



# Corporate Governance Statement

Retail Food Group Limited (the Company), the Board of Directors (the Board), and executive management are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 3<sup>rd</sup> edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

This Corporate Governance Statement provides an overview of the Company's governance practices as at 30 June 2017, and was approved and adopted on the 29<sup>th</sup> of August 2017. It describes the various ASX Principles and the Group's compliance with them.

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
<b>1.</b>	<b>Lay Solid Foundations For Management And Oversight</b>		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Refer pages 5-6	Complied
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.	Refer page 6	Complied
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Refer page 6	Complied
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.	Refer page 6	Complied
1.5	A listed entity should have a Diversity Policy which includes the requirements set out in Recommendation 1.5.	Refer pages 6-7	Complied
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Refer page 6	Complied
1.7	A listed entity should: (a) have and disclose, a process for periodically evaluating the performance of its senior executives; and (b) in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Refer page 6	Complied
<b>2.</b>	<b>Structure The Board To Add Value</b>		
2.1	The Board of a listed entity should: (a) have a nomination committee which: (1) has at least three members all of whom are non-executive Directors and the majority of whom are independent Directors; (2) is chaired by an independent Director; and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Refer pages 9-10	Complied

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skill and diversity that the Board currently has or is looking to achieve in its membership.	Refer page 7	Complied
2.3	A listed entity should disclose: (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director.	Refer page 8	Complied
2.4	A majority of the Board of a listed entity should be independent Directors.	Refer page 7-8	Complied
2.5	The chair of the Board of a listed entity should be an independent Director, and in particular, should not be the same person as the CEO of the entity.	Refer page 8	Complied
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their roles as Directors effectively.	Refer page 8	Complied
<b>3.</b>	<b>A listed entity should act ethically and responsibly</b>		
3.1	A listed entity should have a code of conduct for its Directors, senior executives and employees and disclose that code or summary of it.	Refer page 10	Complied
<b>4.</b>	<b>Safeguard Integrity In Corporate Reporting</b>		
4.1	The Board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (2) is chaired by an independent Director, who is not the chair of the Board; and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Refer pages 10 - 11	Complied
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Refer page 11	Complied
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Refer page 12	Complied

Principle Number	Best Practice Recommendation	Compliance	Reason for Non-Compliance
<b>5.</b>	<b>Make Timely And Balanced Disclosure</b>		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Refer page 12	Complied
<b>6.</b>	<b>Respect The Rights Of Security Holders</b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Refer page 12	Complied
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Refer page 12	Complied
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Refer page 12	Complied
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Refer page 12	Complied
<b>7.</b>	<b>Recognise And Manage Risk</b>		
7.1	The Board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director; and disclose: (3) the charter of the committee; (4) members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Refer pages 10 – 11 & 13	Complied
7.2	The Board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Refer page 13	Complied
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Refer page 13	Complied
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer pages 13 – 14	Complied
<b>8.</b>	<b>Remunerate Fairly And Responsibly</b>		
8.1	The Board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director; and disclose: (3) the charter of the committee; (4) the members of the committee; and	Refer page 14	Complied

	(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	Refer pages 14 - 15	Complied
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether or not through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Refer page 15	Complied

The Board has in place corporate governance practices that it considers to be the most appropriate for the Company and its controlled entities (together referred to as the 'Group' in this statement). The Board continues to review its governance framework and practices to ensure they meet the interests of shareholders. This statement describes the main Corporate Governance practices in place during the year.

The Board maintains a comprehensive set of policies to assist in the discharge of its Corporate Governance responsibilities, including:

- Code of Conduct;
- Board Charter;
- Nomination Committee Charter;
- Audit & Risk Management Committee Charter;
- Remuneration Committee Charter;
- Standing Rules of Committee Charter;
- Continuous Disclosure Policy;
- Remuneration Policy;
- Appointment of Directors Policy;
- Diversity Policy; and
- Trading Policy.

Copies are available from the Company's registered office or may be downloaded from the Company's website at [www.rfg.com.au](http://www.rfg.com.au) (refer Investor Section).

