



**Billabong  
International  
Limited**

ABN 17 084 923 946



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## ASX ANNOUNCEMENT

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### APPENDIX 4G AND FY15 CORPORATE GOVERNANCE STATEMENT

**GOLD COAST, 27 August 2015:** Billabong International Limited (“Company”) is pleased to provide in accordance with Listing Rules 4.7 and 4.10.3 a copy of the Company’s Corporate Governance Statement and Appendix 4G.

**TRACEY WOOD**  
COMPANY SECRETARY



## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

BILLABONG INTERNATIONAL LIMITED

ABN / ARBN:

17 084 923 946

Financial year ended:

30 JUNE 2015

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://www.billabongbiz.com/phoenix.zhtml?c=154279&p=irol-govhighlights>

The Corporate Governance Statement is accurate and up to date as at 27 August 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 27 August 2015

Name of Director or Secretary authorising  
lodgement: Tracey Wood

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of 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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-govhighlights">http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-govhighlights</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-govhighlights">http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-govhighlights</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at the Directors' Report for the FYE 30 June 2015.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-disclosure">http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-disclosure</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-govhighlights">http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-govhighlights</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

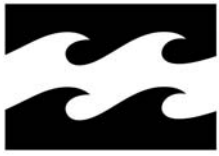


Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-disclosure">http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-disclosure</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]  ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <a href="http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-remuneration">http://www.billabongbiz.com/phoenix.zhtml?c=154279&amp;p=irol-remuneration</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



**Billabong  
International  
Limited**

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# **Corporate Governance Statement**

**Billabong International Limited**

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*Approved by the Board of Directors and current as at 27 August 2015.*

The Board of Directors is responsible to shareholders for the performance of 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 (3<sup>rd</sup> Edition) (the **ASX Recommendations**) during the financial year ended 30 June 2015. 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
- 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](http://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.

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 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. 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 2015, the percentage of female employees across the organisation remained at just over 50%.

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 being July 2015. The Company's Workplace Equity and Diversity Policy was reviewed by the Board in May 2015, and a gender pay gap analysis was considered by the Board in May 2015.

As per the table below, the first objective was met, with the percentage of women on the Board remaining unchanged at 17%. Given there are no further planned changes to the composition of the Board, it was determined that this objective should remain in place for 2015-16.

During the year a number of females were promoted and appointed to senior executive level positions and although progress was made towards the second objective – 35% of women in senior executive positions – this objective has not been met. Therefore, it was determined that this objective should remain in place for 2015-16.

The final objective, an annual review of gender pay equity, was undertaken in May 2015. The Board intends to review gender pay equity on an annual basis and supports management's efforts to achieve the goal of gender pay equity for like positions.

#### **Progress against objectives**

Objective	Actual –% of women 30 June 2014	Actual –% of women 30 June 2015
Women on the Board <sup>^</sup> - 17%	17%	17%
Women in Senior Executive positions* - 35%	31%	31%
Annual review of gender pay equity	Complete	Complete

\*Senior Executives include the CEO and the next two levels of management

#### *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 one-on-one discussions with all Directors, the Chief Financial Officer 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 commenced in August 2015 and 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 at the date of this Statement, and the period of office of each Director, are set out in the Directors' Report from pages 13 – 17.

The Board is comprised 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 13 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 2015, and the number of meetings attended by each Director, is disclosed in the Directors' Report on page 18. During the 2014-15 period two Board meetings were held at the Company's USA office in Irvine, California, including a tour of the facilities and visits to major local customers.

### *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. Current Committees of the Board are the Nominations, HR & Remuneration, Class Action and Audit and Risk Committees. Each is comprised entirely of Non-Executive Directors. Each of the Nominations, HR & Remuneration and Audit and 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**  
**Jason Mozingo**  
**Sally Pitkin**  
**Matthew Wilson**

As at the date of signing the Directors' Report and throughout the financial year ended 30 June 2015, 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 once during the year. Details of Directors' attendance at Committee meetings are set out in the Directors' Report on page 18. 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, knowledge, expertise and diversity of gender, age, experience and relationships) of the Board and keep under review the leadership needs of the Company, both executive and non-executive;
- 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 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, satisfying itself that processes and plans are in place in relation to the Board;
- give full consideration to appropriate succession planning for the CEO and CEO direct reports;
- 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; and
- 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.

