

# MESSAGE FROM THE INDEPENDENT & RELATED PARTY COMMITTEE

## Dear Shareholders

The Independent & Related Party Committee (IRPC) was established on inception of the Company in 2010. The IRPC has at all times been comprised of only Independent Directors on the Board. The IRPC's current members are Ms Annabelle Chaplain, Ms Kate Farrar, Mr David McEvoy, Mr Chris Mackay, Mr Richard Uechtritz and myself as Chairman.

My fellow Directors on the IRPC are conscientious and strong-minded individuals who have each built highly successful careers based on outstanding performance, technical expertise and their personal attributes as leaders. Importantly, they are each engaged members of the Australian corporate community who keep abreast of current market practice and developments, particularly through their shared experience on Boards or in senior executive roles of other significant companies and organisations in industries that are relevant to the Company's businesses and investments. They each believe in the key role that good governance plays in sustainable value creation for all of the Company's shareholders. The Independent Directors on the Board bring this mindset to the work performed by the IRPC and in the exercise of their judgement and responsibilities on the Board.

The IRPC's Charter provides that "the purpose of the Independent & Related Party Committee is to provide a forum for the review of material transactions between the Company and its related parties". The Scheme Booklet lodged by the Company on 30 April 2010, relating to merger of Seven Network Limited and WesTrac Holdings Pty Limited to form Seven Group Holdings Limited which was approved by Seven Network Limited shareholders, disclosed the nature of the related party transactions in place at the time of the Company's formation and their quantum. Those related party transactions principally related to existing legacy service arrangements with, or properties owned by, entities controlled by the Company's major shareholder, Mr Kerry Stokes AC, that were required as part of the Company's continuing operations particularly during the period that assets held within the WesTrac Group transitioned from private ownership to a publicly listed entity.

Throughout the period since the Company's formation, the IRPC has received detailed reports of the Company's related party transactions, including those between the Company and entities controlled by Mr Kerry Stokes AC. The IRPC has worked diligently to establish rigorous protocols for reviewing related party transactions which have been promulgated to Management. As the Company's growth has matured and in the interests of good governance, the IRPC, with the support of the other Directors on the Board, including Mr Kerry Stokes AC and Directors associated with the interests of Mr Kerry Stokes AC, has proactively endeavoured to reduce the quantum of related party transactions with the Company where opportunities have arisen to do so.

On behalf of the IRPC, and the Board, I am pleased to report that the IRPC has overseen the majority of the Company's complex related party transactions being collapsed or externalized to unrelated third parties, with a number of branch and residential property leases, on arm's length terms, with entities controlled by Mr Kerry Stokes AC remaining. This transition of related party arrangements to externalized or unrelated third parties has included the sale by entities controlled by Mr Kerry Stokes AC of WesTrac's main operating sites at Tomago and South Guildford, over which WesTrac held first rights of acquisition under WesTrac's lease terms, in consideration for WesTrac receiving substantial rent reductions and lease extension incentives for these sites.

This concerted effort of the IRPC and interests associated with the Company's major shareholder has resulted in the Company's annual related party transactions being reduced from \$46 million in FY15 to \$7 million in FY19.

Along with the increased free-float in the Company's securities from 26.4 per cent to 38.9 per cent of the Company's total issued share capital (brought about by the Institutional Placement and Share Purchase Plan in September 2017 and conversion of TELYS4 securities to ordinary securities in September 2018), which created the conditions for a broader range of investors to become shareholders in the Company, the process of reducing related party transactions demonstrates the Board's commitment to good governance in the interests of all shareholders.

Yours faithfully



**Terry Davis**

Chairman of the Independent & Related Party Committee

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2019

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 3<sup>rd</sup> 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 proactively took account of emerging developments in corporate governance, as raised in the 4<sup>th</sup> edition ASX Corporate Governance Council Corporate Governance Principles and Recommendations released on 27 February 2019 (4<sup>th</sup> Edition ASX Recommendations). The resulting amendments to the Board and Committee Charters are aligned with emerging market expectations, reflect many of the responsibilities and processes that the Board and its Committees were already undertaking and prepares the Company for its transition to reporting against the 4<sup>th</sup> Edition ASX Recommendations in the Company's next Corporate Governance Statement.

Accordingly, reporting of compliance within this Corporate Governance Statement remains against the 3<sup>rd</sup> edition of the ASX Recommendations, however, reference is also made herein to corporate governance enhancements which relate to the 4<sup>th</sup> 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](http://www.sevengroup.com.au/about-us/corporategovernance).