**Principle 1: Lay Solid Foundations For Management And Oversight:**

The Directors are responsible to the shareholders for promoting and managing the performance of the Group in both the short and longer term. Their focus is to enhance the interests of security holders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- Charting strategy and set financial targets for the Group;
- Monitoring the implementation and execution of strategy and performance against financial targets;
- Appointing and oversee the performance of senior executive management;
- Monitoring the culture and values of the Group; and
- Taking and fulfilling an effective leadership role in relation to the Group.

The Board has reserved to itself, in addition to those matters reserved to it by law, the following matters and all power and authority in relation to those matters:

- Composition of the Board itself (including appointment and retirement or removal of Directors);
- Periodic evaluation of the Board, its committees and individual Directors;

- Oversight of the Group, including its control and accountability systems;
- Appointing and removing the Managing Director and Chief Executive Officer;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Input into and final approval of management's development of corporate strategy and performance objectives;
- Monitoring senior executive management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Approving the Group's remuneration framework;
- Performance of investment and treasury functions;
- Monitoring industry developments relevant to the Group and its business;
- Developing suitable key indicators of financial performance for the Group and its business;
- The overall corporate governance of the Group, including strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- The oversight of Committees.

Prior to the appointment of non-executive Directors, the Board undertakes appropriate checks and otherwise provides shareholders, in the Notice of Meeting at which non-executive Director election or re-election is to occur, with all material information in its possession to assist shareholders to make an informed decision.

Non-executive Directors are issued with formal letters of appointment governing their roles and responsibilities.

The Board has delegated specific responsibilities to various Board Committees which act, subject to the terms of their respective charters, in an advisory capacity, subject to the oversight of the Board.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executive management of the Group. These delegations are reviewed periodically as appropriate.

Senior executive management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties. Senior executive management report to the Board at Board meetings, providing updates on Group performance, initiatives and issues.

Directors and senior executive management are issued with formal agreements setting out the terms of their appointment.

The Board generally meets on a monthly basis. On an annual basis, the Board sets financial and non-financial performance targets for the Managing Director and senior executive management and performance is assessed against these performance targets. A performance assessment for the Managing Director and senior executive management is undertaken annually.

The Company Secretary is accountable to the Board, through the Chair, on all matters relevant to the proper functioning of the Board. All Directors have direct access to the Company Secretary.

### **Board Performance**

The Board undertakes an annual self-assessment of the performance of the Board as a whole, its Committees, the Chairman, individual Directors and governance processes that support Board activities.

Performance of individual Directors is assessed against a range of factors including the ability of the Director to consistently create shareholder value, to contribute to the development of strategies and risk identification, to provide clarity of direction to senior executive management, to listen to the views of fellow Directors and members of management and key third party stakeholders and to provide the time commitment to ensure the discharge of duties and obligations to the Group.

### **Diversity policy**

The Company recognises:

- the competitive advantages able to be derived from the variety of thought, experience and perspective held by a talented and diverse workforce which is aligned to the Company's values and core behaviours;

- the Company's past and future successes are a reflection of the quality, skill and diversity of its workforce; and that
- employees are more likely to be engaged where working in a diverse environment which is open and fair to all participants.

The Board is therefore committed to having an appropriate blend of diversity at all levels of employment within the Group. To achieve this objective, the Company has established employment, reward and recognition policies with reference and adherence to relevant provisions of the *Fair Work Act 2009* and the *Equal Opportunity Act 2010*, and adopted the Company's Diversity Policy on the 31<sup>st</sup> of August 2014 (a copy of which may be located on the Company's website). Appointment or promotion to positions vacant within the Group is based on merit, without regard to the gender, age, cultural background and/or ethnicity of candidates.

The following table shows the proportional representation of women at various levels within the Group\*:

Gender representation	Women %	Women %
	FY17	FY16
Board representation	29%**	33.3%
Senior management personnel representation (excluding MD)	12.1%	33.3%
Group representation	37.4%	60.3%

\* The change in female representation within the Group between FY16 and FY17 is principally attributable to the acquisition of Hudson Pacific Corporation, which maintained a significantly higher proportion of male employees.

