

# Corporate Governance Statement

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## INTRODUCTION

The Directors and management of Eureka Group Holdings Ltd (“**Eureka**”) are committed to achieving and demonstrating the highest standards of corporate governance.

This Corporate Governance Statement outlines the key corporate governance practices adopted by Eureka during the year ended 30 June 2019 (‘the financial year’).

It discloses the extent to which Eureka complied with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) (“**the Recommendations**”) for the financial year and addresses the reasons for any departure from the Recommendations.

This Corporate Governance Statement was approved by the Board on 30 August 2019 and can be viewed at <http://www.eurekagroupholdings.com.au/governance/>.

All Charters and policies referred to in this Corporate Governance Statement can also be viewed on this website.

## PRINCIPLE 1

### LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Functions and Responsibilities of the Board and Management

The Board acknowledges its overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, and in the long-term interests of shareholders as a whole. The Board has outlined in the Board Charter, the Board’s roles and responsibilities and has established a clear distinction between its functions and those delegated to management (*Recommendation 1.1*).

The Board is responsible for the review and approval of the strategic direction of the Group and for the oversight and monitoring of its business and affairs. In addition, it is responsible for those matters reserved to it by law and reserves to itself the following matters and all power and authority in relation to those matters:

- The overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals;
- 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;
- Oversight of the Group including its control and accountability systems;
- Monitoring Executive Management’s performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, investments, acquisitions and divestments and treasury functions;
- Approving and monitoring financial performance and other regulatory reporting; and
- The issue of any shares, options, equity instruments and other securities in the Company.

During the financial year, the Board delegated the responsibility for day to day management of the Company to the Executive Chairman, who performed the role of Chief Executive Officer (CEO) following the retirement of the former CEO in May 2018. The Executive Chairman, in turn had the authority to delegate to other members of the senior management team. The Executive Chairman and management are responsible for implementing the strategic outcomes set by the Board, within the risk appetite set by the Board. The Board receives regular reporting on the delivery or non-delivery of those outcomes and will periodically review the delegations (including expenditure and commitment levels) to ensure they remain appropriate.

To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate.

Each Director has the right to seek independent legal or other professional advice at the Company’s expense. Prior approval from the Chair is required.

The Company Secretary is accountable to the Board (through the Chairman) on all matters to do with the proper functioning of the Board. Directors can, and do, communicate directly with the Company Secretary on Board matters. The Board Charter states that the Board is responsible for appointing and removing the Company Secretary. *(Recommendation 1.4)*

#### **Selection, Appointment and Re-election of Directors**

The Company's policy in relation to the selection, appointment and re-election of directors includes undertaking appropriate background and other checks. The Company also provides shareholders with all material information relevant to the election and re-election of directors, as appropriate. *(Recommendation 1.2)*

Each Non-executive Director has a written letter of appointment which details the terms of their appointment, including remuneration, interest disclosures, expected time commitments and the requirement to comply with applicable corporate policies. The Executive Chairman has received written confirmation of the terms of his appointment as an executive.

Senior executives also have written employment contracts that outline the terms of their appointment. *(Recommendation 1.3)*

#### **Diversity**

The Board intends to adopt a formal Diversity Policy that outlines Eureka's objectives in relation to gender, age, cultural background and ethnicity to reinforce existing practices.

The Company promotes a culture supportive of diversity and an inclusive workplace where employee differences in areas like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience that the Group's employees bring to the table encourage a level of creativity and innovation in thought that better represents the Group's diverse customer base, ultimately driving improved business performance.

The Company's recruitment and selection practices will continue to be structured so that a diverse range of candidates are considered for all positions in the Company, from Board-level down. Training and development opportunities are important tools for staff retention and succession planning.