## 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;
- demonstrating leadership by approving the Company's purpose, statement of values, strategic objectives and code of conduct for directors, senior executives and employees and monitoring corporate culture;
- contributing to and approving management's development of corporate strategy including approving strategic objectives;
- monitoring corporate performance and management's performance and implementation of Company strategy and promotion of the Company's values;
- reviewing and monitoring systems of risk management and internal control and ethical and legal compliance, including review of procedures to identify the main financial and non-financial 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;
- 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 responsibly;
- monitoring that management has formal and rigorous processes in place to validate the quality and integrity of the Company's corporate reporting;
- satisfying itself that the Company's remuneration framework is aligned with the Company's purpose, its strategic objectives, values and risk appetite; 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 the 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. 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 the Integrity of Corporate Reports" and further details regarding the Remuneration & Nomination Committee and the Independent & Related Party Committee are set out under "Principle 2 – Structure the Board to be Effective and Add Value" in this Corporate Governance Statement.

The Directors' Report on page 73 sets out the number of Board and Committee meetings held during the 2019 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, Board Charter and the law, 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 charged with promulgating the Company's values across the organisation and 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, including information concerning the Company's compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the values or Code of Conduct of the Company. 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 are subject to ongoing review to ensure that the division of functions remains appropriate.

### Executive Management Team

Company executives are each employed under written employment agreements, which set out the terms of their employment.

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 (MD & CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and Group Executive – People & Culture, Chief Executives of each of WesTrac, Coates Hire, AllightSykes and SGH Energy, 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 Executive Management team are available at pages 56 to 57 of this Annual Report.

### Governance and SGH Subsidiary Operating Businesses

The Company's key operating businesses (subsidiaries), WesTrac, 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 MD & CEO, CFO and COO, and the subsidiary Chief Executive, and provide a forum to review the operations of the business and to hold each subsidiary 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 finance, health and safety, risk, human capital management, strategy and customer relations.

This management structure enables the Company to set Group minimum standards, 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 be Effective and 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 Board appointment include:

- skills, experience, expertise and personal qualities that will best complement the Board effectiveness having regard to the Board skills matrix, 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;
- 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;
- 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.

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. The date at which each Director was appointed to the Board is announced to ASX and is provided in this Annual Report on pages 56 to 57.

### New Director Appointment During the Year

During the year, the Board undertook a review of the Board's structure and composition, and on 18 February 2019 appointed an additional Independent Director, Ms Kate Farrar, to the Board.

The Board considers that Ms Farrar's appointment adds further depth and strength to the Board, and that Ms Farrar's skills and experience, particularly in investment analysis, capital management and allocation and energy sector knowledge, are valuable to the Board.

## CORPORATE GOVERNANCE STATEMENT

### 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;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes;
- advising the Board and Committees on governance matters; and
- coordinating 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 were 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 enhancements 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 considered 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 MD & CEO 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 MD & CEO's performance-based remuneration. The Remuneration Report sets out further details of the performance criteria against which the MD & CEO's performance-based remuneration is assessed on. Refer to the Remuneration Report from page 76 for further detail.

The performance of senior executives of the Company are reviewed on an annual basis in a formal and documented interview process with either the MD & CEO 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 MD & CEO 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, see the Remuneration Report and 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 has an ongoing commitment to Diversity as well as Equal Employment Opportunity. Key accountabilities are outlined below:

#### Board

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

#### Executive Management

- 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; and
  - fairly reviewing performance against objectives set at least once a year.
- Adhere to the standards of behaviour outlined in the Policy.
- Report unacceptable behaviour and deal with any complaints made, appropriately and promptly.

## Company progress on diversity objectives in 2019

### Measurable Objectives

#### Flexible Work Practices

Flexibility provides employees with a wider range of choices as to how, when and where they are able to undertake their work activities.

- 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.

### Achievements in 2019

The businesses within the Group now have a framework to enable flexible work practices and arrangements. Flexible work policies are now simpler and easier to access, and work continues to ensure the policies are consistently applied within the workplace.

Utilisation of flexible work practices continues to improve as the policies become better understood by both management and employees. These also include telecommuting, job sharing and compressed working week initiatives. This has also enabled the company to attract candidates from a more diverse employee pool.

Promotion of flexible workplace practices have formed part of the Group's internal and external brand, ensuring the longevity and transparency of the practices. Businesses have become accredited or are in the process of becoming accredited for offering flexible practices on diversity focussed job boards.