\*\* It is noted that female representation on the Board as at 24 August 2017 is 33.3%.

## Principle 2: Structure The Board To Add Value

The Board operates in accordance with the broad principles set out in its charter. The charter details the Board's composition and responsibilities. In accordance with its Charter, the Board is comprised of Directors with a mix of skills and diversity to enable the Board to effectively oversee all aspects of the Group's operations and enhance performance. These include but are not limited to the following skills:

- Financial/accounting;
- Treasury & debt;
- Audit & risk;
- Corporate Governance;
- Property;
- Franchising;
- Legal;
- International operations; and
- Brand & marketing.

## Board Composition

The composition of the Board is determined according to the following principles:

- The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;
- There must be at least four Directors;
- The number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- The Chairman must be a non-executive Director who is also independent; and
- At least half of the Board must be non-executive Directors, at least two of whom must also be independent.

## Directors' Independence

The Board has adopted specific principles in relation to Directors' independence, which state that, when determining independence, a Director must be a non-executive and the Board should consider whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

- Is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three (3) years between ceasing such employment and serving on the Board;
- Has, within the last three (3) years, been a principal of a professional advisor or a significant consultant to the Group, or an employee significantly associated with the service provided, except in circumstances where the advisor might be considered to be independent, notwithstanding their position as a professional advisor, due to the fact that fees payable by the Group to the advisor's firm represents an insignificant component of its overall revenue;
- Is a significant supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer of the Group;
- Has a material contractual relationship with the Group other than as a Director;
- Is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group; and
- Has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to that assessment.

### **Board Members**

The names, skills and experience of the Directors in office at the date of this Statement, and the period of office of each Director, are set out in the Directors' Report forming part of the Company's Annual Report. At the date of signing the Directors' Report, the Board comprised one executive Director and five non-executive Directors, including the Chairman. Each of the non-executive Directors have no relationships adversely affecting independence and are considered independent under these principles. In assessing the independence of Mr Colin Archer, the Board is satisfied that he remains able to bring an independent mind to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally. Additionally, the valuable contribution of Mr Archer based on his expertise, judgment, industry knowledge and understanding of the Company's operations was considered a significant asset of the Board.

It is noted that Mr Anthony (Tony) Alford was a non-executive Director for the entirety of FY17, however, resigned on 3 July 2017. Throughout his tenure, Mr Alford was a substantial shareholder of the Company and accordingly was not considered to be independent of the Group. Mr Alford also had a long association with Retail Food Group, including acting as the Company's former Managing Director, and, during his tenure, the Board considered it was in the best interests of all shareholders to have a Director with Mr Alford's industry, Group and business expertise as a member of the Board.

Mr Andre Nell assumed the position of Managing Director of the Company on 1 July 2016. Mr Nell performs an executive role and is not independent.

### **Term of Office**

The Company's Constitution requires that one third (or the nearest number thereto but not less than one third) of the Directors, other than the Managing Director, must retire from office at each Annual General Meeting of the Company. The Director/s who must retire is that Director/s who has been in office longest since last being elected. Director/s retiring by rotation are eligible for re-election.

### **Chairman & Managing Director**

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executive management. In accepting the position, the Chairman has acknowledged that it will require significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of the Chairman.

The Managing Director is responsible for implementing Group strategies and policies.

The Board Charter requires that the Chairman must be a non-executive Director who is also independent, and, therefore, is unable to act as Chief Executive Officer or Managing Director.

### **Induction**

The induction provided to new Directors enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Group's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board.



## **Commitment**

The Board held seventeen (17) meetings during FY17.

Non-executive Directors are expected to spend a minimum 20 days a year preparing for and attending Board and Committee meetings and associated activities.

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director, is disclosed in the Company's latest Annual Report.