The Board has not set measurable objectives for achieving gender diversity but the following table demonstrates that Eureka actively encourages gender diversity at all levels in the organisation. The proportion of women employees in the Group as at 30 June 2019 was:

Women on the board	25%
Women in senior executive positions <sup>1</sup>	50%
Women in the organisation	65%

<sup>1</sup>comprising the CEO and his direct reports

Responsibility for diversity has been included in the Board Charter and the Nomination and Remuneration Charter.

*(Recommendation 1.5)*

#### **Evaluating Performance of the Board and Senior Management**

The Board conducts periodic reviews of the performance of the Board, its Committees and individual directors, as set out in the Board Charter.

Due to the Board and management changes that occurred during the year and the Group's focus on non-core asset sales, the Board intends to conduct a review of its own performance during the next reporting period, having regard to the relevant charters and the Company's corporate governance policies.

*(Recommendation 1.6)*

Performance reviews for senior executives take place at least annually. The Nomination & Remuneration Committee has accountability in its Charter to oversee these reviews and report to the Board on its outcomes. Due to the change of management that occurred during the year, performance reviews have not been conducted for the Chief Operating Officer (COO) and Chief Financial Officer (CFO) in respect of their employment during the latter part of the financial year. Senior executives do have detailed job descriptions and annual key performance indicators which have been set by the Board, having regard to the objectives and long term strategies of the business. The performance of senior executives will be assessed against these KPIs in the subsequent financial years.

*(Recommendation 1.7)*

## PRINCIPLE 2

### STRUCTURE THE BOARD TO ADD VALUE

#### Board Composition and Independence of Directors

The Board composition changed during the year, with the appointment of independent non-executive director, Mr Russell Banham in November 2018, following the resignation of Mr Nirmal Hansra.

The Board currently comprises:

Name	Position	Date
Mr Murray Boyte	Executive Chairman and independent director	30 April 2018 - present
	Independent non-executive Chairman	Appointed 24 November 2017
Ms Sue Renkin	Independent non-executive director	Appointed 24 November 2017
Mr Russell Banham	Independent non-executive director	Appointed 21 November 2018
Mr Lachlan McIntosh	Non-executive director	Appointed 20 July 2009

Mr Nirmal Hansra served as a non-executive director during the year from 1 July 2017 until 21 November 2018.

Details of each director's qualifications, skills and experience are detailed on the Company's website and in the Company's 2019 Annual Report.

The Board considers its size, mix of skills, experience and diversity to be appropriate to meet the current needs and future strategic objectives of the Company. The Board also considers its composition to be conducive to effective and efficient discussion and decision making.

#### *Independence considerations*

Mr Boyte joined the Board as independent non-executive Chairman in November 2017. Following the former CEO's retirement in May 2018, Mr Boyte assumed the role of Executive Chairman from 30 April 2018, pending appointment of the CEO's replacement. The Board subsequently determined that the short term needs of the Company would be best served by the appointment of a COO with strong operational and property skills. This appointment occurred during the year and as a result, Mr Boyte's executive Chairman role is ongoing on an interim basis.

The Board currently considers that Mr Boyte's interim role as Executive Chairman does not, and will not, materially influence, or be reasonably perceived to influence, the exercise of his unfettered and independent judgement. Mr Boyte's remuneration comprises his non-executive director's fee and an additional fixed fee to reflect the responsibilities he has assumed as an executive. Mr Boyte is not entitled to any short-term or long-term incentives, or other general employment benefits, and as such, the Board considers that he is not allied with the interests of management and is able to act in the best interests of the Company and its shareholders generally. The Board considers that he is currently able to fulfil the role of independent director for the purpose of the Recommendations.

Mr McIntosh is not considered independent due to his substantial shareholding during the current year and the material contractual relationships he has with the Company.

Independence is reviewed regularly because each director is required to notify the Company of any change in their interests, positions, associations or relationships that could bear upon his or her independence. To facilitate this, Directors' interests are considered at each Board meeting.

### *Compliance with the Recommendations*

The Board's current composition is in line with the Recommendations to have at a majority of independent Directors (3 out of 4) and a Chairman who is considered to be an independent director. However, in the short-term, the Chairman has assumed the role of CEO of the Company for the reasons noted above, which is not in line with the Recommendations.

