Operating Businesses

The Company's key operating businesses (subsidiaries), WesTrac Australia, Coates Hire, SGH Energy and AllightSykes are each subject to the additional oversight of separate management committees which function as subsidiary 'boards', with the rigour and formality of a board structure involving regular meetings and reporting. These 'boards' each consist of Group Executives, including the Managing Director & Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, and the subsidiary Chief Executive and provide a forum to review the operations of the business and to hold them accountable. The subsidiary business Chief Executives have overall operational accountability for their individual businesses including performance and day-to-day management, while the Company's Group level corporate resources provide central oversight of strategy, finance and accounting, legal and human resources. The subsidiary operating business 'boards' are supplemented by specialised operating business committees which assist in relation to the oversight of key aspects of the business, such as finance, health and safety, remuneration and/or project management, as required.

Each of the Company's key operating businesses reports to the Company's Board through regular comprehensive 'vertical' business board reports as well as through aggregated 'horizontal' Group-level reviews, including concerning finance, health and safety, risk, human capital management, strategy and customer relations.

This management structure enables the Company to disseminate and reinforce a Group culture, implement compliance controls and procedures across the Group and ensure the Group's businesses maintain focus on shareholder returns. It also appropriately safeguards and reinforces the Group's processes in relation to integrity in corporate reporting, management of the Group's disclosure obligations and the Group's ability to manage risk.

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's 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; and
- 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.

CORPORATE GOVERNANCE STATEMENT

Appointed Directors receive a formal letter of appointment which set out the terms of their appointment, including remuneration entitlements and the Company's Corporate Governance Policies, and attaching 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 3 to 5.

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:

- helping to organise and facilitate the induction and professional development of directors;
- monitoring whether Company policies and procedures are followed;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes;
- advising the Board and Committees on governance matters; and
- co-ordinating the timely distribution of Board and Committee agendas and briefing materials.

The decision to appoint or remove a Company Secretary is made or approved by the Board. The Company Secretary is accountable to the Board through the Executive Chairman on all matters to do with the proper functioning of the Board. 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 23 to 43.

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 and Equal Employment Opportunity Policy

SGH is committed to an open and inclusive workplace. The Company reviewed and revised its Diversity policy to ensure it continued to support its ongoing commitment to Diversity as well as Equal Employment Opportunity. Key accountabilities are set out on the following page.

Board

- Sets objectives and works to ensure that organisational behaviour is consistent with an inclusive workplace that embraces diversity.

Executive Team

- Sets objectives and demonstrate behaviour consistent with an inclusive workplace that embraces diversity.
- Adhere to the minimum standards of behaviour outlined in the Policy.
- Report unacceptable behaviour and deal with any complaints made, appropriately and promptly.

Managers and Supervisors

- Demonstrate behaviour consistent with an inclusive workplace that embraces diversity and promote such a workplace by:
 - Encouraging the sharing of diverse experiences and perspectives;
 - Identifying and considering how particular diverse attributes can create value and assist employees to make such a contribution.
 - Fairly reviewing performance against objectives set at least once a year.
- Adhere to the standards of behaviour outlined in the Policy; and
- Report unacceptable behaviour and deal with any complaints made, appropriately and promptly.

Company progress on diversity objectives in 2018

Measurable Objectives	Achievements in 2018
<p>Flexible Work Practices</p> <p>Flexibility provides employees with a wider range of choices as to how, when and where they are able to undertake their work activities.</p> <ul style="list-style-type: none"> • Development of flexible work practices, tailored to individual needs, to assist employees to balance work with family, carer or other responsibilities. • Practices may be formal, such as part-time hours, or informal, such as working from home. 	<p>The businesses within the Group formalised and improved a range of flexible working practices. The Company has moved from having flexible working practices on a case by case basis to them being standardised in policy across all the larger group businesses.</p> <p>Utilisation of flexible work practices has improved as the policies have become better understood by both management and employees. This has also enabled the company to attract candidates from a more diverse employee pool.</p> <p>The introduction of a Family and Domestic violence leave last year was an important step in providing support and time off for people affected by family and domestic violence for court hearings or to relocate as needed, as well as discretion and confidentiality.</p>
<p>Equal Opportunity</p> <p>The Company strives to make decisions in a transparent and fair manner that excludes conscious or unconscious biases that might discriminate against certain employees or candidates.</p> <ul style="list-style-type: none"> • Decisions regarding employment and remuneration are based on merit, ability, performance and potential. • Internal and external placements are recruited through the assessment of individual merit, skills and experience. 	<p>Improved reporting and people analytics across recruitment, performance management, remuneration have provided better visibility into current state which have resulted in the following:</p> <p>Processes have been implemented within the Group to ensure that decisions about pay are linked to market benchmarks at remuneration review, for promotions and on hire.</p> <p>Recruitment practices have evolved to ensure that hiring managers are presented with a diverse candidate base which includes female candidates. This has improved the diversity of candidates and the overall quality of hires.</p> <p>The Company is redefining select roles where appropriate within the business so that they can be completed equally by either male or female employees on a full-time, part-time or casual basis.</p> <p>Training programs (unconscious bias) have been introduced to increase awareness about diversity and inclusiveness.</p>
<p>Career Development and Progression</p> <p>Assisting all employees to have equal access to career development and progression.</p> <ul style="list-style-type: none"> • Ensuring the talent of all employees is recognised and utilised to retain and increase diversity across all levels of the Company. • Decisions relating to task allocation, training and development are based on merit, performance and talent. 	<p>A thorough talent and succession planning process has resulted in a deeper review of people and their potential at the Company, including opportunities across the businesses for female talent. A key objective is to embed gender diversity as an active consideration in succession planning.</p> <p>Executive level succession plans were reviewed by the Board and provided a diverse list of candidates for whom development plans will help to ensure preparedness to take on future opportunities.</p>

