

**Noni B Limited**  
ABN 96 003 321 579  
(Company)

Adopted by the Board: 28<sup>th</sup> July 2015

## Corporate Governance Statement

The Board is committed to high standards of corporate governance and supports the Australian Stock Exchange's (**ASX**) principles of good corporate governance and best practice recommendations for Australian listed companies issued in March 2003 (**Best Practice Recommendations**).

This Corporate Governance Statement summarises the approach and policies of Noni B Limited (**the Company**) with respect to corporate governance generally and the Best Practice Recommendations, in particular.

Under ASX Listing Rule 4.10, companies are required to provide a statement in their annual report disclosing the extent to which they have followed the Best Practice Recommendations in the relevant reporting period.

The Best Practice Recommendations are intended to be implemented by all listed companies. However, allowance has been made by the ASX for the significant difference in the size and structure of listed companies. Companies are allowed to choose not to implement certain recommendations, provided they explain why they have not done so and what alternate approaches have been adopted. This is known as the 'if not, why not' approach.

The board of directors of the Company (**Board**) has determined whether, and to what extent, the Company may benefit from the Best Practice Recommendations and has tailored the principles of the Best Practice Recommendations to the Company. The Board considers that some Best Practice Recommendations are not appropriate for the Company and would not improve the efficiency or integrity of the Company's business.

This Corporate Governance Statement, incorporating the Best Practice Recommendations (as amended where appropriate by the Company), is available in hard copy by contacting the Secretary of the Company and is also accessible from the Company's website [www.nonib.com.au](http://www.nonib.com.au)

At the beginning of each point addressed in this Corporate Governance Statement we have included a reference to the relevant corporate governance principle set out in the Best Practice Recommendations.

In this Corporate Governance Statement, references to "Senior Management" means, as the context requires, the executive directors, the Chief Financial Officer/Company Secretary and the general managers of the Company.

This Corporate Governance Statement was adopted by the Board on 28<sup>th</sup> of July 2015 and will be reviewed at least annually and revised by the Board as required.

### ***Principle 1: Lay solid foundations for management and oversight***

The Board is responsible for seeking to increase shareholder value by establishing a reputation for consistent and sustained long-term profit growth.

The Board has adopted a Board Charter which formally sets out the functions and responsibilities of the Board and Senior Management, and enables them to perform their role more effectively. The Board Charter creates a system of checks and balances to provide a balance of authority.

The responsibilities of the Board, as set out in our Board Charter, include:

- oversight of the Company, including its control and accountability systems;
- setting the strategic direction of the Company;
- appointing and removing the Managing Director;
- ensuring that the Company complies with its regulatory obligations and ethical standards by providing overall policy guidance;
- ensuring that policies for corporate governance and risk management are in place with the aim of protecting shareholder funds and the prudent management of Company assets;
- setting, and monitoring performance against, the budgets, the financial objectives and performance targets for the Company;
- setting and monitoring the Company's programmes for succession planning and key executive development;
- approving the acquisition and disposal of major assets if not already provided for in the budgets approved by the Board;
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- monitoring Senior Management's performance and implementation of strategy and ensuring appropriate resources are available to fulfil the Company's objectives;
- approving any issues of securities, and entering into material financial arrangements, including loans and debt issues;
- approving the nominations of Directors to the Board and the appointment of Senior Management;
- determining profits to be retained and profits to be paid out as dividends;
- appointing and overseeing various Board sub-committees including the Audit and Risk Management Committee and the Remuneration Committee; and
- approving and monitoring the Company's financial and other reporting.

## ***Principle 2: Structure the board to add value***

The Board currently consists of four directors. The four directors comprise a Chairperson, the Managing Director, one non-executive director and one other independent director. By “independent” we mean that a director is independent of management and free of any business or other relationship that could materially interfere with the exercise of independent judgement. The specific criteria used to assess independence are set out below under the heading “Independent Director”.

The Chairperson of the Board is a non-executive director of the Company.

Principle 2.1 of the Best Practice Recommendations recommends a majority of the Board should be independent directors. The Board does not currently have a majority of independent directors. The Board is of the view that Principle 2.1 is not appropriate for the Company at this time given the Company’s size and existence of a major shareholder. The Board considers that the current directors of the Company possess the appropriate range of skills, experience and expertise to fulfill their responsibilities to the Company and its’ shareholders. The Board will continue to consider the appointment of qualified independent applicants who possess the appropriate qualifications to serve as directors on the Board.