*(Recommendations 2.3, 2.4 and 2.5)*

### **Board Skills Matrix**

The Board has a skills matrix setting out the mix of skills and experience that the Board has or is looking to achieve in its membership. Each Director has relevant industry experience and specific expertise relevant to Eureka's business and level of operations. The Board skills matrix was reviewed during the year and a copy can be found in Appendix 1.

*(Recommendation 2.2)*

### **Induction and development**

Eureka's regular reviews of Board performance and the Board skills matrix assist in identifying appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their duties as a director effectively. The Nominations & Remuneration Committee is tasked with advising the Board on an induction program for new directors to provide knowledge about the Company and an understanding of its operations.

*(Recommendation 2.6)*

### **Committees**

The Board has established two Committees to assist it in carrying out its functions and responsibilities and has adopted a charter for each Committee which outlines the scope of its responsibility and relevant administrative and procedural arrangements.

In line with the ASX Recommendations, the Board has established an Audit & Risk Committee and a Nomination & Remuneration Committee.

### **Audit & Risk Committee**

The composition of the Audit & Risk Committee has changed during the year, and as of 31 January 2019, is set out below.

- Mr Russell Banham – Independent non-executive director and Chair of the Committee
- Ms Sue Renkin – Independent non-executive director
- Mr Lachlan McIntosh – Non-executive director
- Mr Murray Boyte – Executive Chairman and independent director

Prior to 31 January 2019, the Audit & Risk Committee's members were Ms Renkin (Chair of the Committee), Mr McIntosh, Mr Nirmal Hansra until his resignation on 21 November 2018 and Mr Banham following his appointment on 21 November 2018.

From an audit committee perspective, throughout the year, the Audit & Risk Committee's composition has been in line with the Recommendations to have at least three members, all of whom are non-executive directors, and a majority of whom are independent directors. Further, the Audit & Risk Committee has at all times during the year been chaired by an independent Director who is not the Chair of the Board.

From a risk committee perspective, the Audit & Risk Committee's composition has also been in line with the Recommendations to have at least three members, a majority of whom are independent Directors, and a Committee Chair who was at all times an independent Director.

### **Nominations & Remuneration Committee**

The composition of the Nominations & Remuneration Committee has changed during the year, and as of 31 January 2019, is set out below.

- Ms Sue Renkin – Independent non-executive director and Chair of the Committee
- Mr Lachlan McIntosh – Non-executive director
- Mr Murray Boyte – Executive Chairman and independent director

Prior to 31 January 2019, the Nominations & Remuneration Committee's members were Mr Nirmal Hansra (Independent non-executive director and Chair of the Committee) until his resignation on 21 November 2018, Mr McIntosh and Mr Boyte.

For most of the year, the Nominations & Remuneration Committee's composition has been in line with the Recommendations to have at least three members, a majority of independent Directors, and be chaired by an independent director. The Nominations & Remuneration Committee only had two members between 21 November 2018 and 31 January 2019, but did not meet during that period.

Information about directors' independence and their skills and experience is disclosed above.

The Company has disclosed the number of times each Committee met during the reporting period, and the individual attendances of the members at those meetings, in its 2019 Annual Report.

*(Recommendations 2.1 Nominations, 4.1 Audit, 7.1 Risk and 8.1 Remuneration)*

## **PRINCIPLE 3**

### **PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

#### **Ethical Standards and Values**

Eureka has a Code of Conduct that applies to all directors and employees. The overriding principle is that Eureka must operate legally, ethically, safely and with adherence to the highest standards of propriety and business ethics. All Directors and employees must act honestly and with high standards of integrity, comply with applicable laws and regulations and strive at all times to enhance the reputation and performance of the Group, in accordance with the long-term interests of the Group and its Shareholders.

