



**Billabong
International
Limited**

Corporate Governance Statement

Billabong International Limited

Current as at 30 June 2017.

The Board of Directors is responsible to shareholders for the performance of Billabong International Limited and its subsidiaries (collective, the “**Group**”) and believes that high standards of corporate governance underpin the Company’s objective of maximising returns to shareholders. The Board is committed to a high level of governance and endeavours to foster a culture that rewards ethical standards and corporate integrity. As required by the ASX Listing Rules, this statement sets out the extent to which the Company has complied with the ASX Corporate Governance Principles and Recommendations (3rd Edition) (the **ASX Recommendations**) during the financial year ended 30 June 2017. The Board of Directors considers that the Group’s corporate governance practices comply with the ASX Recommendations, except where otherwise explained below.

PRINCIPLE 1: Lay solid foundations for management and oversight

Roles and Responsibilities of Board and Management

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

A summary of matters reserved for the Board is as follows:

- setting strategic objectives and providing input into and final approval of the Group’s overall strategic direction and strategic plans for each of the Group’s major business units;
- monitoring financial performance including approving business plans, the annual operating and capital expenditure budgets and financial statements and published reports;
- establishing, monitoring and evaluating the effectiveness of internal controls, risk management and compliance systems;
- appointing and reviewing the performance of the CEO and, jointly with the CEO, the executive leadership team;
- approving and monitoring major capital expenditure, capital management, acquisitions, divestments and identified business drivers;
- ensuring that any significant risks are identified, assessed, appropriately managed and monitored; and
- establishing environmental, social and occupational health and safety policies.

A copy of the Statement of Matters Reserved for the Board, which includes the full list of matters reserved for the Board, is available on the Company’s corporate website www.billabongbiz.com.

The Board has delegated the day-to-day management of the business of the Group to management through the CEO subject to the Group’s Delegation of Authority. The Delegation of Authority document is reviewed on a periodic basis.

Appointment and Election of Directors

Prior to appointing a person, or putting forward to shareholders a candidate for election, as a Director, the Company will undertake appropriate checks of that person and consider any potential conflicts of interest.

Non-Executive Directors have open-ended contracts and tenure is subject to the individual performance of the Director and rotational requirements for re-election by shareholders. The Company’s Constitution specifies that all Non-Executive Directors must retire from office no later than the third Annual General Meeting following their last election. Where eligible, a Director may stand for re-election. The Company will provide shareholders with a range of information about any person recommended for election or re-election as a Director, including the matters set out in the ASX Recommendations and any other information considered relevant for shareholders to make an informed decision.

The Company’s Policy and Procedures for Selection, Appointment and Re-Election of Non-Executive Directors is available on the Company’s corporate website.

Terms of Appointment of Directors and Senior Executives

New Directors are provided with a letter of appointment, which the Director is required to acknowledge and counter-sign, setting out the Company’s expectations including involvement with committee work, their responsibilities, remuneration, including superannuation and expenses, and the requirement to disclose their interests and any matters which affect the Director’s independence. Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company’s expense. Prior approval of the Chair is required, but this will not be unreasonably withheld. The advice obtained must be made available to all Board members in due course, where appropriate.

It is the Company’s practice to have a written agreement in place with each member of its executive leadership team, which sets out the term of that executive’s appointment.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Workplace Equity and Diversity Policy

The Company values diversity and recognises the benefits of a diverse workforce. The Workplace Equity and Diversity Policy requires the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them. A copy of the Company's Workplace Equity and Diversity Policy can be found on the Company's corporate website. The policy is available in English, French, Japanese, Portuguese, Spanish, Bahasa Indonesian, Traditional and Simplified Chinese to ensure it is accessible to all staff.

As at 30 June 2017, the percentage of female employees across the organisation was over 55%.

