

## Corporate Governance Statement FY 2017

This statement is organised under the headings in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) ("ASX Principles and Recommendations").

This statement and the following supporting documents are posted in the 'Corporate Governance' section of Vita Group Limited ("Company")'s website at [www.vitagroup.com.au](http://www.vitagroup.com.au).

- Board Charter
- Audit, Compliance & Risk Committee Charter
- Remuneration & Nomination Committee Charter
- Continuous Disclosure Policy
- Share Trading Policy
- Code of Business Practice & Ethics
- Performance Evaluation Process
- Director Selection, Appointment, and Re-election Policy & Procedures
- External Auditor Policy & Procedures
- Shareholder Communication Policy
- Risk Management Policy
- Diversity Policy
- Constitution

The Company is in full compliance with the ASX Principles and Recommendations.

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

#### **Board Charter**

The Board has adopted a Board Charter establishing the following:

- Board Responsibilities
- Board Composition
- Policy on Independence
- Policy relating to Meetings
- Board Committees
- Review of Board Effectiveness

The Board Charter is reviewed annually. The responsibilities and functions reserved to the Board as set out in the Board Charter include:

- approving and monitoring strategies, budgets, and plans
- approving policies and codes of conduct
- reviewing and monitoring systems of risk management, internal control, and regulatory compliance
- approving and monitoring the progress of acquisitions and disposals, or the cessation of any significant asset, business, or function, and reviewing material transactions and changes to organisational structure
- approving annual and half-yearly financial statements, other published financial information, and dividends
- appointing and monitoring the performance of the Chief Executive Officer
- determining the levels of authority to be given to the Chief Executive Officer
- ratifying the appointment of Senior Managers, monitoring their performance, and approving succession plans for the management team
- approving the issue of any securities of the Group.

The day-to-day management of the Group is delegated to management, including the following:

- financial and capital management and reporting
- operations
- information technology
- marketing
- customer service
- relationships with investors, media, analysts and other industry participants
- human resources
- reporting to the Board on performance

#### **Delegated Authorities**

The Board has adopted a formal statement of Delegated Authorities, setting out financial and other limits delegated to management, and matters requiring Board approval. These were reviewed and updated a number of times during the year.

## **Corporate Governance Statement (continued)**

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

#### **Appointment and Evaluation of Non-Executive Directors**

Letters of appointment are prepared for Non-Executive Directors, covering terms of employment, duties and responsibilities, time commitment expected, and requirements relating to disclosure of interests and trading in the Group's shares. An induction pack is provided at the time of appointment, and new Directors undergo an induction process. The Group's director induction includes a strong emphasis on:

- the culture and values of the Group;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

In line with the ASX Principles and Recommendations, the Board conducts evaluations of the Board every year. The Group's Performance Evaluation Process includes the evaluation of the Board, its Committees, and individual Directors. An evaluation of the Board and its Committees was undertaken during the reporting period.

Directors are provided with comprehensive reports on the operations and financial performance of the Group at each scheduled Board Meeting and are entitled to request and receive further information if they consider such information necessary. All Directors have access to the Company Secretary who coordinates the preparation and despatch of Board Agendas and Board Papers. The appointment and removal of the Company Secretary is a Board responsibility. The Company Secretary attends all Board meetings, and is directly accountable to the Chief Executive Officer and, through the Chairman, the Board, on all matters to do with the proper functioning of the Board and corporate governance.

#### **Appointment and Evaluation of Senior Managers**

The responsibilities and terms of employment, including termination entitlements, of the Chief Executive Officer, the Chief Financial Officer, and other Senior Managers, are set out in formal employment agreements. Each Manager is formally inducted on appointment, and has a position description, and a set of Key Performance Indicators ("KPIs") with annual goals. Each Manager's performance against his/her KPIs and goals is formally evaluated twice a year in accordance with the Performance Evaluation Process. The evaluation is used in determining future remuneration. The most recent performance evaluation of all Senior Managers, in accordance with this process, commenced in July 2017.

### **Principle 2: Structure the Board to Add Value**

The Board Charter sets out the structure of the Board and its committees, the framework for independence, and arrangements for performance evaluation.

The Board comprises four Non-Executive Directors (including the Chairman) and one Executive Director (the Chief Executive Officer). 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 on pages 2 to 3 of the 2017 Financial Report.