The commitments of non-executive Directors are considered by the Nominations Committee prior to the Director's appointment to the Board and are reviewed as part of performance assessments.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

## **Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense. Prior approval of the Chairman is required, but this approval will not be unreasonably withheld. The advice obtained must be made available to all Board members in due course, where appropriate.

## **Board Committees**

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current Committees of the Board are the Nominations, Remuneration and Audit & Risk Management Committees. The Nominations, Remuneration and Audit & Risk Management Committees are all entirely comprised of non-executive Directors.

Each Committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by the Committees are submitted to the Board as recommendations for Board consideration.

## **Nominations Committee**

The Board has a Nominations Committee to assist the Board and make recommendations to it in relation to the appointment of new Directors (both executive and non-executive) and senior executive management. The Nominations Committee consists of the following Directors:

- Mr Colin Archer (Committee Chairman);
- Mr Stephen Lonie; and
- Ms Jessica Buchanan.

Functions performed by the Committee include the following:

- Development of suitable criteria (as regards experience, expertise, skills, qualifications, diversity, contacts or other qualities) for Board candidates;
- Identifying individuals who, by virtue of their experience, expertise, skills, qualifications, contacts or other qualities, are suitable candidates for appointment to the Board or to any relevant management position;
- Recommending individuals accordingly for consideration by the Board;
- Establishing procedures, for recommendation to the Chairman, for the proper oversight of the Board and senior executive management; and
- Ensuring that the performance of each Director, and of all members of senior executive management, is reviewed and assessed in accordance with procedures adopted by the Board.

When a new Director is to be appointed, the Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice may be sought from independent search consultants. The Board then appoints the most suitable candidate who must submit themselves to shareholders for election at the first Annual General Meeting following their appointment. The Company provides shareholders with all material information relating to the election or re-election of Directors at the AGM.

New Directors are provided with a letter of appointment setting out the Company's expectations including involvement with Committee work, their responsibilities, remuneration, including superannuation and expenses, requirement to disclose their interests and any matters which affect the Director's independence.

New Directors are also provided with all relevant policies, including the Company's Trading Policy, a copy of the Company's Constitution, organisational chart and details of indemnity and insurance arrangements. A formal induction program, which covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues, is also provided, to ensure that Directors have significant knowledge about the Group and the industry within which it operates.

New Directors are advised of the time commitment required of them in order to appropriately discharge their responsibilities as a Director of the Company. Directors are required to confirm that they have sufficient time to meet this requirement.

The Committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

The Committee has an advisory role, consistent with its purpose of assisting the Board in relation to the matters with which it is charged with responsibility, and does not have any power to commit the Board to any recommendation or decision made by it but may, nevertheless, consult independent external expert advisers, as it may consider appropriate, for the proper performance of its function and charge the costs to the Group.

### **Principle 3: A Listed Entity Should Act Ethically and Responsibly**

#### **Code of Conduct**

The Company has developed a Code of Conduct (the Code) which has been endorsed by the Board and applies to all Directors and employees. The Code is reviewed by the Board and updated as necessary. The Code draws together all of the Group's practices and policies.

The Code reflects the Group's values of:

- Respect for others;
- Honesty, integrity and accountability;
- Leadership and teamwork;
- Diligence and care in the performance of duties; and
- An acknowledgement of the service orientated nature of the Group's core business.

It reinforces the need for Directors, employees, consultants and all other representatives of the Group to always act in good faith, in the Group's best interests and in accordance with all applicable policies, procedures, laws and regulations relevant to the regions in which the Group operates.

#### **Trading In Company Securities by Directors, Senior Executive Management & Employees**

The Company has a Trading Policy which regulates dealings by Directors, senior executive management and employees in shares, options and other securities issued by the Company.

The Trading Policy provides that Restricted Persons, including the Directors and senior executive management, are normally precluded from trading in the Company's securities during Closed Periods. Under the Trading Policy, the Closed Periods are the period from 1 January until publication of the Company's Half Year Report and the period from 1 July until publication of the Company's full year results. The Trading Policy also imposes an over-riding restriction whereby officers and employees may not trade in the Company's securities whilst in possession of price sensitive information.