### **Independent Director**

A director is deemed to be independent if he or she is a non-executive director and satisfies the criteria set out in the Board Charter which include:

- the director is not a substantial shareholder of the Company or an officer of , or otherwise associated directly with a substantial shareholder of the Company (as defined in section 9 of the *Corporations Act 2001*)
- the director has no material relationship with the Company (either directly, or as a partner, shareholder, or executive officer of an organisation that has a material relationship including contractual or consulting with the Company) except as a director of the Company;
- the director is not, and has not been within the previous three years:
  - a) employed by, or a partner in, any firm that in the past three years has been the Company’s External Auditors; or
  - b) been employed by the Company or another group member in an executive capacity; and
- the director has no interest and any business or other relationship which could materially interfere with the director’s ability to act in the best interests of the Company.

To assist in the execution of the Board’s corporate governance responsibilities, the Board has established two committees:

- (1) the Audit & Risk Management Committee – to help protect the integrity of financial reports; and
- (2) the Remuneration Committee – to help ensure that the Company remunerates fairly and responsibly.

The current membership of the Board and the Audit & Risk Management Committee and the Remuneration Committee is set out in the table below:

<b>Board Director</b>	<b>Member Type</b>	<b>Audit and Risk Management Committee</b>	<b>Remuneration Committee</b>
Richard Facioni	Chairperson	Member	Chairperson
Sue Morphet	Independent Non-Executive Director	Independent Chairperson	Member
Scott Evans	Managing Director		Member
David Wilshire	Non-Executive Director	Member	Member

Given the size of the Company, a formal nomination committee has not been established. However, the objectives of such a committee are addressed in section 6 of the Board Charter.

Best practice recommends that the Audit committee should have a majority of members who are independent directors. The Board is of the view that this is not appropriate for the Company at this time given the Company’s size and existence of a major shareholder. The Board considers that the current members of the committee possess the appropriate range of skills, experience and expertise and the structure of the Audit committee enables it to fulfill the responsibilities to the Company and its’ shareholders. The objectives of the committee is addressed in the Audit and risk committee charter

Best practice recommends that the Remuneration committee should have a majority of members who are independent directors and should be chaired by an independent Chairperson. The Board is of the view that this is not appropriate for the Company at this time given the Company’s size and existence of a major shareholder. The Board considers that the current members of the Committee possess the appropriate range of skills, experience and expertise and the structure of the Remuneration committee enables it to fulfill the responsibilities to the Company and its’ shareholders. The objectives of the committee is addressed in the Remuneration committee charter

The Board will meet at least annually to review and ensure that its composition has the mix of experience, skills and knowledge required to best serve the interests of the Company and its shareholders.

Directors appointed by the Board are required by the Company’s constitution to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment. The constitution provides for one third of the remaining directors to retire and stand for re-election each year at the Annual General Meeting.

The Board normally has at least 9 scheduled meetings per year, but it may hold additional meetings if special circumstances arise.

To assist directors in carrying out their duties effectively, any director may seek independent professional advice at the Company’s expense. Prior written approval by the Chairperson is required, but approval will not be unreasonably withheld. All directors are made aware of the professional advice sought and obtained.

The Chairperson is currently a non executive director and the roles of the Chairperson and the Managing Director are not exercised by the same person.

***Principle 3: Promote ethical and responsible decision-making***

The Board seeks to ensure that all directors, Senior Management and employees of the Company act honestly, transparently, diligently and with integrity, striving to enhance the reputation and performance of the Company and are committed to workplace diversity, in particular gender diversity. Diversity in the workplace includes, but is not limited to, gender, age, authenticity and cultural background.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention and benefits arising from contributions of people with diverse backgrounds, experiences and perspectives.

The Company has implemented a “Declaration of Intent and Shared Values” which is intended to assist in upholding the diversity and ethical standards of the Company as follows:

***“Declaration of Intent”***

We aspire to be a destination retailer, supplying quality product with superior customer service in a strong team environment for the benefit of the individual and the community.

We are committed to maintaining a workplace culture that values and utilizes the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity.