#### Equal Opportunity

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.

- 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.

Reporting and people analytics across recruitment, performance management, remuneration have provided better visibility into current state which have resulted in the following:

Processes within the Group ensure that decisions about pay are linked to market benchmarks at remuneration review, for promotions and on hire. Gender Pay parity is reviewed annually and is a key focus across all business. In FY19, additional budgets were allocated to address pay gaps where parity is yet to be achieved.

Recruitment practices have evolved to ensure that hiring managers are presented with a diverse candidate base which includes female candidates. Gender conversion rates are reviewed to uncover potential bias. This continues to improve the diversity of candidates and the overall quality of hires.

Select roles have been identified within the businesses such that they can be completed equally by either male or female employees on a full-time, part-time or casual basis. In addition, training programs (unconscious bias) have been introduced to increase awareness about diversity and inclusiveness.

A targeted intake of indigenous apprentices, along with better support structure and programs for recruits ensures an active focus across all business units.

#### Career Development and Progression

Assisting all employees to have equal access to career development and progression.

- 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.

Talent and succession planning processes have resulted in a deeper review of people and their potential at the Company, including opportunities across the businesses for female talent. A key objective has been to embed gender diversity as an active consideration in succession planning noting that executive KPIs in FY19 included year on year increase in female talent in business units.

All leaders in one of the Group entities undertook a behaviours-based culture change program, creating a level playing field for leadership. The program itself encouraged leaders to better understand diversity as well as recognise and give feedback to employees. Mentoring programs targeted at women were also implemented in FY19.

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.

## CORPORATE GOVERNANCE STATEMENT

### Gender Diversity

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

Level	Number of Women	Proportion of Women
Board	2 of 10	20%
Senior executives*	72 of 600	12%
Whole of organisation	890 of 5,403	16.5%

\* Senior executives include Executive Directors of Seven Group Holdings Limited and its subsidiaries, as well as other members of the Executive leadership team and, where appropriate, direct reports to the Executive leadership team. Executive Directors have been included in both the Board and the senior executive categories. The Board and senior executives are included in the Whole of Organisation category. For the purpose of this section of the report, employee numbers and statistics have been calculated based on employees who were paid in the final pay periods of April 2019.

In February 2019 the Board appointed Ms Kate Farrar to the Board, resulting in an improvement in gender diversity. 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 Reports for 2018–2019 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 BE EFFECTIVE AND 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 ten Directors, including seven Non-Executive Directors.

The Non-Independent Directors in office are:

- Mr Kerry Stokes AC, Executive Chairman;
- Mr Ryan Stokes, MD & CEO;
- Mr Bruce McWilliam, Commercial Director;
- The Hon Warwick Smith AO, Director;

The Independent Directors in office are:

- Ms Annabelle Chaplain, Director;
- Mr Terry Davis, Director;
- Ms Kate Farrar, Director;
- Mr David McEvoy, Director;
- Mr Christopher Mackay, Director; and
- 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 54 to 55.

### Board Independence

The Board comprises a majority of Independent Directors, with four Non-Independent Directors and six Independent Directors since Ms Farrar's appointment. During the period of the financial year prior to Ms Farrar's appointment, the Board comprised four Non-Independent Directors and five Independent Directors.

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

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, or represents or has been within the last three years an officer or employee of, a substantial shareholder of the Company;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme 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;
- has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised; 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 AO 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.

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 as currently represented by Directors on the Board, 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.

While the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, the Board has specifically considered the independence of longer-serving Non-Executive Directors during the financial year. The Board determined that these Directors are independent and their periods of tenure do not interfere with the capacity of each of these directors to bring independent judgement to bear on issues before the Board and to act in the best interests of the entity as a whole. The Board also considers that given the Company has diverse operations within a conglomerate structure that have grown considerably over time, the Company's performance and shareholders benefit from having an appropriate number of longer-serving Directors with detailed knowledge of the history and experience of the Group's operations as part of the overall composition of Directors on the Board. As part of succession planning on the Board, the Board's management of tenure of Directors on the Board also aims to achieve a period of knowledge transfer between longer-serving and more recently appointed Directors, prior the rotation of longer-serving non-executive directors off the Board.

#### **Independent & Related Party Committee**

The Independent Directors (identified on page 64) 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 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 Non-Independent Directors present.

The Chair of the Independent & Related Party Committee performs the function of a Lead Independent Director on the Board.

