



Supply Network Limited Corporate Governance Statement

The Board promotes a corporate governance framework that achieves the objectives of the business and discharges all responsibilities. It intends to direct the business so that it is managed in a manner consistent with the interests of shareholders, its business partners, and the wider community.

The Board supports the objectives of the guidelines set out in the Corporate Governance Principles and Recommendations (3rd edition) put forward by the ASX Corporate Governance Council. However, the Board acknowledges that at present because of the relatively small size of the Company, it does not comply with a number of the recommendations.

The documents that are underlined in this Statement are available on the Company' website at <http://www.supplynetwork.com.au/governance.htm>
Below we address each of the ASX Corporate Governance Principles and Recommendations.

The information in this Statement is current as at 26 August 2019 and has been approved by the Board.

1. Lay solid foundations for management and oversight

The Board has a formal Board Charter which details:

- Its role and responsibilities and those delegated to management.
- The process for Board appointments and Director election and re-election.

All Directors have written Employment Agreements.

The Company Secretary's role is detailed in the Board Charter and the Company Secretary is currently a member of the Board to ensure direct accountability to the Board through the Chairman.

The Company has not established a Diversity Policy. The Board considers that a Diversity Policy is not necessary because of the relatively small size of the Company and because access to employment is based on skill, qualifications, performance and merit. The Company has lodged its Gender Equality Indicators report for the period with the Workplace Gender Equality Agency.

On a scheduled date, the Board undertakes an internal review of its performance as a unit and of the performance of its members and Committees. Board members are given the opportunity to detail, individually, issues they see as strengths and weaknesses of the Board, of its meetings, and of its members and Committees. These views are discussed by all members but the details and any related reports are not made public. For the year ended 30 June 2019 this formal review has taken place.

On a scheduled date, the Board formally reviews the performance of the Managing Director over the prior year. For the year ended 30 June 2019 this formal review has taken place. The Board requires management to conduct periodic performance reviews of all senior staff.

2. Structure the Board to add value

The Board does not believe a formal Nomination Committee is necessary given the small size of the Board. The Board as a whole performs this function and is aware of and regularly considers succession planning. The Company does not use a skills matrix, however when the Board seeks to fill vacancies it aims to appoint people whose skills meet the needs of the business and are complementary to each other.

The Board has reviewed the independence of each of the Directors in office at the date of this report in light of the interests disclosed by them.

One member of the Board, Mr G Forsyth (Chairman), is considered to be independent.

Mr G Forsyth is related to Mr H Forsyth, a previous Chairman of the Company and a Director of Hergfor Enterprises Pty Limited (Hergfor), a substantial shareholder in the Company. Mr G Forsyth is not an officer of Hergfor and has no direct or indirect interest in Hergfor. The Board has determined that the relationship does not have an adverse impact on Mr G Forsyth's ability to exercise independent judgement in decision-making or to act in the best interests of the Company and its security holders generally.

Mr P McKenzie, a trustee and member of PW & LJ McKenzie Superannuation Fund, which is a substantial shareholder in the Company, is considered not to be independent because of this relationship.

Mr G Stewart (Managing Director) is considered not to be independent because he is an executive of the Company

Mr P W Gill retired from his executive position of Finance Director in October 2018 and because he held an executive role in the last three years is considered not to be independent.

The Board believes its present composition addresses the needs of the Company. However, the Board acknowledges the ASX recommendation that a majority of Directors be independent and will consider this in the context of any future appointments.

Full details of the Directors' backgrounds, expertise and length of service are set out in the Directors' Report in the Annual Report.

The roles of the Chairman and Chief Executive Officer are not held by the same person.

The Company does not have a formal Director induction or professional development programme. However, the Company would provide appropriate induction for new Directors as well as appropriate opportunities for professional development to maintain the skills and knowledge of a Director as and when required.

3. Act ethically and responsibly

The Company has a Code of Conduct for directors and a Statement of Organizational Values for all senior executives and employees.

4. Safeguard integrity in corporate reporting

The Company practices high standards of financial reporting, with relevant controls in place.

The Managing Director and the Group Financial Controller have stated to the Board in writing that:

- The declarations provided in accordance with section 295A of the Corporations Act 2001 are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks and material business risks.

The Board received these declarations for the year ended 30 June 2019.

The Board has established an Audit Committee.

The Audit Committee comprises two of the Company's Non-Executive Directors (Messrs G Forsyth and P McKenzie).