### *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.



Together, the Directors contribute the following key skills and experience:

Desired skill	Number of the 7 Directors with that skill
Financial Skills and Literacy	6
Publicly Listed Company Governance	5
Legal	1
Culture/Human Capital	3
WHS	4
NED Experience	7
CEO/CFO Experience	4
Executive Experience	7
North America	5
Europe	2
Asia	3
Australia	7
Consumer Goods	7
Retail	7
Wholesale/Branding	6
eCommerce/Technology	2
Supply Chain/Logistics	2
Turnaround/Structural Change	6

The Board considers that collectively the Directors have the range of skills, knowledge and experience necessary to direct the Company. The Directors consider that the level of skills on the Board is strong in respect of all of the above categories where four or more Directors are represented. In respect of those categories where there are fewer than four Directors represented, the Board assesses the situation as follows:

- *Legal.* The Board considers that it is not necessary for more than one Director to have a formal legal background, and the one such Director has an extensive career in business and corporate law and corporate governance.
- *Culture/Human Capital.* The Board considers that the Directors bring a range of experience to this important area. It is also relevant that this is the principal professional interest of one of the Directors.
- *Europe.* The Board considers that the current level of European business experience on the Board could be considered adequate given the size of the Company's business in Europe at this time.
- *Asia.* The Board considers that its collective experience of working in Asia is adequate, but could be a relevant consideration in the event of any new appointment to the Board. Asian experience is obviously relevant not only to the Company's business and revenue opportunities there, but also to its significant transformation in both supply chain and logistics.
- *eCommerce/Technology and Supply Chain/Logistics.* These are both important areas of transformation of the Company's business, and both involve multi-year projects of capital expenditure and change of business practices. These skills could be considered to be important targets in any new appointment, but in the interim, 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 less 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 within the last three years has been, a partner, director or senior employee of a provider of material professional services to the Company or another Group member;
- is, or in the last three years has been, in a material business relationship (e.g. as a 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 independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment. At the date of signing the Directors' Report, there is one Executive Director and there are six 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 is a Senior Managing Director at Centerbridge and was appointed as a Director on 4 November 2013. Centerbridge is a long term financier to the Company and is a substantial shareholder. Accordingly, Mr Mozingo is not considered to be independent of the Company based on the ASX Recommendations.

Matthew Wilson is a Managing Director at Oaktree and was appointed as a Director on 4 November 2013. Oaktree is a long term financier to the Company and is a substantial shareholder. Accordingly, Mr Wilson is not considered to be independent of the Company based on the ASX Recommendations.

The remaining three current Non-Executive Directors (Howard Mowlem, Sally Pitkin and Ian Pollard) have no relationships adversely affecting independence and so are deemed independent under the principles set out above. Therefore, throughout the financial year ending 30 June 2015, half of the Non-Executive Directors on the Board have been classified as independent.

The Board considers that the current composition of the Board and its Committees is appropriate because:

- the Chair of the Board is independent;
- all Board committees are chaired by an independent Director and throughout the financial year ended 30 June 2015 there has been a majority of independent Directors on all Board committees;
- the Nominations, HR & Remuneration and Audit and Risk Committees, for the duration of the financial year, have comprised a majority of independent Directors; 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 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 and Risk Committee Committee Members**

**Howard Mowlem (Chair)**  
**Jason Mozingo**  
**Sally Pitkin**  
**Ian Pollard**  
**Matthew Wilson**

As at the date of signing the Directors' Report and throughout the financial year ended 30 June 2015, the Audit and 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 and Risk Committee are financially literate. 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 and Risk Committee met four times during the year. Details of these Directors' attendance at Committee meetings are set out in the Directors' Report on page 18. 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 applicable legal and regulatory requirements.