In 2013-14 the Board established three-year objectives in relation to gender diversity. Progress towards these objectives is reviewed by the Board annually, with the most recent review conducted in May 2017, with the year-end percentages being confirmed in August 2017. The Company's Workplace Equity and Diversity Policy was also reviewed by the Board in May 2017.

As per the table below, the first objective was met, with the percentage of women on the Board (taking into account Non-Executive Directors only) as of 30 June 2017 being 20%. It was determined that the objective of having at least 17% of women on the Board of Non-Executive Directors be reset to 20% for 2017-18.

For the 2016-17 financial year, Senior Executive positions was redefined as Vice President and Director level positions and above but excluding brand founders. In prior financial years, Senior Executive positions was defined as the CEO and the next two levels of management. For the 2016-17 financial year (using the new definition), women in Senior Executive positions increased from 31% to 33%, however, had the prior definition been used the percentage would have been 37%. Therefore, the second objective (being 35% of women in Senior Executive positions) was not met in 2016-17. With women representing over 55% of our employee population, we are continuing to work towards exceeding the current target, and therefore the Board set a target of 38% women in a Senior Executive position for 2017-18.

The final objective, an annual review of gender pay equity, was undertaken in May 2017. The Board supports management's efforts to achieve the goal of gender pay equity for like positions.

Progress against objectives

Objective	Actual –% of women 30 June 2016	Actual –% of women 30 April 2017
Women on the Board (Non-Executives) - 17%	20%	20%
Women in Senior Executive positions - 35%	31%	33%
Annual review of gender pay equity	Complete	Complete

Board Performance Review

During the year, the Chair undertook a review of Board, Committee and Director performance (including the performance of Chairs of the Board and its Committees) through discussions with the Directors, the CEO, CFO and the Company Secretary.

Executive Performance Review

The Board sets, on an annual basis, financial and non-financial performance hurdles for the CEO and senior executives and performance is assessed against these hurdles. In accordance with this process a performance assessment for senior executives was completed in August 2016 in respect of the 2015-16 financial year. A performance assessment in respect of the 2016-17 financial year will be completed in the coming months.

PRINCIPLE 2: Structure the Board to add value

The names, skills and experience of the Directors in office during the financial year ended 30 June 2017, and the period of office of each Director, are set out in the Directors' Report from pages 11-13.

The Board is composed of both Executive and Non-Executive Directors, with a majority of Non-Executive Directors.

The Board seeks to ensure that:

- its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective; and
- the size of the Board is conducive to effective discussion and decision-making.

Board Commitment

The Board held 14 Board meetings during the year. The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director, is disclosed in the Directors' Report on page 14. During the 2016-17 financial year three Board meetings were held at the Company's USA office in Irvine, California.

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. The Committees of the Board as at 30 June 2017 were the Nominations, HR & Remuneration, and Audit & Risk Committees. Additionally, informal working groups of the Board were formed throughout the period to consider various matters including Workplace Health & Safety and IT/Omni related projects. Following settlement of the Class Action proceedings in July 2016 the Class Action Committee was dissolved.

Each Committee is comprised entirely of Non-Executive Directors. Each of the Nominations, HR & Remuneration and Audit & Risk 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. These charters are reviewed on an annual basis and are available on the Company's corporate website. All matters determined by Committees are submitted to the full Board as recommendations for Board decisions.

Nominations Committee Committee Members

Ian Pollard (Chair)

Howard Mowlem

Kim Anderson (Member commencing 9 December 2016)

Jason Mozingo (Member until 30 June 2017)¹

Sally Pitkin (Member until 15 August 2016)

Throughout the 2016-17 financial year, the Nominations Committee has comprised at least three members, all of whom were Non-Executive Directors and the majority of whom were independent Directors. At all times during the financial year the Chair of the Committee has been an independent Non-Executive Director.

The Nominations Committee met twice during the year. Details of Directors' attendance at Committee meetings are set out in the Directors' Report on page 14. The Committee may extend an invitation to any person to attend all or part of any meeting of the Committee that it considers appropriate.