Mr G Forsyth, Chairman of the Board, is the only independent Non-Executive Director and is the Chairman of the Audit Committee. The Board acknowledges the ASX recommendations regarding the composition of the Audit Committee. However, with the present structure of the Board, the composition of the Audit Committee is considered to be appropriate.

The [Audit Committee Charter](#) is available on the Company's website.

Details on the number of meetings held and members' qualifications and their attendances are found in the Directors' Report in the [Annual Report](#).

The Company ensures that a representative of the external auditor attends the Company's AGM and is available to answer relevant questions.

5. Make timely and balanced disclosure

The Board is sensitive to the requirements of an informed market. It seeks to keep its shareholders informed through:

- Reports to the ASX
- Half and full-year profit announcements
- Annual Reports
- The Company's website
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules.

Whilst there is no written list of policies and procedures concerning disclosure, the Board approves all announcements and has a diligent approach to satisfy its obligations to make timely and balanced disclosures.

6. Respect the rights of security holders

The Board recognises its responsibility to provide shareholders with appropriate information and facilities to allow them to exercise their rights as security holders effectively. Accordingly, all ASX announcements are promptly made available on the Company's website in the Shareholder Information section. Shareholders are encouraged to participate at general meetings of the Company and the Directors are also available to speak with shareholders at these meetings.

The Company's website provides an overview of the Company's business and its governance.

The following documents are available in the Corporate Governance section of the Company's website:

- [Board Charter](#)
- [Audit Committee Charter](#)
- [Remuneration Committee Charter](#)
- [Company Constitution](#)
- [Code of Conduct](#)
- [Statement of Organizational Values](#).
- [Share Trading Policy](#)

Shareholders are able and encouraged to receive communications from, and send communications to, the Company via electronic means.

The Board does not believe that the present size of the Company warrants a formal investor relations programme. However, effective two-way communication with investors is achieved through continuous disclosure to the ASX and statutory reporting requirements.

7. Recognise and manage risk

The Board has not established a separate Risk Committee because the full Board oversees the Company's risk management framework.

The Board considers and annually reviews the Company's risk framework using a risk matrix. Senior management is involved in drafting this document, which addresses the likelihood and severity of risks as well as contingency planning. For the year ended 30 June 2019 this formal review has taken place.

While there is no formalised internal compliance and control system policy, the size of the Company means there is close interaction between the Board, senior management and staff, and risk is minimised through staff training and monitoring at all levels. Where circumstances dictate, matters are brought to the attention of the Board earlier than at scheduled meetings. For these reasons, the Company does not have an internal audit function.

Key economic risks and how they are managed are detailed in note 27 to the financial statements contained the [Annual Report](#).

No material exposure to environmental or social sustainability risks has been identified.

8. Remunerate fairly and responsibly

The Board has established a Remuneration Committee. The Remuneration Committee monitors industry remuneration practices and makes recommendations to the Board so that it can set appropriate remuneration levels for employees.

The [Remuneration Committee Charter](#) is available on the Company's website

The Remuneration Committee comprises two of the Company's Non-Executive Directors (Messrs G Forsyth and P McKenzie).

The Chairman of the Remuneration Committee (Mr P McKenzie) is not independent.

The Remuneration Committee is structured in this manner because the Board does not believe it is appropriate for the Committee to include Executive Directors, or for the Board and its two Committees all to be chaired by the same person.

Details on the number of meetings held and members' qualifications and their attendances are found in the [Annual Report](#).

Board members are remunerated by reference to industry standards.

Non-Executive Directors are paid an annual fee with no provision for retirement benefits.

Executives receive an annual base salary package and may also receive an annual performance bonus and a long-term performance bonus. Any performance bonus payable to an executive is determined by the Board having regard to the performance of both the Company and the executive for the relevant year(s), based on qualitative and/or quantitative factors, which are agreed at the beginning of the year(s).

The Company has an equity-based Employee Incentive Plan (EIP) "Supply Network Limited Employee Incentive Plan" which was approved at the 2018 Annual General Meeting. The Company's Share Trading Policy specifically prohibits participants in the plan from entering into any scheme or arrangement which limits the economic risk of entitlements under the EIP. The Share Trading Policy is available in the Corporate Governance section of the Company's website. Please also refer to the Remuneration Report contained in the [2019 Annual Report](#).