The Board structures itself by balancing the skills and experience on its Board to the industries in which the Group operates. In doing so it also seeks to achieve a balance in diversity recognition amongst its members.

#### **Independence of Directors**

The Board distinguishes between the concept of independence, and the issues of conflict of interest or material personal interests, which may arise from time to time.

If at any time the Board is required to make a decision on any matter in which a Director has or Directors have an actual or potential conflict of interest or material personal interest, the Board's policies and procedures require that:

- the interest is fully disclosed and the disclosure is recorded in the Board minutes
- the relevant Director is excluded from all considerations of the matter by the Board
- where possible, the relevant Director does not receive any segment of the Board papers or other documents in which there is any reference to the matter.

The determination of independence remains a matter for the Board's judgment in accordance with its policy on independence. Until the Board otherwise resolves, the policy is that a Director will be independent if they are independent of management and free of any business or other relationship that could materially interfere with - or could reasonably be perceived to interfere with - the independent exercise of their judgment.

The independence of each Director is assessed regularly, based on the interests disclosed by them. In assessing the independence of Non-Executive Directors, the Board will consider if the Director:

- is a substantial shareholder (within the definition of section 9 of the Corporations Act) of the Company, or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has, within the last 3 years, been employed in an executive capacity by the Company consolidated group ("Group");
- has, within the last 3 years, been a partner, director or senior employee of a provider of advice or consulting services (including audit services) to the Group where the average annual amount paid for that advice or services exceeded 5% of the total annual fees earned by that firm or 1% of the Group's annual consolidated revenue;
- has, within the last 3 years, been directly involved with a supplier to the Group where the average annual amount paid by the Group to that supplier exceeds 5% of the annual consolidated group revenue of that supplier or 5% of

- the Group's annual consolidated revenue;
- has, within the last 3 years, been directly involved with a customer of the Group where the average annual amount paid to the Group by that customer exceeds 5% of the annual consolidated group revenue of that customer or 5% of the Group's annual consolidated revenue;
- has a contractual relationship with the Group, which accounts for more than 10% of his/her annual gross income (other than as a director of the Group);
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the Company for such a period that his/her independence may have been compromised.

The Board will state its reasons if it considers a Director to be independent notwithstanding the existence of a relationship of the kind referred to above. At this stage none of the Directors considered to be independent has any of the above relationships. The Board considers all of the Non-Executive Directors, namely Messrs Dick Simpson, Neil Osborne and Paul Wilson and Ms Robyn Watts, to be independent.

#### **Independent Professional Advice**

Each Director has the right, at the Group's expense, to seek independent professional advice in relation to the execution of Board responsibilities. Prior notification to the Board is required and where appropriate, Directors are required to share such advice with the Group and the other Directors.

#### **Directors' Interests**

The relevant interests of the Directors in the shares of the Company are set out in the Director's Report on page 17 of the 2017 Financial Report.

The Chairman of the Group is an independent Non-Executive Director.

Separate individuals exercise the roles of Chairman and Chief Executive Officer.

#### **Remuneration and Nomination Committee**

The Group has a Remuneration and Nomination Committee operating under a written charter approved by the Board and reviewed annually.

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors (including the Committee Chair).

The names and qualifications of members of the Remuneration and Nomination Committee and their attendance at meetings are set out on pages 2 to 3 of the 2017 Financial Report. Any Non-Executive Director is entitled to be present at all meetings of the Committee, whether they are a member of the Committee or not. Meetings of the Committee are attended, by invitation, by the Chief Executive Officer, the Chief People Officer, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 3 of the 2017 Financial Report.

The Committee regularly reviews the size, composition and effectiveness of the Board. This review includes an assessment of the necessary and desirable skills of Board members, Board succession plans, and consideration of appointments, re-elections and removals. The Committee also reviews the induction procedures for new directors. Evaluation of the Board's performance is carried out by the full Board.