The main functions of the Committee are to:

- assess periodically the skill set required to discharge competently the Board's duties, having regard to the strategic direction of the Group, and assess the skills, experience, independence and knowledge currently represented on the Board;
- regularly review and make recommendations to the Board regarding the structure, size and composition (including the balance of skills, independence, knowledge, expertise and diversity of gender, age, experience and relationships) of the Board and keep under review the leadership needs of the Board;
- prepare a description of the role and capabilities required for a particular appointment;
- identify suitable candidates (executive and non-executive) to fill Board vacancies, taking into account the skills, experience and diversity required on the Board, and the attributes required of Directors;
- undertake appropriate checks and consider potential conflicts of interest before appointing new Directors or putting candidates for election or re-election to shareholders;
- ensure that, on appointment, all Directors receive an induction and a formal letter of appointment, setting out the time commitment and responsibility envisaged in the appointment including any responsibilities with respect to Board Committees;
- provide appropriate training and development opportunities for Directors;
- identify the existing Directors who are due for re-election by rotation at the Company's Annual General Meeting, in accordance with the Constitution;
- give full consideration to appropriate succession planning for the Board, satisfying itself that processes and plans are in place in relation to the Board;
- review disclosures, including ASX filings and announcements for the election of a Director, statements in the Annual Report detailing the Committee's activities and the process used for appointments;
- make publicly available the Committee's Charter, explaining its role and the authority delegated to it by the Board;
- review the Committee's Charter and its own performance annually; and

¹ Elliott Weinstein became a member of the Nominations Committee from 3 July 2017.

- establish a process for the review of the performance of individual Directors and the Board as a whole, in particular prior to the endorsement of retiring Directors seeking re-election.

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

The Nominations Committee Charter is available on the Company's corporate website.

Board Skills Matrix

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company.

As at 30 August 2017 the Directors collectively contribute the following key skills and experience:

Desired skill	Number of the 6 Directors with that skill
Financial Skills and Literacy	5
Publicly Listed Company Governance	4
Culture/Human Capital	2
WHS	3
NED Experience	6
CEO/CFO Experience	5
Executive Experience	6
North America	4
Europe	1
Asia	3
Australia	4
Consumer Goods	6
Brick and Mortar Retail	5
Wholesale/Branding	5
eCommerce/Technology	3
Supply Chain/Logistics	3
Turnaround/Structural Change	6

The appointment of Non-Executive Directors, Kim Anderson and Elliott Weinstein has strengthened the Skills Matrix by bringing further experience within the eCommerce/Technology and Supply Chain/ Logistics segments. Any need for additional independent perspective on the Company's projects and progress can also be sourced externally.

The Constitution provides that the Company is not to have more than 10, nor fewer than three, directors.

Independence of Directors

An assessment of Non-Executive Directors' independence is carried out annually or at any other time where the circumstances of a Director change such as to warrant reconsideration.

When determining independence, a director must be a Non-Executive Director, and consideration is given to whether the Non-Executive 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 years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company or another Group member;

- is, or has been within the last three years, in a material business relationship (e.g. as a lender, supplier or customer) with the Company or other Group member, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with the Company or another Group member, other than as a Director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

Materiality for these purposes is determined on both quantitative and qualitative bases.

The Board assesses the independence of Directors each year. To enable this process, the Directors must provide all information that may be relevant to the assessment. As at 30 June 2017 there was one Executive Director and five Non-Executive Directors.