The Board seeks to achieve the following objectives to develop and maintain a diverse workplace:

- (a) maintain a workplace culture in which employees have equal access to opportunities available at work, in particular to improve employment and career opportunities for women; and
- (b) recruit from a diverse pool of candidates for all positions including senior management and the Board.

***“Shared Values”***

**Honesty and Integrity:** We stand by our word, constantly and vigorously following through on all commitments.

**Respect for Others:** We cherish diversity and respect each individual’s need for a balanced life.

**Personal and Professional Excellence:** We manage our individual careers and lives according to our highest personal and professional standards. We encourage challenge, risk taking and life-long learning as vital to creativity and excellence in all we do.

**Open Communication:** We speak our minds and share information on a timely basis to build trusting, productive relationships. We listen with sensitivity to other’s viewpoints, making every effort to hear – rather than judge – new ideas and approaches.

**Teamwork:** We collaborate with each other and with those whom we serve to achieve common objectives. These partnerships maximise our contributions and add spirit, engagement and perspective to our work.

**Corporate Citizenship:** We resolve to be good corporate citizens – making a positive difference in the communities we serve around the country.

Also, guidelines on ethical conduct are prescribed in the “Employee Induction Manual” which sets out the standards to which a new team member of the Company is expected to comply.

The Company has a range of documented policies and standards including privacy, confidentiality, computer use, capital expenditure, recruitment, equal employment opportunity, competency levels set to KPIs and other standards of workplace behaviour that are set out in the Company Policy & Procedures manuals, new employees’ induction manual, new employees’ letter of appointments and are reinforced by training programmes throughout the year.

## **Diversity Assessment and Reporting**

To fulfil its obligations and responsibilities, the Board will annually:

- (a) review and assess the diversity objectives its effectiveness of this Principle 3;
- (b) review and assess the measurable gender diversity objectives and the progress towards achieving those objectives;
- (c) review the relative proportion of women and men in the workplace at all levels of the Company; and
- (d) review remuneration by gender across the organisation.

The Board will review the gender diversity profile of the Group annually at Board meetings.

## **Non-compliance**

Senior Management will take such action as they consider appropriate in response to any material non-compliance with the Declaration of Intent and Shared Values and the Company’s policies and standards.

## **Code of Conduct for Directors and Senior Management**

Further, the Company has established the following code of conduct for directors and Senior Management.

## **Conflict of Interest**

In accordance with the Corporations Act 2001 and the Company’s Constitution, directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict or be perceived to conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant papers and is not present at the meeting while the item is considered.

## **Confidential Information**

Directors and Senior Management must ensure that confidential information relating to the Company, its customers, its operations, or any other commercially sensitive matter is kept confidential, other than in circumstances where disclosure is required by law or where authorised by the Company.

The Chairman will be made aware of any material breach of this code of conduct and take action considered appropriate in the circumstances.

## **Dealings in the Company's Securities**

Consistent with the law, directors and Senior Management must not trade directly or indirectly or procure others to trade in the Company's securities whilst in possession of unpublished price sensitive information.

Directors and Senior Management must not use inside information for personal gain.

Price sensitive information is information, usually about the Company or its intentions, which a reasonable person would expect to have a material effect on the price or value of Company securities.

Directors and Senior Management must not deal in securities of the Company if they are in possession of any price sensitive information that is not generally available to the public.

Directors and Senior Management are generally permitted to deal in the Company's securities in the six weeks following the announcement of the half yearly and annual results.

Permission to trade in the Company's securities outside these periods must be obtained from the Chairperson.

## **Notification**

A director must notify the Chairman and Company Secretary of any proposed dealing in the Company's securities prior to transacting, followed with written confirmation of the trading detail to the Company Secretary of any change in the director's (or related entities) legal or beneficial interest in the Company's securities so as to ensure compliance with the disclosure requirements of the ASX Listing Rules and the Corporations Act 2001.

## ***Principle 4: Safeguard integrity in financial reporting***

The Board seeks to ensure that audit quality and effective audit service is provided by a suitably qualified professional. To this end, the Board ensures that the External Auditor is fairly rewarded for the agreed scope of the statutory audit and audit-related services.