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

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

In fulfilling its responsibilities, the Audit and 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.

#### *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 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. During the financial year ended 30 June 2015, a new audit engagement partner was appointed.

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.

In line with its seven part turnaround strategy and the complexity and timeframe of that turnaround, the Company has been explicit in publicly stating in its 2014 full year results presentation that "our plans for communication with the market is to inform you as to our plans, to inform you as to our progress both financially and otherwise, but refrain from making financial promises or forecasts."

Consistent with that approach, the Company has focused on providing in-depth updates of progress 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 posted on our corporate website within 24 hours.
- *The Annual General Meeting in November 2014.* 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 corporate website;
- formal investor meetings and teleconferences in line with the Company's disclosure policies;
- a facility via our 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, including an "in-store" event.

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:

- a monthly written update and briefing 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
- plans to enable the live webcasting of the Company's 2015 Annual General Meeting.

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.

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

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

### *Audit and Risk Committee*

The Board, through the Audit and 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 business activities in a timely and consistent manner;
- Risk Evaluation: Evaluate risks using agreed risk assessment criteria;
- 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 to appropriate levels of management in a timely manner.

The Board, through the Audit and Risk Committee, is responsible for reviewing the Risk Management Policy and framework and satisfying itself that the framework continues to be sound and that management has in place appropriate systems for managing risk and maintaining internal controls. The Audit and Risk Committee intends to undertake such a review at least annually, but, as a result of restructuring of senior management responsibilities during the period and the focus on the global agenda of reform projects which commenced in 2015 (which materially changes significant elements of the Group's operating environment especially around sourcing, distribution, e-commerce, design and product planning and associated timetables), did not complete such a review in the financial year ended 30 June 2015. This reform agenda has been overseen by the Group's dedicated Turnaround Office and risk and change management have been considered in that context. The review was formally commenced in August 2015 and is focussed on the change management and project implementation risk. The review will also address the risk management framework more generally and ultimately an assessment of the expected future operating model. The Audit and Risk Committee intends that such a review will be undertaken at least annually in future.

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 team reviews and identifies key business and financial risks that could prevent the Company from achieving its objectives.

The Risk Management Policy is available on the Company's corporate website.

#### *Internal Audit*

The Company does not have a global internal audit function at this time, however, during the course of the year engaged various professional firms to assess certain financial control environments, assist with the negotiation of key reform contracts and to perform independent assessments of key project plans. In addition, the Company has dedicated retail store control audit functions in Australia, the Group's largest retail exposure.

#### *Material Risk Exposures*

The Company's operating and financial review in the Directors' Report from pages 3 – 11 sets out the main internal and external risk sources that could adversely affect the Company's prospects for future financial years.

### **PRINCIPLE 8: Remunerate fairly and responsibly**

#### **HR & Remuneration Committee Committee Members**

**Sally Pitkin (Chair)**  
**Howard Mowlem**  
**Jason Mozingo**  
**Ian Pollard**  
**Matthew Wilson**

As at the date of signing the Directors' Report and throughout the financial year ended 30 June 2015, 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 six times during the year. Details of these Directors' attendance at Committee meetings are set out in the Directors' Report on page 18. 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 to:

- review 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;
- review performance, succession and development plans for the CEO, the CEO's direct reports and any other key personnel;
- provide any information requested by the Board to assist the Board in determining Non-Executive Director remuneration;
- review annually all equity-based plans;
- in so far as they impact on the Executive Directors, CEO and CEO direct reports, review annually all cash-based incentive plans;
- review whether there is any gender or other inappropriate bias in remuneration;
- engage with and review feedback from shareholders and advisory groups regarding Executive remuneration and agree any required actions;

- review and note annually the remuneration trends (including major changes in employee benefit structures, philosophies and practices) impacting key management personnel in its various regions; and
- review policies, reports and performance relating to diversity, conduct and any other Group human resource matters.

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.

#### *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 19 – 45.

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 policy can be found in the Securities Trading Policy on the Company's corporate website.