In respect of the Non-Executive Directors:

- Gordon Merchant is a substantial shareholder of the Company and a long-serving director, so accordingly he is not considered to be independent of the Company based on the ASX Recommendations. Mr Merchant is a founder of the Group and the Board considers that it is in the best interests of all shareholders to have a Director with Mr Merchant's industry and business expertise and Company history as a member of the Board.
- Jason Mozingo was at the time of his appointment as a Director with the Company a Senior Managing Director at Centerbridge. He was appointed as a Director on 4 November 2013 and ceased as a Director on 30 June 2017. Centerbridge is a long-term financier to the Company and is a substantial shareholder. Accordingly, Mr Mozingo was not considered to be independent of the Company based on the ASX Recommendations.
- The remaining Non-Executive Directors on the Board during the financial year ended 30 June 2017 (Howard Mowlem, Sally Pitkin, Kim Anderson and Ian Pollard) have no relationships adversely affecting independence and so were deemed independent under the principles set out above.

During the period between Sally Pitkin's retirement as Director on 15 August 2016 and the appointment of Kim Anderson as Director on 9 December 2016, two of the four Non-Executive Directors on the Board were independent. At all other times during the 2016-17 financial year, three of the five Non-Executive Directors on the Board were independent (which represents 50% of the whole Board).

While a majority of the Directors on the Board are not independent, the Board considers that the composition of the Board and its Committees is appropriate because:

- the Chair of the Board is independent and is not the same person as the CEO;
- all Nominations, HR & Remuneration and Audit & Risk Committees are chaired by an independent Director and throughout the financial year ended 30 June 2017 there has been a majority of independent Directors on all Board committees; and
- robust procedures are in place to manage any actual or potential conflicts of interest that may arise. These include procedures to ensure that directors are not present and do not vote on matters where that would be prohibited by the *Corporations Act 2001*.

The Independence of Directors Policy is available on the Company's corporate website.

Director Induction and Training

All new Directors will receive an induction appropriate to their experience to enable new Directors to actively participate in decision-making as soon as possible, including familiarisation with the Company's strategic, financial, operational and risk management issues. New Directors are also provided with all relevant policies including the Company's Securities Trading Policy, a copy of the Company's Constitution, organisational chart and details of indemnity and insurance arrangements.

The Nominations Committee is responsible for providing appropriate training and development opportunities for Directors.

PRINCIPLE 3: Act ethically and responsibly

Group Global Code of Conduct

The Company has a Group Global Code of Conduct, which is available in eight languages and draws together all of the Company's practices and policies. The Code reflects the Company's values of integrity, honesty, trust, teamwork, respect and a desire for excellence in everything the Company does. It reinforces the need for Directors, employees, consultants and all other representatives of the Company to always act in good faith, in the Company's best interests and in accordance with all applicable policies, procedures, laws and regulations relevant to the regions in which the Company operates.

The Group Global Code of Conduct encourages employees to report (on a confidential basis if desired) conduct that they reasonably believe to be corrupt, illegal or unethical, using the Company's whistleblower program. The program is available to all Company employees, contractors and consultants and is designed to protect individuals who, in good faith, report such conduct, so that they have no fear of reprisal, dismissal or discriminatory treatment.

The Group Global Code of Conduct, which is available in various languages, is communicated to employees in each of the regions in which the Company operates. A copy of the Group Global Code of Conduct is available on the Company's corporate website.

PRINCIPLE 4: Safeguard integrity in corporate reporting

Audit & Risk Committee Committee Members

Howard Mowlem (Chair)

Ian Pollard

Kim Anderson (Member commencing 9 December 2016)

Jason Mazingo (Member until 30 June 2017)²

Sally Pitkin (Member until 15 August 2016)

Throughout the 2016-17 financial year, the Audit & Risk Committee has comprised at least three members, all of whom were Non-Executive Directors and the majority of whom were independent Directors. At all times during the financial year the Chair of the Committee has been an independent Non-Executive Director who is not the Chair of the Board.

All members of the Audit & Risk Committee are financially literate. Each of the members' qualifications and experience are set out in pages 11-13 of the Directors' Report. The Chair of the Committee, Howard Mowlem, holds a Bachelor of Economics (Honours), Master of Business Administration, Securities Industry Diploma and is a Fellow of the Australian Society of CPAs, and has held various senior finance roles over a period of 25 years.

