



## Corporate Governance Summary

### 1. Introduction

The directors and management of K2 Asset Management Holdings Ltd and its controlled entities ("the Company") are committed to maintaining best practice in corporate governance.

The Company has adopted a number of key corporate governance policies. In doing so, the board has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles"). You can find details of these policies below.

### 2. Ethical and governance framework principles

The board has adopted a statement of corporate governance principles which outline the approach taken by the board in managing the affairs of the Company and in fulfilling its duties to meet the interests of the Company as a whole.

Corporate governance is:

*"...the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.*

*Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved."*

The statement of corporate governance principles sets out the corporate governance structure of the Company established for the

purposes of ensuring that the Company is properly and efficiently directed and managed for the benefit of the shareholders of the Company and its other stakeholders. In particular, regard is had to the eight principles of corporate governance recommended by the ASX Corporate Governance Council in the ASX Principles. In essence the eight principles seek to address:

- (a) the roles and evaluation of the board and management;
- (b) board structure;
- (c) the promotion of ethical and responsible decision-making;
- (d) integrity in financial reporting;
- (e) timely and balanced disclosure;
- (f) respect for the rights of shareholders;
- (g) recognition and management of risk; and
- (h) fair and responsible remuneration.

These principles are addressed, and become part of the Company's corporate governance framework, through the adoption and implementation of a number of policies.

### 3. Code of conduct

The Company has adopted a code of conduct for all employees (including directors) of the Company. The code of conduct is aimed at establishing the values of the Company and maintaining the highest ethical standards, corporate behaviour and accountability within the Company and its controlled entities.

Both the statement of corporate governance principles and the code of conduct are consistent with ASX Principle 3.

### 4. The role of the board and management

The board has the primary responsibility for guiding and monitoring the business and affairs of the Company, including compliance with the Company's corporate governance objectives.



The board's role is set out in the board charter adopted by the Company's board. The roles and responsibilities of the Company's board and management are consistent with those set out in ASX Principle 1.

The board is responsible for the oversight and performance of the Company.

## 5. Board structure

The board has three executive directors and one non-executive director.

The managing director is Mr Campbell Neal. The other executive directors are Mr Mark Newman and Ms Hollie Wight. Mr Robert Hand is a non-executive director.

## 6. Director independence

Directors are expected to bring independent views and judgment to the board's deliberations.

The board has reviewed the position and associations of each of the four directors in office and has determined that none of the directors are independent of the Company. In making this determination the board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the board considers relevant.

The board will assess the independence of any new directors upon appointment and will regularly review each director's independence, as appropriate.

The board's structure is not consistent with ASX Principle 2. However, given the size and scope of the Company's operations, the board considers that it has the relevant experience in the industry in which it operates and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long term strategic and operational perspective.

## 7. Meetings of the board

The board meets formally at least six times a year and on other occasions, as required. On the invitation of the board or request of senior management, members of senior management attend and make presentations at board meetings.

In addition the board holds strategic planning sessions with management at which the Company's strategic plans are reviewed and agreed.

## 8. Retirement and re-election

The constitution of the Company requires one third of the directors, other than the managing director, to retire from office at each annual general meeting. Directors who have been appointed by the board are required to retire from office at the next annual general meeting and are not taken into account in determining the number of directors to retire at that annual general meeting. Directors cannot hold office for a period in excess of three years (or later than the third annual general meeting following their appointment) without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

## 9. Board access to information and independent advice

All directors have unrestricted access to employees of the Company and, subject to the law, access to all Company records and information held by the Company, its employees and advisors.

Each director is entitled to obtain independent professional advice at the Company's expense for the purpose of assisting them in performing their duties. A director who wishes to obtain such advice must first obtain the approval of the chair (which approval must not be withheld unreasonably) and must provide the chair with the reason for seeking such advice, the identity of the person from whom the advice will be sought and the likely cost of obtaining such advice. Except in certain circumstances detailed in the board charter, advice obtained



in this manner is made available to the board as a whole.

## 10. Committees of the board

As required, the board may convene standing board committees to assist the board in the discharge of its responsibilities. Such committees will be governed by their respective charters, as approved by the board.

Given the size of the Company, the board has decided that it is able to deal with relevant issues efficiently and effectively without establishing the separate committees recommended by the ASX Principles.

## 11. Board and senior management performance reviews

The board is responsible for the review of the performance of the board and senior management.