Trading in the Company's securities during Closed Periods may be authorised under the Trading Policy where the Restricted Person is in severe financial hardship or there are other exceptional circumstances, provided that the Restricted Person is not in possession of price sensitive information, such trading would not otherwise be contrary to law and such trading does not relate to financial products issued or created over or in respect of the Company's securities. There are also limited situations where trading in the Company's securities is not subject to the Trading Policy (for example, exercising options granted under an employee incentive scheme).

### **Principle 4: Safeguard Integrity in Corporate Reporting**

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

The Board has established an Audit & Risk Management Committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit & Risk Management Committee consists of the following Directors:

- Mr Stephen Lonie (Committee Chairman);
- Mr Colin Archer;
- Ms Kerry Ryan; and
- Mr Russell Shields (appointed 27 October 2016).

Details of these Directors' qualifications and attendance at Audit & Risk Management Committee meetings are set out in the Directors' Report forming part of the Company's latest Annual Report.

All members of the Audit & Risk Management Committee are financially literate and have an appropriate understanding of the Group's business.

The Audit & Risk Management Committee has a formal charter and internal control framework. The Committee charter requires that Committee meetings are convened at least four (4) times each year.

The Committee has responsibility for the following:

- Ensuring an appropriate Board and Committee structure is in place so as to facilitate a proper review function by the Board;
- Monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
- Monitoring corporate risk assessment and compliance with internal controls;
- Overseeing business continuity planning and risk mitigation arrangements;
- Assessing the objectivity and performance of internal audit functions and considering enhancements;
- Reviewing reports on any material defalcations, frauds and thefts from the Group;
- Reviewing reports on the adequacy of insurance coverage;
- Reviewing financial statements and other financial information distributed externally;
- Preparing and recommending for approval by the Board the corporate governance statement for inclusion in the Annual Report or any other public document;
- Reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- Reviewing and monitoring compliance with the Code of Ethics.

In fulfilling its responsibilities, the Audit & Risk Management Committee:

- Receives regular reports from management and the external auditor;
- Meets with the external auditor at least twice a year, or more frequently if necessary;
- Reviews any significant disagreements between the external auditor and management, irrespective of whether they have been resolved; and
- Meets separately with the external auditor at least twice a year without the presence of management.

The Audit & Risk Management Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Audit & Risk Management Committee reports to, and makes recommendations to, the Board in relation to each of its functions.

The Audit & Risk Management Committee charter is available on the Company's website.

### **Certification of Financial Reports**

The Managing Director and Chief Financial Officer state in writing to the Board each reporting period that:

- The Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with the relevant Accounting Standards; and that
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

## External Auditor

The Company and Audit & Risk Management Committee policy is to appoint an external auditor which clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually. PricewaterhouseCoopers (PwC) was appointed as the external auditor in 2016. Prior to this appointment, the Company's external auditor was Deloitte Touche Tohmatsu, which had acted in that capacity since before the Company's admission to the Official List of the ASX in June 2006.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Company's latest Annual Report. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit & Risk Management Committee. The auditor's annual declaration of independence is disclosed in the Company's Annual Report.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### Principle 5: Make Timely & Balanced Disclosure

The Group has an established policy for timely disclosure of material information concerning the Group. This policy includes internal reporting procedures to ensure that any required market announcements are reported to the Company Secretary in a timely manner.

The Company Secretary has been nominated as the person responsible for communication with the ASX. This role includes co-ordinating information disclosure to the ASX, and to analysts, brokers, shareholders, the media and the public, following confirmation from the ASX that such information has been released by it.

All information disclosed to the ASX is posted on the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)) following release to the market by the ASX. When analysts are briefed following half year and full year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. This information is also posted on the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)).

Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market. The Group is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

The Company's Continuous Disclosure Policy is periodically reviewed to ensure its ongoing relevance and appropriateness. A copy of the policy is available on the Company's website.

### Principle 6: Respect the Rights Of Security Holders

The Group aims to keep shareholders informed of the Group's performance and all major developments in an ongoing manner.