CORPORATE GOVERNANCE STATEMENT

Gender Diversity

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

Level	Number of Women	Proportion of Women
Board	1 of 9	11.0%
Senior executives*	21 of 180	11.6%
Whole of organisation	707 of 4,952	14.3%

* 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 2018.

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 2017 – 2018 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 twelve 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

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 3 to 5.

Board independence

The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors. The Board comprises a majority of Independent Directors, with 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 deemed to be 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.

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.

The Independent & Related Party Committee has overseen a substantial reduction of related party transactions in recent years, principally involving the conclusion of legacy service arrangements or the transfer of property interests and leases relating to several key business sites to unrelated third parties. For more information concerning the reduction in quantum of related party transactions, please see Note 33 on page 107 of this Annual Report.

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 Chairman is responsible for leading the Board, facilitating the effective contribution of all Directors and promoting constructive and respectful relations between the Board and Management.

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, agribusiness, property development mining, oil and gas exploration. His experience, business relationships 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.

Company's purpose and strategic objectives

In accordance with its Charter, and consistent with emerging governance expectations, the Board has defined the Company's purpose as "Maximising returns to shareholders through long-term sustainable value creation". The Board has identified the following areas as strategic objectives for the Company to drive shareholder value and underpin the Company's economic sustainability:

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.

Board Skills Matrix

The Board has developed a Board Skills Matrix set out in the table below reflecting the desired skills and experience required to be able to deliver on the strategic objectives of the Company. The Board believes that these skills and experiences are well-represented by its current composition. The table also outlines the percentage of current directors possessing those skills and experience.

Skills and Experience	Percentage
Executive leadership Significant business experience and success 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 and an ability to probe the adequacies of financial and risk 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	60%
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 Track record in identifying, developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of strategic objectives and developing an asset or investment over the long-term	90%
Corporate governance and regulatory Commitment to the highest standards of corporate governance, including senior executive or Board experience with an organisation that is subject to rigorous governance and regulatory standards	100%
Remuneration and people Board remuneration committee membership or Senior executive experience relating to workplace health and safety, managing people and remuneration, including incentive arrangements and the legislative framework governing employees and remuneration	80%

CORPORATE GOVERNANCE STATEMENT

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 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 – People & Culture 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.

The Director induction and ongoing training programs are reviewed to consider appropriate opportunities for Director development having regard to the desired skills and competencies for Board members as well as emerging governance issues such as digital disruption and cyber security. During the year Directors were briefed and reflected upon recent inquiries and reports into practices in the banking, superannuation and financial services industry, particularly with regard to the findings and learnings relating to corporate governance effectiveness and its translation to culture and behaviour within an organisation arising therefrom.

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

Core values

In accordance with its Charter, the Board has approved the core values of the Company below which function as guiding principles and expectations for behaviour and the culture the Board and Management are seeking to embed across all the Group to assist in the achievement of the Company's strategic objectives as set out under Principle 2.

Disciplined

- We manage risk and create sustainable value with a focus on cost efficiency; and
- Invest in businesses where the investment opportunity exceeds the return requirements.

Performance

- Commitment to achieving our objectives and delivering acceptable outcomes;
- Delivery of results through a focus on cash flow and a strong balance sheet; and
- Pursue a culture of high performance that supports the achievement of long-term goals.

Accountable

- We take accountability for our actions;
- Ensure we deliver on our commitments; and
- Trust and empower our people to be accountable.

Agility

- The capacity to meet our challenges and achieve great outcomes; and
- Our ability to change and evolve our business and businesses.

Respect

- Drive a diverse and inclusive culture where we value people; and
- Engage constructively with all stakeholders to drive shareholder value.

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.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit & Risk Committee

The Audit & Risk Committee comprises 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
- Mr Warwick Smith AM

Ms Chaplain possesses extensive professional experience on Audit & Risk Committees of substantial Australian listed companies and her career includes senior roles in investment banking, financial services, mining, engineering and major infrastructure services companies. 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;
- work with management to ensure that a formal and rigorous process is in place to validate the quality and integrity of the Company's corporate reporting, including financial reporting, and ensure that it is accurate, balanced and understandable and provides investors with appropriate information to make informed investment decisions;
- the identification and management of financial and non-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. It is the practice of the Committee for the Managing Director & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Group Executive People & Culture 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

It is the policy of the Audit & Risk Committee to meet periodically with the External Auditors without management being present.