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 third parties. For more information concerning the reduction in quantum of related party transactions, please see the message from the Chairman of the Independent & Related Party Committee on page 58 and on page 90 of this Annual Report.

#### **Chairman**

The roles of the Chairman and MD & CEO 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 Directors and 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**

The Board has approved the Company's purpose as "*Maximising returns to shareholders through long term sustainable value creation*". The Board reviewed the Company's strategic objectives during the year and the Company's execution against the strategy disclosed in the 2018 Annual Report in consultation with Management. The Board has refined the Company's strategic objectives disclosed in the 2018 Annual Report to provide greater clarity and focus, approving the following areas as strategic objectives for the Company to achieve the Company's purpose and underpin the Company's economic sustainability:

1. Diligent application of capital to maximise outcomes and returns;
2. Unlocking the potential of our people with effective processes and systems;
3. Focused execution of our strategies and ability to adapt to dynamic environments;
4. Operate efficiently and effectively across different sectors and realise the full potential of our businesses; and
5. Contribute to our societies through creating better outcomes via our involvement.

## CORPORATE GOVERNANCE STATEMENT

### 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 which provides a mix of Directors with specialised knowledge relating to particular industries in which the Group businesses operate as well as general corporate, executive and Director experience which are appropriate for the Company. The table also outlines the percentage of current directors possessing those skills and experience.

Skills and Experience	Percentage
<b>Executive leadership</b> Significant business experience and success at a senior executive level	100%
<b>Financial analysis, risk management and reporting</b> 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%
<b>Industrial services</b> Senior executive or Board level experience in the industrial services industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	80%
<b>Media industry</b> Senior executive or Board level experience in the media industry, including in-depth knowledge of the legislative and regulatory framework governing this industry	60%
<b>Energy, oil and gas</b> 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%
<b>Technology</b> 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	40%
<b>Strategy and corporate activity</b> 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	100%
<b>Corporate governance and regulatory</b> 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%
<b>Remuneration and people</b> 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.	90%

### 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 AO:

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

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 also attend any meeting of the Committee by invitation.

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 framework, 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. During the year, Directors were briefed on regulatory and reporting developments, including changes to the ASX Corporate Governance Principles and accounting standards, as well as the implementation of risk management programs and culture and behaviour reviews and initiatives across the Group.

### 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 – INSTIL A CULTURE OF ACTING LAWFULLY, 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 Board has implemented a number of other policies and procedures to maintain confidence in the Company's integrity and promote ethical behaviour and responsible decision-making, including the following policies which are available on the Company's website:

- Continuous Disclosure policy
- Director Share Trading and Executive and Staff Share Trading policies
- Diversity policy
- Whistleblower policy
- Fraud and Corruption policy

The Company's Share Trading policies establish the governing principles for trading in Company shares by Directors, Executives and staff. The Company's Whistleblower Policy, which includes an external reporting 'hotline', encourages the reporting and investigation of unethical and unlawful practices and matters of concern. The Company's Fraud and Corruption policy prohibits all Company Directors, employees, contractors and business partners giving bribes or other improper payments or benefits to public officials and material breaches of the policy must be reported to the Board and the Audit & Risk Committee.

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 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 and 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.

### **PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

#### **Audit & Risk Committee**

The Audit & Risk Committee comprises the following members, all of whom are Independent Directors except for Mr Warwick Smith AO:

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

Ms Chaplain possesses extensive professional experience on Audit and 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. Ms Kate Farrar was appointed to the Audit & Risk Committee on 14 August 2019 to provide further depth and expertise on that Committee and brings significant finance, investment and management and board experience to the Committee.

## CORPORATE GOVERNANCE STATEMENT

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 internal controls and systems of the Company and its subsidiaries;
- reviewing the process to verify the integrity of any periodic corporate report the Company releases to the market that is not audited or reviewed by the External Auditor;
- 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
- reviewing the External Auditor's fees for non-audit work 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 by invitation.

### External Audit function

The Audit & Risk Committee meets 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 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.

### Declarations by the MD & CEO and CFO

Before the Board approves the financial statements for each of the half-year and full year, it receives from the MD & CEO and the CFO 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 MD & CEO and the CFO in making their declarations to the Board in relation to the for 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 2018 and financial year ended 30 June 2019.

### Verification of Integrity of Periodic Corporate Reports

Corporate reports which are not audited or reviewed by the external auditor are prepared by Executive Management by reference to company records and systems, with external professional assistance where appropriate. Such reports, as are included in the non-audited sections of this Annual Report, are submitted to a Committee or the Board for consideration. The detailed questionnaire distributed to senior management across the Group as part of the Company's periodic reporting procedures, referred to above, is a feature of the verification process in relation to corporate reporting on the Company's policies and compliance.