Information is communicated to shareholders through:

- The Annual Report and Financial Reports, including the Full Year Financial Report, the Preliminary Final Report (where published), and the Half-Year Financial Report, which are published on the ASX corporate announcements platform and the Group's corporate website. A copy of the Annual Report is distributed to shareholders where nominated;
- The Annual General Meeting, and any other formally convened Company meetings;
- Communications issued to shareholders in connection with corporate events or actions; and
- All other information released to the ASX, which is subsequently posted to the Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)).

The Group's corporate website ([www.rfg.com.au](http://www.rfg.com.au)) provides various information about the Company and its governance, including but not limited to, information about the Company's history, Board and senior management, key policies and Company documents, copies of announcements to the market, an FAQ, and links to the Company's registry.

Shareholders are given the option to receive and give communications to the Company and its registry electronically.

## **Principle 7: Recognise & Manage Risk**

The Board, through the Audit & Risk Management Committee, is responsible for ensuring the adequacy of the Group's risk management and compliance framework and system of internal controls and for regularly reviewing its effectiveness.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

The Group has implemented a risk management framework based on the ASX Principles.

The framework is based around the following risk activities:

- Risk identification: identifies all significant foreseeable risks associated with business activities in a timely and consistent manner;
- Risk evaluation: evaluating risks using an agreed risk assessment criteria;
- Risk treatment/mitigation: developing mitigation plans for risk areas where the residual risk is greater than tolerable risk levels; and
- Risk monitoring and reporting: reporting risk management activities and risk specific information to appropriate levels of management in a timely manner.

The Group does not currently have a formal internal audit function. The Managing Director and Chief Financial Officer, and other senior executive management, are responsible for identifying, evaluating and monitoring risk in accordance with the risk management framework. The senior executive management are responsible for the accuracy and validity of risk information reported to the Board and for also ensuring clear communication of the Board and senior executive management's position on risk throughout the Group.

In particular, at Board and senior executive management strategy planning sessions held throughout the year, the Board, Managing Director and senior executive management review and identify key business and financial risks which could prevent the Group from achieving its objectives.

Additionally, a formal risk assessment process is part of each major acquisition with ongoing reviews undertaken of major business acquisitions, major capital expenditures or significant business initiatives.

### **Economic, Environmental & Social Sustainability Risks:**

Material risks affecting the Group and which have the potential to effect the financial prospects of the Company (including how the Company manages these risks), include:

- Supply Chain Disruption: Which could impact on the Group's ability to supply value-added products to its customers (such as coffee products) or on the Group's franchisees' ability to operate franchised outlets. This risk is addressed by (without limitation) vigorous supplier evaluation, auditing & monitoring practices, stock forecasting and the use of multiple robust suppliers where possible across multiple distribution routes. This risk was further addressed by the acquisitions of Hudson Pacific Corporation (Sep 2016) and Associated Food Service (May 2017), which provides the Group with vertically integrated warehouse, procurement and distribution capabilities;
- Changes in Consumer Demand/Market Trends: The performance of the Company's franchised Brand Systems and retail facing coffee brands is subject to consumer discretionary spending patterns, adverse changes to the general economic landscape (domestically, in countries where the Group or its licensees operate and in some cases on a global basis), consumer sentiment and retail, lifestyle or food trends within the market from time to time. The Company addresses this risk by keeping abreast of economic and consumer data/research, innovative product & menu development, brand awareness initiatives, strong marketing programs and all manifestations and aspects of the process which involves consideration of and techniques directed at satisfying the needs and wants of the Company's and its businesses customers and potential customers;
- Food Safety/OH&S: There is a risk that inadequate practices associated with the Company's manufacturing pursuits, supply chain and outlet operations (including franchised outlet operations) might result in a health and safety incident. This risk is addressed through (without limitation) the implementation of OH&S and internal food safety and sanitation practices, outlet audit programs, customer complaints processes, supplier evaluation & selection processes, communication processes and policies;
- Margin Risk: The Company and its franchisees operate within highly competitive environments with high reliance on labour, supply inputs, rents, utilities and other costs. Increases in these inputs could directly (or in the case of franchisees, indirectly) impact on the financial performance of the Company. This risk is addressed (without limitation) via maintenance of strong supplier relationships, group supply arrangements, sales & performance initiatives, maintenance of robust pricing programs, operational flexibility and keeping abreast of relevant legislative or regulatory changes;