When a Board vacancy occurs, the Remuneration and Nomination Committee identifies the particular skills, experience and expertise that will complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria. In doing so, a Board skills matrix is used to identify gaps in skills and experience on the Board. The skills detailed in the matrix include those which the Board determines to be the most suitable to support the Company's strategic direction and include skills and experience in strategy and policy development, corporate governance, executive and commercial management, mergers and acquisitions, finance and funding. The Committee uses a wide range of tools to identify potential candidates including professional associations and external search and selection agents. Candidate searches include background checks on character, education, employment experience, criminal history and bankruptcy to ensure suitability. In its deliberations, the Remuneration and Nomination Committee is focused on whether a potential candidate's skill set and experience will add value to the Board, the number and nature of other directorships, and availability of time to commit to the Group's affairs.

When a Director is due to stand down at the next Annual General Meeting ("AGM"), particular attention is paid to the Director's performance and contribution, preparation for meetings, and time availability. Prior to the Notice of Meeting for the AGM being sent out, the Remuneration & Nomination Committee reviews the performance of each Director due to stand down, and reviews the mix of skills and experience required by the Board. Each Director involved is asked to formally acknowledge that he/she has sufficient time available to carry out the duties of a Director of the Company. If it is considered that a Director due to stand down should be recommended for re-election, a formal recommendation is made by the Committee. If endorsed by the Board, this statement will appear in the Explanatory Notes to the AGM.

Minutes of all Committee meetings are provided to the Board. The Chair of the Committee also reports to the Board after each Committee meeting.

### **Induction and Education**

The Group's director induction includes a strong emphasis on:

- the culture and values of the Group;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

The induction process for Directors includes visits to relevant stores, and meetings with all relevant stakeholders.

The Board strongly supports the ongoing education and professional development of its Directors and senior management, and this is a regular Board item for discussion. This may include special presentations to the Board on topical matters of relevance, attendance at relevant external conferences or seminars and support for other measures.

### **Principle 3: Act Ethically and Responsibly**

#### **Code of Business Practice & Ethics**

The Board has endorsed a Code of Business Practice & Ethics that formalises the obligations and responsibilities of all employees and Directors to act ethically, behave with integrity, avoid conflicts of interest, and obey the law, in all business activities.

The Code provides for employees who become aware of possible breaches of the Code to report this. Such reports are treated confidentially to the extent possible consistent with the Group's obligation to deal with the matter openly and according to applicable laws. No employee will be subject to retaliation or disadvantage by reason of a bona fide report of possible non-compliance, in accordance with the Group's Whistleblower Policy.

Appropriate training programs on the Group's internal policies including Code of Business Practice & Ethics, workplace health and safety, environmental law compliance, and trade practices legislation, support this process.

#### **Trading in Company Securities by Directors, Officers and Employees**

The Board has established written guidelines, set out in its Share Trading Policy, that restrict dealings by Directors and employees in the Company's shares.

The Share Trading Policy identifies certain periods when, in the absence of knowledge of unpublished price-sensitive information, Directors and senior management employees may, with the approval of the Chairman, buy or sell shares in the Group. These periods are the 30 days following the announcement of half year and full year results, and following the AGM, or the issue of a Prospectus offering shares in the Group.

The entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Group's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time. This prohibition extends to vested and unvested shares or options in any share or option plan.

No Director or employee holding, or having an interest in, or having control of through family, associates, colleagues, a private Group or a trust, more than 0.5 % of the Group's listed securities, is permitted to enter into 'margin loan' or similar arrangements in respect of those listed securities. If any Director or employee who holds, or has an interest in, or has control of through family, associates, colleagues, a private Group or a trust, any of the Group's listed securities, enters into a 'margin loan, or similar arrangements in respect of those listed securities, he or she must advise the Group of the existence and details of the arrangement.

Directors, Senior Managers, and employees having regular access to confidential information are required annually to sign a statement confirming that they have complied with the provisions of the Share Trading Policy.

#### **Diversity**

The Group has always been an advocate of diversity and the Board has adopted and published a Diversity Policy in compliance with the ASX Principles and Recommendations. A copy is published on the Group's website. The Diversity Policy is designed to support the Group's commitment to diversity and to compliance generally with the ASX Principles and Recommendations.

The Group was founded on the principals of diversity and has continued to ensure that merit and performance form the basis of promotion and recruitment decisions at all levels of the Group. The following table represents the portion of women employed by the group at 6 September 2017.

	<b>Female</b>	<b>Male</b>
Board Members	2	3
Senior Executives (members of GLT)	2	3
Total Team Members	845	889

The Board has considered that in light of these results, little practical merit would be served in formulating measurable objectives for achieving *greater* gender diversity, and the progress made towards them.