The Audit & Risk Committee met four times during the 2016-17 financial year. Details of the Directors' attendance at Committee meetings are set out in the Directors' Report on page 14. The Committee may extend an invitation to any person to attend all or part of any meeting of the Committee that it considers appropriate.

The primary function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities through the oversight of:

- the adequacy, integrity and reliability of the Group's corporate reporting processes and financial statements;
- the scope and results of external and compliance audits;
- compliance with the Group's treasury policy;
- the effectiveness of the systems of internal control and risk management;
- the appointment, removal, remuneration, qualifications, independence and performance of the external auditor;
- the integrity of the audit process as a whole and the performance and effectiveness of the audit function;
- the nature of non-audit services of external auditors and related fees, to ensure that they do not adversely affect auditor independence; and
- the Group's compliance with Corporate Governance best practice and applicable legal and regulatory requirements.

The Audit & Risk Committee has, within the scope of its responsibilities, unrestricted access to personnel, records, external auditors and senior management.

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

In fulfilling its responsibilities, the Audit & Risk Committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary; and
- meets separately with the external auditors at least twice a year without the presence of management.

The Audit and Risk Committee Charter is available on the Company's corporate website.

Certification of Financial Reports

The CEO and CFO state in writing to the Board in each reporting period that, in their opinion, the Company's financial records have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on

² Elliott Weinstein became a member of the Audit & Risk Committee from 3 July 2017.

the basis of a sound system of risk management and internal control which is operating effectively. The statements from the CEO and CFO are based on a formal sign-off framework established throughout the Company.

External Auditors

The external auditor (PricewaterhouseCoopers) has declared its independence to the Board through its representations to the Committee and provision of its Statement of Independence to the Board, stating that it has maintained its independence in accordance with the provisions of APES 110 *Code of Ethics for Professional Accountants* and the applicable provisions of the *Corporations Act 2001*. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. A new audit engagement partner was appointed during the financial year ended 30 June 2015.

The performance of the external auditor is reviewed annually. An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in the Directors' Report and in the notes to the financial statements. The Company's procedure regarding the Selection and Appointment of External Auditor requires the external auditor to attend the Company's Annual General Meeting and be available to answer shareholder questions relevant to the audit. This procedure is available on the Company's corporate website.

PRINCIPLES 5 and 6: Make timely and balanced disclosure and respect the rights of security holders

Continuous Disclosure

The Company has an established policy for compliance with its disclosure obligations under the ASX Listing Rules. This includes internal reporting procedures to ensure that any material price sensitive information is reported to the Company Secretary in a timely manner. A team comprising at least two of the Chief Executive Officer, the Chief Financial Officer and the Company Secretary is responsible for assessing the materiality of information advised to the Company Secretary or any other potentially material information, and determining whether the information is required to be disclosed to the ASX or whether a trading halt is necessary and should be sought from the ASX. This team may involve the Chair of the Board or other Directors in such determinations.

All information disclosed to the ASX, along with transcripts from associated conference calls, is promptly posted on the Company's corporate website following receipt of confirmation from the ASX. In the event that any information is inadvertently disclosed at any analyst, media, investor or shareholder briefing that constitutes a previously undisclosed material price sensitive matter, then that information must be immediately made available to the market through the ASX and then posted to the Company's website. The Company is committed to complying with its continuous disclosure obligations and ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

A copy of the Continuous Disclosure Policy is available on the Company's corporate website.

Shareholder Communication and Annual General Meeting

The Company respects the rights of its shareholders to be updated and informed regularly about the Company and its operations.