As part of the Company's structure of financial review and authorisation both the Managing Director and Chief Financial Officer are required to provide a written statement to the Board that to the best of their knowledge and belief, the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

This statement to the Board is underpinned by the requirement for appropriate Senior Management to provide a signed letter of representation addressed to the Managing Director and Chief Financial Officer verifying material issues relating to the executive's area of

responsibility and disclosing factors that may have a material effect on the financial results or operations of the Company.

The Board has established an Audit and Risk Management Committee. The roles and responsibilities of the Audit and Risk Management Committee are set out in the Audit and Risk Management Charter.

The Audit and Risk Management Committee comprises three members, one of whom is an independent director.

The purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by:

1. monitoring and reviewing:
  - the integrity of financial statements;
  - the effectiveness of internal financial controls;
  - the independence, objectivity and competency of the External Auditors;
  - the policies on risk oversight and management; and
2. making recommendations to the Board in relation to the appointment of External Auditors and approving the remuneration and terms of their engagement.

#### ***Principle 5: Make timely and balanced disclosure***

The Company has implemented a Continuous Disclosure Policy to ensure timely and continuous disclosure to the market of material issues relating to the Company and to ensure that all stakeholders have an equal opportunity to access information.

The policy and practice of the Company reflects the ASX Listing Rules requirements and the requirements of the Corporations Act 2001 regarding continuous disclosure requirements and the process of notifying the market.

#### ***Principle 6: Respect the rights of shareholders***

The Company's communication strategy is designed to empower shareholders by giving them access to balanced and understandable information on the Company. The Company is required under the Corporations Act 2001 and the Listing Rules of the ASX to keep the market fully informed of all information that could materially effect the value of its securities.

The Company is committed to ongoing communication across its entire shareholder base consisting of institutional investors, private and employee shareholders. This is achieved principally by the distribution of regular information updates to shareholders which consist of the following:

- the annual financial results and report;
- relevant announcements released to the ASX;
- notice of meeting and explanatory material for the annual general meeting;

- the Chairman's and Managing Director's address to shareholders;
- occasional letter from the Managing Director and Chairman informing shareholders of key matters of interest;
- any presentation to analysts; and
- invitation to attend the annual general meeting, ask questions of the Board and the External Auditor who is available to answer questions about the conduct of the audit, and the preparation and content of the External Auditor's report.

The Company will request that the External Auditor attend the annual general meeting and be available to answer shareholder questions.

### ***Principle 7: Recognise and manage risk***

#### **Risk Management and Oversight**

The Company's overriding corporate objective is to maximize long-term shareholder value whilst exceeding the needs of customers, employees and business partners. Whilst the Board has overall responsibility for the Company's risk management, internal compliance, it also recognises that no cost effective internal control system will preclude all errors and irregularities.

To encourage management accountability in this area, both the Managing Director and the Chief Financial Officer are required to provide a written statement (together with their assurances set out under Principle 4 above) to the Board that to the best of their knowledge and belief the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects and that the assurances given under Principle 4 are founded on a sound system of risk management and control which implements policies adopted by the Board.

The Board has implemented a risk management framework which has been practised by the Company for many years. The key elements of the Company's policy on risk management are summarised as follows:

- **Financial reporting** – there is a comprehensive budget process with annual budgets approved and actual performance to budget is monitored on a monthly basis;
- **Departmental control** – financial controls and procedures including information systems controls are set out in the Company's Procedure Manual and are built in to the key financial systems. Weekly financial results, daily cash flow reports, the departmental budget process including capital expenditure budgets, help recognise and manage risks. Senior management reports to the Board regularly on material business issues including financial results.

In addition, the lease commitments and the buying plan for each season are regarded as key areas for risk management. Accordingly all new leases, lease renewals and any material changes to the terms of the Company's leases are included in the Board pack which is sent to each Director prior to a Board meeting and all lease documents are executed by 2 directors or 1 director and the Company Secretary. The buying plan for each season (broken down into dollar value and number of units) is reviewed and approved by the Managing Director.

- **Investment and Capital expenditure** - The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company. As an integral part of the planning and review process of major projects, Senior Management identify the risks, the probability of those risks occurring, and the potential impact if they do occur. Details of any action taken to address those risks is communicated to the Board for its review, prior to proceeding with the project. All major projects (legal and tax) are reviewed by external advisers, if required.