The performance of senior management (that is, those who report directly to the managing director) is reviewed at the end of each financial year by the managing director. At the review:

- (a) performance objectives and development plans are set (having regard to both the corporate goals set by the board and individual performance goals) for the forthcoming financial year; and
- (b) individual performance is assessed against last year's performance objectives and the amount of "at risk" remuneration to be paid and securities to be granted under the Company's incentive plan is determined by reference to that individual's performance.

The review of the managing director is carried out, and approved by, the board.

## 12. Financial reporting

Consistent with ASX Principle 4, the Company's financial report preparation and approval process involve both the managing director and the chief financial officer providing a written statement to the board that, to the best of their knowledge and belief, the Company's financial report presents a true and fair view, in all material respects, of the Company's financial condition and operating results and is in accordance with applicable accounting standards.

## 13. Audit governance and independence

### 13.1 Appointment of auditors

The Company's current external auditors are Pitcher Partners. The effectiveness, performance and independence of the external auditors are reviewed by the board. If it becomes necessary to replace the external auditors for performance or independence reasons, the board will then formalize a procedure for the selection and appointment of new auditors.

### 13.2 Independence declaration

In respect of financial years commencing on or after 1 July 2004, the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* ("CLERP 9") amendments to the *Corporations Act 2001* require external auditors to make an annual independence declaration, addressed to the board, declaring that the auditors have maintained their independence in accordance with CLERP 9 amendments and the rules of the professional accounting bodies.

### 13.3 Restrictions on the performance of non-audit services by external auditors

The board has implemented a process that governs the provision of non-audit services to the Company or its controlled companies by the external auditors. In some cases the provision of such services is not permitted in any circumstances (such as the preparation of accounting records, provision of valuations and provision of internal audit assistance). The provision of some services (such as tax



compliance services) is permitted and the provision of other services (such as tax advice and investigative accounting services) require the prior approval of the board.

#### 13.4 Attendance of external auditors at annual general meetings

Consistent with ASX Principle 4 and CLERP 9, the Company's external auditors attend and are available to answer questions at the Company's annual general meetings. Shareholders may submit questions for the external auditors to the company secretary no later than five business days before an annual general meeting.

### 14. Risk identification and management

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has, as part of its management and reporting systems, a risk management policy. The policy identifies the establishment of a management risk review group which meets to identify and monitor the risks faced by the Company and which recommends mitigation strategies. The management risk review group reports to the board at regular intervals. In addition, regular reports are provided to the board on issues such as compliance, insurance, occupational health and safety and financial issues.

Management is ultimately responsible to the board for the Company's system of internal control and risk management.

In accordance with ASX Principle 4, the managing director and the chief financial officer provide the board with an annual written statement that the statement given with respect to the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. In addition, the managing director provides the board with an annual written statement that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

### 15. Share trading

Under the Company's share trading policy all employees and directors of the Company and its controlled entities are prohibited from trading in the Company's shares if they are in possession of inside information. Subject to this, trading can occur at the times permitted in the policy.

If employees wish to trade in the Company's shares, they must first obtain the written approval of a director and give a written statement that they are not in possession of material non-public information.

Further, employees (including directors) may not trade in the Company's shares during the period from one month prior to the end of a financial reporting period until one hour after the announcement of the half-yearly and yearly results (ie. from 1 December to early February and from 1 June to early August).

### 16. Continuous disclosure and shareholder communication

The board has adopted a continuous disclosure and shareholder reporting policy to ensure compliance with the ASX Listing Rules continuous disclosure requirements.

This policy:

- (a) gives guidance as to the information that may need to be disclosed;
- (b) gives guidance for dealing with market analysts and the media;
- (c) establishes regular reminders to directors and senior management to actively consider whether there is any price sensitive information which needs disclosure; and
- (d) allocates responsibility for approving public disclosures and shareholder communications.

The board has approved, as part of the continuous disclosure policy, the Company's policy to promote effective communication with its shareholders. In addition to its disclosure obligations under the ASX Listing Rules, the Company communicates with its shareholders through a number of means including:



- (e) annual and half-yearly reports;
- (f) shareholder updates sent by email or mail;
- (g) media releases, public announcements and investor briefings; and
- (h) annual general meetings.

In addition, the Company is committed to using general meetings of the Company to effectively communicate with shareholders and to allow reasonable opportunity for informed shareholder participation at general meetings.

Further, the external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit of the Company and the preparation and content of the auditor's report.

The Company's continuous disclosure policy is consistent with ASX Principle 5.