The Company has provided in-depth updates at:

- *The February half-year and August full-year results presentations.* Along with providing all shareholders access to an audio webcast of the presentation, both the slides and a full transcript were also posted on our corporate website within 24 hours.
- *The Annual General Meeting in November 2016.* The Chair and CEO provided updates on both the turnaround strategy and its progress. A particular focus of this meeting was to ensure Directors had the opportunity to engage directly with retail shareholders. Again, an audio recording was provided on our corporate website within 24 hours of the meeting. Shareholders were provided with an online facility to lodge their proxies for the Annual General Meeting.
- *The Interim Financial Report and Full Financial Report (including Shareholder Review), Notice of Meetings and explanatory materials,* which were published on the Company's corporate website and distributed to all shareholders either physically or electronically according to their preferences.

In addition, the Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- providing updates on all key Company matters, developments or awards on the Company's corporate website;
- formal investor meetings and teleconferences in line with the Company's disclosure policies;
- a facility via the Corporate website for all shareholders to raise any questions they may have or an Investor Relations contact point to call directly for any shareholder; and
- investor engagement opportunities.

Finally, the Company recognises the importance of shareholder, investor and market feedback being heard directly by management and the Board. Steps to facilitate this feedback include:

- as appropriate, written updates and briefings to the Board from the CFO on investor and shareholder engagement;
- where appropriate and in line with the Company's disclosure policies, the CEO or Chair engaging directly with investors and other market participants to hear their feedback;
- the Board being sent all relevant analyst, media and market feedback regarding the Company on an "as published" basis; and
- the live webcasting of the Company's Annual General Meetings.

The Company's corporate website contains a list of upcoming events and all recent announcements. The website also maintains, at a minimum, information about the last three years' press releases or announcements. The website has a "Corporate Governance" page that is clearly identified and easily accessible from the website's home page, which contains all relevant corporate governance information.

Shareholders have the option to receive communications from, and to send communications to, the Company and to the Company's Share Registry, ComputerShare, electronically. Shareholders can update their communication preferences by contacting ComputerShare as follows:

Computershare Investor Services Pty Ltd
Telephone Australia: 1300 850 505
Telephone International: +61 3 9415 4000
Fax: +61 3 9473 2500
Website: <https://www-au.computershare.com/investor/>

A copy of the Stakeholder Communications Policy is available on the Company's corporate website.

PRINCIPLE 7: Recognise and manage risk

Audit & Risk Committee

The Board, through the Audit & Risk Committee, is responsible for ensuring the adequacy of the Company's risk management and compliance framework, and its system of internal controls and for regularly reviewing its effectiveness. See Principle 4 above for an overview of the Committee composition and meetings throughout the period.

Risk Management Framework

The Company has a Risk Management Policy that provides risk management processes based around the following activities:

- Risk Identification: Identify all significant foreseeable risks associated with its activities;
- Risk Evaluation: Evaluate those risks;
- Risk Treatment/Mitigation: Develop mitigation plans for risk areas where the residual risk is greater than tolerable risk levels; and
- Risk Monitoring and Reporting: Report risk management activities and risk specific information.

The Board, through the Audit & Risk Committee, is responsible for reviewing the Company's Risk Management Framework and satisfying itself that the Risk Management Framework continues to be sound and that management has in place appropriate systems for managing risk and maintaining internal controls. The Audit & Risk Committee considered the Risk Management Framework during the financial year ended 30 June 2017 and intends to undertake such a review at least annually. The Audit & Risk Committee also supported management's recommendation to engage external consultants to undertake a detailed risk review with a focus on risk controls, project risk and cyber risk. That risk review is ongoing and will be completed during 2017-18.

More broadly, the CEO and executive leadership team are responsible for identifying, evaluating and monitoring risk. The executive leadership team is responsible for the accuracy and validity of risk information reported to the Board and also for ensuring clear communication of the Board and executive leadership's position on risk throughout the Company. In particular, at the Board and executive leadership strategy planning sessions held throughout the year, the CEO and executive leadership team review and identify key business and financial risks that could prevent the Company from achieving its objectives.

A copy of the Risk Management Policy is available on the Company's corporate website.