The Group does however have in place a range of initiatives to sustain its diverse workforce statistics, including in the areas of Board diversity, flexible working arrangements, family-friendly practices, targeted leadership programs and recruitment and selection practices.

#### **Principle 4: Safeguard Integrity in Corporate Reporting**

##### **Audit, Compliance and Risk Committee**

The Group has an established Audit, Compliance and Risk Committee operating under a written charter approved by the Board and reviewed annually. The Audit, Compliance and Risk Committee comprises three independent Non-Executive Directors including its chairman who is not also Chairman of the Board. This complies with the ASX Principles and Recommendations as well as ASX Listing Rule 12.7.

The names and qualifications of members of the Audit, Compliance and Risk Committee and their attendance at meetings are set out on pages 2 to 3 of the 2017 Financial Report. Any Non-Executive Director is entitled to be present at all meetings of the Committee, whether or not they are a member of the Committee. Meetings of the Committee are attended, by invitation, by the Chief Executive Officer, the Chief Financial Officer, the engagement partner from the Group's external auditor, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 3 of the 2017 Financial Report.

The Committee assists the Board in fulfilling its responsibility to verify and safeguard the integrity of the Company's financial reporting, oversees and appraises the audits conducted by the Company's external auditors, monitors the adequacy of external reports for Shareholder needs, reviews the effectiveness of the Company's internal controls, and reviews the effectiveness of the risk management policies and practices of the Company.

The Committee has unlimited access to the external auditors, and to the senior management of the Group. The Committee may, with authority from the Chairman of the Board, consult with independent experts where they consider such consultation necessary to carry out their duties.

Minutes of all Committee meetings are provided to the Board. The Chairman of the Committee also reports to the Board after each Committee meeting.

In accordance with the ASX Principles and Recommendations, the Chief Executive Officer and Chief Financial Officer have stated in writing to the Board each financial period that:

- the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The statements from the Chief Executive Officer and Chief Financial Officer are based on formal sign off procedures reviewed by the Audit, Compliance & Risk Committee as part of the periodic financial reporting process

##### **Auditor Appointment**

The Board has established an External Auditor Policy and Procedures, and assesses the performance of the External Auditors annually. The position of External Auditor will be put to tender from time to time. Grant Thornton was selected as the External Auditor of the Group for the financial year beginning 1 July 2015, subject to shareholder approval of the appointment at the AGM in November 2015. This shareholder approval was granted, and Grant Thornton has continued as External Auditor since then.

##### **Auditor Independence**

The external auditor, Grant Thornton, has declared its independence to the Board. The engagement partner will be rotated every 5 years in accordance with the Corporations Act. The Audit, Compliance and Risk Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

#### **Principle 5: Make Timely and Balanced Disclosure**

The Group has established a Continuous Disclosure Policy for timely disclosure of material information concerning the Company. This Policy includes internal reporting procedures in place to ensure that any material price sensitive information is reported to the Company Secretary, Chief Financial Officer, or Chief Executive Officer, in a timely manner. These policies and procedures are reviewed regularly to ensure that the Company complies with its obligations at law and under the ASX Listing Rules.

The Company Secretary is responsible for communications with the Australian Securities Exchange, including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing information going to the ASX, Shareholders and other interested parties.

Continuous disclosure is a standing agenda item for all Board and senior management meetings and is specifically

addressed by each Director and manager at those meetings.

## **Principle 6: Respect the Rights of Security Holders**

### **Communications Strategy**

The Group has established a Shareholder Communication Policy and aims to keep Shareholders informed of the Group's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the Annual Report which is posted on the Company's website, and mailed to Shareholders who have specifically requested it;
- the interim Shareholders' report which is posted on the company's website, containing summarised financial information and a review of the operations during the period since the annual report; and
- other correspondence regarding matters impacting on Shareholders as required.

All half-year and annual reports, and all relevant announcements made to the market, for at least the last three years, are placed in the 'Investors' section of the Company's website after release to the ASX. Shareholders who have requested notification are notified by email when new announcements are released. The Company's website also contains easily located links to other shareholder information, including details of the Company's directors and senior executives, notices of meetings, presentations and webcasts.