The Board Charter also prescribes the conduct expected of individual directors in discharging their duties as a director.

*(Recommendation 3.1)*

## **PRINCIPLE 4**

### **SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

The Audit & Risk Committee noted above has been established by the Board to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities. The Audit & Risk Committee has oversight of:

- (a) the integrity of the Company's external financial reporting and financial statements;
- (b) the appointment, remuneration, independence and competence of the Company's external auditors;
- (c) the performance of the internal and external audit functions and review of their audits;
- (d) the effectiveness of the Company's system of risk management and internal controls; and
- (e) the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

### **Certification of Financial Reports**

Prior to the Board approving Eureka's financial statements for a financial period, the Board requires the CEO and CFO to provide a declaration that in their opinion Eureka's financial records have been properly maintained, 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 their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

This declaration has been provided for both the half-year and full-year financial statements.

*(Recommendation 4.2)*

### **External Auditor**

The external auditors are selected according to criteria set by the Audit & Risk Committee which include:

- Their knowledge of the industry within which the Group operates;
- Their general reputation for independence and probity and professional standing within the business community; and
- The lack of any current or past connection or association with the Group or with any member of Senior Management that could in any way impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Group.

The external auditor is invited to, and attends, Eureka's AGM and is available to answer questions from shareholders relevant to the audit.

*(Recommendation 4.3)*

## **PRINCIPLE 5**

### **MAKE TIMELY AND BALANCED DISCLOSURE**

The Board aims to ensure that shareholders are informed of all material matters concerning Eureka, including its financial position, performance, ownership and governance, and that the Company complies with its disclosure obligations under the Corporation Act and ASX Listing Rules. Such disclosures are made through the ASX and shown on the Company's website in a timely manner.

Continuous disclosure is a standing agenda item at each Board meeting.

The Board intends to formally document its continuous disclosure and external communications policies in a written policy.

*(Recommendation 5.1)*

## **PRINCIPLE 6**

### **RESPECT THE RIGHTS OF SHAREHOLDERS**

The Board recognises that shareholders should be able to hold the Board and management accountable for Eureka's performance and engages with shareholders to facilitate this.

The Board intends to document its shareholder engagement practices in a written policy.

### **Corporate website**

The Company's corporate website is a key communication tool between Eureka and its shareholders. The website provides investors with information about the Company's business and its people and has clearly defined areas containing corporate governance and other investor information.

The Governance page contains the Company's key governance policies while the Investors page contains copies of financial reports and ASX announcements made.

The website address is [www.eurekagroupholdings.com.au](http://www.eurekagroupholdings.com.au).

*(Recommendation 6.1)*

## **Investor Communication**

Eureka is committed to facilitating effective communication with investors as a means of providing a greater understanding of the Company's business, governance, financial performance and prospects.

While the Company's website is the primary source for communication with shareholders, the investor relations framework also includes:

- distribution of annual reports;
- access to Eureka's board and executives at general meetings;
- contact details are provided on market announcements where investors can seek further information; and
- periodic investor relations road-shows for institutional investors.

*(Recommendation 6.2)*

Shareholders are encouraged to attend the Annual General Meeting and actively participate by asking questions of the Board and management. The Company will provide shareholders with opportunities to have questions addressed at general meetings, regardless of whether the shareholder is able to attend. The Company's auditor is also present at this meeting to answer shareholders' questions.

*(Recommendation 6.3)*

The Company's contact details are available on its website. Shareholders can submit an electronic query by email or contact its registry, Link Market Services. The Company's preference is to communicate with shareholders electronically whenever possible and gives all shareholders the option to receive communications by email.

*(Recommendation 6.4)*

## **PRINCIPLE 7**

### **RECOGNISE AND MANAGE RISK**

The Board recognises that the Group's growth and success is dependent on the responsible management of business.

The Board bears ultimate responsibility for setting the Group's risk appetite and satisfying itself that the Group's risk management framework is effective. Material business risks arise in the pursuit of growth and from actions by competitors, changes in government policy and use of information systems.