Senior Management is provided with levels of authority to proceed with day to day operational needs of capital expenditure; and

- **The role of Senior Management** is to implement the Board's policies on risk and control and present assurance on compliance with these policies. Independent assurance is presented by External Auditors. All employees are accountable for operating within these policies.

### **Assurance**

On behalf of the Board, the Audit and Risk Management Committee examines the effectiveness of the Company's:

- assessment of risk; and
- systems of internal controls primarily through agreeing the scope of the audit programme and reviewing findings, review of the annual and interim financial statements and review of the External Auditor's report.

Any significant findings or identified risks are closely examined by the Audit and Risk Management Committee so that appropriate action can be taken.

The External Auditors are engaged to express an opinion on the financial statements. They review and test the Company's system of internal and financial controls and the data contained in the financial statements to the extent necessary to provide their audit opinion. The External Auditors discuss with Senior Management the reporting of operational results and financial condition of the Company and present their findings to the Audit and Risk Management Committee.

### ***Principle 8: Encourage enhanced performance***

The Board regularly reviews its own performance and the performance of the individual directors. The process for performance evaluation of the Board, its committees and individual directors is set out under point 6 of the Board Charter.

Senior Management are reviewed annually by the Managing Director against their performance goals for the financial year.

Senior Management review annually with their respective managers their performance goals for the financial year and the extent to which such goals have been achieved is discussed and assessed.

### ***Principle 9: Remunerate fairly and responsibly***

The Board has established a Remuneration Committee which comprises three members, one of whom is an independent director. The roles and responsibilities of the Remuneration Committee are outlined in the Company's Charter of the Remuneration Committee. The Remuneration Committee reviews the remuneration of the Directors, Senior Management and the Company's human resources policies and makes recommendations to the Board.

The Company's remuneration policy is designed to ensure that the level and composition of remuneration is sufficient to attract, motivate, develop and retain high quality executives capable of achieving the Company's objectives. The remuneration policy is designed to ensure that directors and Senior Management are fairly rewarded for their individual contributions to the Company's performance and that remuneration packages are competitive with those of comparable public companies.

The elements of remuneration include: basic salary, benefits (such as a company car, professional membership and private health insurance cover), superannuation, performance related bonus and long-term incentive schemes designed to align the interests of Senior Management with those of the Company's shareholders.

The Remuneration Committee reviews the annual salaries for Senior Management, having regard to personal performance and independently compiled salary survey information.

Base salary levels are kept at levels comparable to the median salaries of retailers of a broadly similar size.

An annual bonus can be earned by Senior Management for the achievement of specific financial and qualitative targets recommended by the Remuneration Committee, the Company's performance and the individual's performance.

The Committee recommends for the Board's consideration the levels of financial targets at which bonuses are paid before the commencement of each financial year. The highest levels of bonus are only paid on the achievement of truly exceptional performance.

The Company's human resources personnel play a key role in developing policies for consideration by the Committee and in administering all such approved policies.

Each executive director and the Chief Financial Officer/Company Secretary entered into a service contract with the company. These service agreements have no fixed terms and the executive is entitled to a notice period of 3 months. The service agreement may be terminated immediately by the Company in the event of serious and wilful misconduct in the course of employment, or in the event of committing a serious breach of the service agreement.

Non-executive directors are remunerated by way of fees and are not eligible to participate in the Company's schemes designed for executives. Non-executive directors are appointed under letters of agreement. They do not receive options or bonuses, are not provided with retirement benefits other than statutory superannuation, and do not have formal service agreements.

The current remuneration for non-executive directors is set by resolution of shareholders at \$200,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components, as detailed in the directors' report.

The remuneration does not include any participation by Independent directors in Company share schemes, which must be separately approved by the Board.

Options granted are valued using the Black Scholes method. The Board takes into account survey data on director's fees and remuneration paid by comparable companies, and expert advice may be commissioned from time to time.

Senior Management, other than Committee members, attend meetings of the Remuneration Committee by invitation.

***Principle 10: Recognise the legitimate interests of stakeholders***

In addition to responsibilities to shareholders, the Company is aware of its responsibilities to employees, customers and its suppliers.

To this end the Company has adopted the "Declaration of Intent and Shared Values" referred to under Principle 3 above.