Each reporting period, the External Auditor provides an independence declaration in relation to the audit. 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 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 Auditor's report.

CORPORATE GOVERNANCE STATEMENT

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.

To assist the Managing Director & Chief Executive Officer and the Chief Financial Officer in making their declarations to the Board in relation to each of the half-year and full year, and to ensure integrity in corporate reporting and good governance, a detailed questionnaire is distributed to senior management across the Group, including business unit Chief Executives and business unit Chief Financial Officers as well as other selected key senior managers, requiring confirmation from each of them that financial and accounting controls have been in place and adhered to, Company codes or policies have not been breached, risks have been appropriately managed, and that any matters requiring further consideration by senior group management are disclosed.

The required declarations from the Chief Executive Officer and Chief Financial Officer have been given to the Board for the half-year ended 31 December 2017 and financial year ended 30 June 2018.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to complying with the disclosure obligations of the Corporations Act and the Listing Rules of the ASX, and to ensuring accountability at a senior executive level for that compliance. To that end, the Company has adopted a Continuous Disclosure Policy. A summary of the Continuous Disclosure Policy is available on the Company's website.

The Company also follows a program of half yearly and yearly disclosures to the market on financial and operational results and has established policies and procedures to ensure that a wide audience of investors has access to information given to ASX for market release. Media releases, half yearly and yearly financial reports and results presentations are lodged with the ASX and upon confirmation of receipt by the ASX, they are posted to the Company's website.

In order to protect against inadvertent disclosure of price sensitive information, the Company imposes communication 'blackout' periods for financial information between the end of financial reporting periods and the announcement of results to the market.

The Board receives copies of all announcements under Listing Rule 3.1 promptly after they have been made.

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 adopted 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.

It is the Company's practice that all resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

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;
- biographical information for members of the Senior Management team;
- 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; and
- details concerning the date of the Annual General Meeting, including the Notice of Meeting, when available.

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 outlined below.

- 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 reports from management on new and emerging sources of financial and non-financial risk and the risk controls and mitigation measures that management has put in place to deal with those risks.
- 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; and
- the Company businesses conducted risk reviews and assessments which identified, assessed and ranked the main strategic risks, including material business risks, facing the Group’s businesses in respect of which management has implemented internal risk controls and mitigation strategies for those risks.

Internal Control Framework

The Company has established an Internal Audit & Process Improvement function to evaluate and improve the effectiveness of the Company’s governance, risk management and internal control processes. 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 Internal Audit function has access to the Company’s records, information systems, properties and personnel in order to conduct its activities. 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.

CORPORATE GOVERNANCE STATEMENT

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 34 to 39. 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 40 to 47 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, Coates Hire's and AllightSykes' operations, are developed following a risk assessment process that considers potential events in accordance with current Emergency Risk Management guidelines. The Company is working to improve the safety culture in each of the businesses through a combination of cultural change programs which include improved inductions, training, reporting and which increase management and individual accountability. The Company's Workplace Health and Safety policy has been revised to provide a united safety aim and standards throughout the Group's businesses and is promulgated to staff through management oversight, training and availability on the Company's intranet.

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 preventative health checks, information seminars on a range of topics including mental health and a free and confidential external counselling service for employees and their immediate families. Refer to pages 43 to 45 of this Annual Report for more information on the Group's workplace safety practices within WesTrac, Coates Hire and AllightSykes, the Group's predominant operating businesses.

Environment and Sustainability

The Company is mindful of climate change and managing the environmental impact of its operations. Environmental risks are considered as part of the Company's risk assessment processes. Refer to pages 42 and 45 of this Annual Report for more information on the Group's environmental practices and efforts to minimise the environmental footprint of its businesses.

For the Company's climate change-related commentary and disclosure, please refer to pages 48 to 52 of this Annual Report.

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 ensure the company has a rigorous and transparent process for developing its remuneration policy and for fixing the remuneration packages of directors and senior executives, in light of the objective that the company's remuneration framework is aligned with the company's strategic objectives, values and risk appetite;
- 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 \$2.2 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 35 and pages 42 to 43.

No retirement benefits apply in respect of Company directorships other than superannuation contributions.

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, deferred shares or performance rights (cash settled or equity settled) 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.

During the financial year, following the Company's acquisition of the remaining 53.3 per cent interest in Coates Hire, remuneration arrangements for Coates Hire's CEO, Mr Jeff Fraser, were transitioned to the SGH remuneration framework for Key Management Personnel (KMP) to ensure Mr Fraser's incentive arrangements are consistent with other senior Group Executives and aligned with the interests of the Company's shareholders.

Remuneration policy matters as well as regular reports concerning industrial relations and Enterprise Agreements relating to WesTrac and Coates Hire 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 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 KMP and employees 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 23 to 43.

This statement has been approved by the Board and is current as at 22 August 2018.