Internal Audit

The Company does not have a global internal audit function, but has historically engaged various professional firms to assess certain financial control environments and to perform independent assessments of key project plans. During the 2016-17 financial year, the Company has continued to focus on the areas identified by those professional firms and improve the consistency of accounting practices and control environments.

Material Risk Exposures

The Company's operating and financial review in the Directors' Report from pages 8-10 sets out the main internal and external risk sources that could adversely affect the Company's prospects for future financial years, including those relating to economic, environmental and social sustainability risks.

PRINCIPLE 8: Remunerate fairly and responsibly

HR & Remuneration Committee Committee Members

Sally Pitkin (Chair until 15 August 2016)

Howard Mowlem (Chair from 15 August 2016 to 9 December 2016, Member during remaining period of FY17)

Kim Anderson (Chair commencing from 9 December 2016)

Ian Pollard

Jason Mozingo (Member until 30 June 2017)³

Throughout the 2016-17 financial year, the HR & Remuneration Committee has comprised at least three members, all of whom were Non-Executive Directors and the majority of whom were independent Directors. At all times during the financial year the Chair of the Committee has been an independent Non-Executive Director.

The HR & Remuneration Committee met five times during the year. Details of the Directors' attendance at Committee meetings are set out in the Directors' Report on page 14. The Committee may extend an invitation to any person to attend all or part of any meeting of the Committee that it considers appropriate but no executive may be present when the Committee considers that person's remuneration.

The main functions of the Committee are to assist the Board in establishing human resource and remuneration policies and practices that:

- enable the Group to attract and retain Executives and Directors (Executive and Non-Executive) who will create sustainable value for shareholders and other stakeholders;
- fairly and responsibly reward Executives and Directors having regard to the Group's overall strategy and objectives, the performance of the Group, the performance of the Executive and the general market environment within the USA, Australia and any other geographic locations where the Group has operations;
- link reward to the creation of value for shareholders; and
- comply with all relevant legislation and regulations.

In particular the Committee:

- reviews the remuneration for the Executive Directors, CEO and CEO direct reports (including base pay, non-monetary benefits, incentive potential and payments, equity awards and retirement or severance rights), having regard to the Executive remuneration policy and whether in respect of any elements of remuneration any shareholder approvals are required;
- reviews performance, succession and development plans for the CEO, the CEO's direct reports and any other key personnel;
- provides any information requested by the Board to assist the Board in determining Non-Executive Director remuneration;
- reviews annually all equity-based plans;
- in so far as they impact on the Executive Directors, CEO and CEO direct reports, reviews annually all cash-based incentive plans;
- reviews whether there is any gender or other inappropriate bias in remuneration;
- engages with and reviews feedback from shareholders and advisory groups regarding Executive remuneration and agree any required actions;
- reviews and notes annually the remuneration trends (including major changes in employee benefit structures, philosophies and practices) impacting key management personnel in its various regions; and
- reviews policies, reports and performance relating to diversity, conduct and any other Group human resource matters.

³ Elliott Weinstein became a member of the HR & Remuneration Committee from 3 July 2017.

The Committee reviews and sets key performance indicators (KPIs) for the executive leadership at or about the beginning of each financial year. The Committee evaluates these KPIs, which impact upon the discretionary element of the executive's remuneration, at or about the end of each reporting period.

The HR & Remuneration Committee has authority, within the scope of its responsibilities, to access personnel records, senior management and financial and legal advisors as appropriate.

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

The HR and Remuneration Committee Charter is available on the Company's corporate website.

Structure of Remuneration

Details of the nature and amount of each element of the remuneration for Executive Directors, Non-Executive Directors and key management personnel of the Company, are set out in the 'Remuneration Report' section of the Directors' Report from pages 15-31.

The Group Remuneration Policy is available on the Company's corporate website.

There are no retirement benefits, other than statutory superannuation, for Non-Executive Directors of the Company.

In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this restriction can be found in the Securities Trading Policy on the Company's corporate website.