Shareholders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Company's strategies and goals. The Company provides shareholders with the opportunity to submit written questions that can be dealt with at the meeting or by individual response. The external auditor is also present at the AGMs and available to answer shareholder questions on matters relating to the audit generally, accounting policies, preparation and content of the auditor's report and the independence of the auditor in relation to the conduct of the audit.

The Group does arrange for advance notice of significant Group briefings (e.g. results announcements) and makes them widely accessible including through the use of mass communication mechanisms. The Group also keeps a record of issues discussed at Group or one to one briefings with investors and analysts including a list of who was present and time and place of meeting.

The Company seeks to continually improve its online and electronic communications and the functionality of its website and encourages shareholders to elect to receive shareholder reports and other communications electronically. Shareholders are also encouraged to, and do, regularly communicate electronically with the Company and its share registry, Computershare.

## **Principle 7: Recognise and Manage Risk**

The Board is responsible for overseeing the establishment and implementation by management of risk management systems, and reviewing the effectiveness of these systems. The Board has assigned responsibility as follows:

- The Audit, Compliance & Risk Committee reviews and reports to the Board in relation to the Group's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.
- Management is responsible for identifying, managing, and reporting to the Board on risks in accordance with the Risk Management Policy, through a formal organisation-wide risk management framework which is reviewed annually.

Further details on the Audit, Compliance & Risk Committee are set out in Principle 4 above.

A Risk Management Policy has been established and is reviewed annually by the Board.

A review of the Group's risk management framework occurred again this year, and material business risks were evaluated and updated. A Risk Register has been established and the Company Secretary is responsible for its maintenance. The responsible manager for each risk has been identified, and is required to report through the management chain to the Chief Executive Officer and the Audit, Compliance & Risk Committee on the maintenance of mitigating actions and the Residual Risk ranking of each risk within his/her area of responsibility.

Management of risk mitigation strategies forms part of the Key Performance Objectives (KPIs) of managers at all levels.

The Group does not have an Internal Audit function. An Assurance Team, reporting to the Chief Financial Officer conducts regular audits of stores, and, using a scoring system, provides feedback to the store and to management on control and compliance matters relating to store operations. The performance of stores with unsatisfactory scores is monitored to ensure they bring their practices and controls up to the required standard. Managers associated with stores whose score is below Group benchmarks forfeit their commissions and bonuses until the required standards are met. Any instances of fraud are also identified and monitored by the Assurance Team, with senior operational management. Where appropriate, perpetrators are prosecuted, and controls are reviewed to try and prevent future occurrences. The Chief Executive Officer reports once a year to the Audit, Compliance & Risk Committee on the status of risks with a high residual risk ranking, and on the effectiveness of the management of the Group's material risks including any economic, environmental and social sustainability risks. The Chairman of the Audit, Compliance & Risk Committee reports to the Board once a year on the status of risks with a high Residual Risk ranking, and the status of risk management generally. The Company is not materially exposed to any economic, environmental or social sustainability risks.

### **Principle 8: Remunerate Fairly and Responsibly**

The Remuneration and Nomination Committee of the Board is responsible for recommending and reviewing remuneration arrangements for the Directors, the Chief Executive Officer, and Senior Managers. The Remuneration and Nomination Committee assesses the appropriateness of the composition and amount of their remuneration on an annual basis. Where appropriate the Committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers. It also considers remuneration by gender.

The Committee recommends and reviews the terms and conditions of appointment of Directors, the Chief Executive Officer, and Senior Managers, and reviews the operation and effectiveness of the Non-Executive Director Share Plan, the Employee Bonus Share Plan, and the Employee Share Option Plan (all currently suspended).

The Group's remuneration policy links the nature and amount of the Chief Executive Officer and Senior Managers' remuneration to the executives' personal performance, and the Company's long term financial and operational performance.

Non-Executive Directors receive an agreed annual fee, within the limits approved by Shareholders, and do not receive incentive payments or retirements benefits other than superannuation contributions.

Further details on the Remuneration and Nomination Committee are set out in Principle 2 above.

Further details of the remuneration of Non-Executive Directors, Executive Directors, and Senior Managers are contained in the Company's Remuneration Report on pages 8 to 17 of the 2017 Financial Report.

**The Group's policy with regard to all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's securities that are held directly or indirectly by Directors or employees is referred to under Principle 3 above, and included in the Group's Share Trading Policy.**