The responsibilities of the Audit & Risk Committee related to risk management are noted above in Principle 4.

The Board and management are responsible for the identification and assessment of significant business risks, the development of strategies and controls to mitigate these risks and the ongoing monitoring of the effectiveness of those controls.

As noted above, the CEO and CFO are required to provide a statement to the Board to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively.

In the prior year, the Audit & Risk Committee commenced a thorough review of Eureka's risk management framework including the overall risk management policy, risk appetite and individual risks. During the period, management has developed and commenced implementation of a two year business plan to reset the operating platform based on 5 pillars:

- Safety, Risk and Compliance
- Information Systems and Technology
- Applications (including Customer Relationship Management and Analytics)
- Team Culture and Engagement
- Occupancy, Revenue and Cost Initiatives

The Board and ARC have had oversight of this business plan's development and the adoption of this plan will result in changes to the risk management framework during the current year.

*(Recommendation 7.2)*

#### **Internal audit**

The Company does not have an internal audit function. The Audit and Risk Committee Charter discloses the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

*(Recommendation 7.3)*

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

The Company's 2019 Annual Report discloses the Company's exposures to economic risks that are considered to be material. The Company is not subject to material environmental or social sustainability risks.

*(Recommendation 7.4)*

### **PRINCIPLE 8**

#### **REMUNERATE FAIRLY AND RESPONSIBLY**

The Group is committed to ensuring that it has competitive remuneration practices and sound remuneration policies that offer appropriate and fair rewards and incentives in order to attract, motivate and retain key staff, while complying with relevant legal requirements.

The Nomination and Remuneration Committee assists and advises the Board on remuneration policies and practices for the Board, CEO, COO, CFO, senior executives and other persons whose activities, individually or collectively, may affect the financial soundness of the Company.

The Board remunerates its Directors and Executives consistent with the size of the Group and market rates. The policies and practices regarding the remuneration of Directors and Executives are fully disclosed in the 2019 Annual Report.

*(Recommendation 8.2)*

The Company has a Securities Trading Policy which does not prohibit participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. Chairman or Board approval is required for such transactions.

*(Recommendation 8.3)*

**Approved by the Board on 30 August 2019**



**Appendix 1**

**Board Skills Matrix**

**Last reviewed 30 August 2019**

<b>Leadership &amp; Governance</b>	
<b>Governance</b>	Director experience and commitment to the highest standards of governance and an ability to assess the effectiveness of management
<b>Strategy &amp; Risk</b>	Experience in the development of successful organisational strategy; the achievement of defined strategic goals and the identification and management of strategic risks.
<b>ASX/Stakeholder Relations</b>	ASX company experience and expertise in stakeholder relations – shareholders; potential investors; funders & retirement community.
<b>Personal Qualities</b>	Professional qualifications; Integrity; Interpersonal skills; Curiosity and courage; Entrepreneurial; Interest in matters affecting older persons.
<b>Business Experience</b>	
<b>Asset Management</b>	Senior executive or equivalent experience in property asset management and corporate finance.
<b>Real Estate Industry</b>	Solid experience in real estate transactions, property operational management and managing relationships with industry associations, State and Local Governments.
<b>Technical Competencies</b>	
<b>Financial Expertise</b>	Senior executive or equivalent experience in accounting and reporting, audit, internal controls, financial and capital management.
<b>Risk &amp; Compliance</b>	Executive level risk management experience including the identification and monitoring of risk and compliance issues, along with knowledge of legal and regulatory requirements.
<b>Law</b>	Legal training and experience in corporate and commercial law
<b>People &amp; Culture</b>	Experience in people management, including remuneration, workplace culture, management development and succession, health & safety and diversity.
<b>Marketing</b>	Senior management or equivalent experience in business development, marketing and brand development
<b>Technology</b>	Senior experience in business transformation through technology and improved operational efficiency