- Pillars of Growth: A number of the Company's pillars of growth (including International, Commercial and Coffee & Allied Beverage) continue to be in a growth or developmental stage. Failure of these pillars to produce anticipated results might impact on the Company's financial performance. This risk is addressed (without limitation) via the maintenance of an experienced management team, a robust project management office and regular strategic and tactical review;
- M&A: Mergers & Acquisitions activity continues to represent a key platform for the Company's growth. A failure to effectively execute M&A activity might impact the Company's financial performance and underlying value of the Company's assets, particularly the value of its intangible assets including goodwill. This risk is addressed (without limitation) by the implementation of robust due diligence activity, the retention of an experienced management team, application of integration programs and regular strategic and tactical review;
- People & Culture: There is a risk that the Group's human resources complement and internal culture are negatively impacted by new acquisitions, growth or other change, or may not be best aligned to support the Company's strategic priorities. These risks are addressed via the establishment of performance targets and operational parameters, reward and recognition programs, employee benefits, an effective organisational structure, and the application of human resources; and
- Geo-political: Regulatory interventions, such as a potential sugar tax or changes to workplace legislation, and political instability in certain regions, have the potential to impact the Group's performance and operations. The Company addresses these risks by, inter-alia, keeping abreast of regulatory changes, implementing compliance programs, and providing training support.

## **Principle 8: Remunerate Fairly & Responsibly**

### **Remuneration Committee**

The Board has a Remuneration Committee to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices, including those policies and issues for senior executive management and non-executive Directors. Its current members are:

- Mr Colin Archer (Committee Chairman);
- Mr Stephen Lonie; and
- Ms Jessica Buchanan.

Details of these Directors' attendance at Remuneration Committee meetings are set out in the Directors' Report forming part of the Company's latest Annual Report.

The Committee has responsibility for the following:

- Reviewing and evaluating market practices and trends in relation to remuneration relevant to the Group;
- Reviewing and making recommendations to the Board in relation to the Group's remuneration policies;
- Reviewing and making recommendations to the Board in relation to the Group's remuneration practices;
- Overseeing the performance of the Managing Director, Chief Financial Officer and other members of senior executive management and non-executive Directors;
- Reviewing and making recommendations to the Board in relation to the remuneration of the Managing Director, Chief Financial Officer and other members of senior executive management and of non-executive Directors; and
- Preparing for the Board any report that may be required under applicable legal or regulatory requirements in relation to remuneration matters.

The Committee reviews and sets key performance indicators (KPI's) relating to financial and non-financial targets for senior executive management at the commencement of each financial year.

The Remuneration Committee reports to, and makes recommendations to, the Board in relation to each of its functions.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report" in the Company's latest Annual Report.

The Remuneration Committee charter is available on the Company's website ([www.rfg.com.au](http://www.rfg.com.au)).

### **Structure of Remuneration**

Details of the nature and amount of each element of remuneration for Directors and senior executive management of the Group are set out in the "Remuneration Report" section of the Directors' Report in the Company's latest Annual Report.

Remuneration for executive Directors and senior executive management are appropriately structured for each based on the duties allocated to them, the size of the Group's business and the industry in which the Group operates.

Service contracts outline the components of compensation paid to the executives (including executive Directors), but do not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the Remuneration Policy.

Equity-based remuneration in the form of Performance Rights may be provided. Under the Company's Performance Rights Plan, participants may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to, their rights thereunder.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Non-executive Director remuneration takes the form of set fees plus superannuation entitlements, however, may comprise other benefits or rewards in certain circumstances.

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting of the Company. The maximum amount which has been approved by the Company's shareholders for payment to non-executive Directors is \$1,100,000. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.