### 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 has adopted a Continuous Disclosure Policy which is available on the Company's website.

Media releases, half yearly and yearly financial reports and results presentations are lodged with ASX and upon confirmation of receipt by 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 SECURITY HOLDERS

### Communications with security holders

As disclosed in the Shareholder Communications Policy, which is available on the Company's website, the Board aims to ensure that security holders are informed of all major developments affecting the Company's state of affairs and that there is effective two-way communication with security holders. The Company adopted a communications strategy that promotes effective communication with security holders, 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. Shareholders are encouraged to participate in general meetings and are invited to put questions to the Chairman of the Board in that forum.

Security holders 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 security holders for cost effectiveness and efficiencies, including using electronic delivery systems for security holder communications where appropriate. The Company continues to implement campaigns to encourage security holders to elect to receive all security holder 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 policy that all substantive 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](http://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 Executive 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 financial and non-financial 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 the Integrity of Corporate Reports". 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 and internal control framework.
- 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.

## CORPORATE GOVERNANCE STATEMENT

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 and Process Improvement concerning review of the Group's key business operations. The Group's business divisions provide regular reporting on workplace safety practices and management within the Group;
- the Committee conducted periodic as well as 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

Throughout the financial year the Company's Internal Audit and Process Improvement function evaluated the effectiveness of the Company's governance, risk management and internal control processes by conducting detailed reviews in the areas of accounting, technology, information and business operations. 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 reviewed and approved the Internal Audit plan, its resourcing and monitored its independence and performance. Internal Audit reviews carried out in accordance with the Internal Audit plan were 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.

The Internal Audit function has traditionally required a combination of internal and external resourcing, with external resourcing being engaged to conduct highly specialised reviews or to access particular professional or technical expertise. During the year, as part of a Request for Proposal process, external accounting and consulting firms with suitable capability were invited to make submissions to provide services to enhance the Company's Internal Audit function. Following evaluation by the Audit & Risk Committee of a shortlist of providers and submissions, Ernst & Young were appointed to conduct the Company's Internal Audit reviews, under in-house oversight, for the financial year commencing from 1 July 2019. The Board considers that this appointment provides an enhanced level of capability, providing technical depth from a leading audit firm. This will embed a stronger risk and compliance culture across the organisation, whilst drawing on best practice and knowledge across operational and emerging issues. Additionally, economies of scale and process improvement benefits will be realised through the co-ordination of various assurance and control testing activities across the Group entities and businesses. Efficiencies will also be gained by the externally resourced Internal Audit function working closely with the Group's external auditor, Deloitte, to ensure audit efforts are not duplicated and Internal Audit work can be relied upon.

### 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, the Company's economic sustainability risks and how it manages those risks is set out in the Operating and Financial Review of this Annual Report on pages 34 to 37. 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 38 to 45 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.

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 46 to 51 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 38 to 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, refer to pages 46 to 51 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 be Effective and 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 MD & CEO, Chief Executives and senior executives of the Group;
- 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, purpose and risk appetite;
- to provide advice and support and serve as a sounding-board for the MD & CEO and the Board in human resource and remuneration-related matters;
- to advise on succession planning and employee development policies; and
- to review and monitor the implementation of, the Company's remuneration framework to confirm it:
  - encourages and sustains a culture aligned with the Company's values;
  - supports the Company's strategic objectives and long-term financial soundness; and
  - is aligned with the Company risk management framework and risk appetite.

It is the practice for the MD & CEO 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 aggregate remuneration for Non-Executive Directors is approved by shareholders. Fees for Directors are set out in the Remuneration Report on pages 76 to 93.

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 86 and page 93.

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 MD & CEO 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 and Coates Hire Executives who are Key Management Personnel (KMP) of the Company are brought to the Remuneration & Nomination Committee for its consideration. Otherwise, WesTrac's and Coates Hire's remuneration arrangements and approvals are generally respectively overseen by a WesTrac Executive Committee and Coates Hire 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 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 MD & CEO during the financial year as well as for Executive Management. This process and the outcomes for KMP 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 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 from entering into arrangements which operate to limit the executives' economic risk in connection with Seven Group Holdings securities which are unvested or remain 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 75 to 93.

This statement has been approved by the Board and is current as at 21 August 2019.