



The Board of Gowing Bros. Limited (the Company) is committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Board supports the core governance recommendations set by the ASX Corporate Governance Council (Recommendations) as set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition recommendations).

This Corporate Governance Statement (Statement) outlines the key corporate governance practices of the Company as they relate to the 3rd Edition recommendations for the financial year ended 31 July 2018 ("Reporting Period").

The Directors do not believe that any 3rd Edition recommendations that have been disclosed below as not having been adopted, in any way disadvantage the effectiveness with which the Board operates. The Board remains clearly focused on maximising shareholder value in an ethically responsible manner and willingly adopts corporate governance best practice recommendations as the circumstances and needs of the Company require them.

PRINCIPLE 1: Lay solid foundations for management and oversight

1.1 The Board of Directors is primarily responsible for ensuring the Company is managed in a manner that protects and enhances and considers the interests of all stakeholders. The Board's responsibilities are outlined in the Board Charter which can be found at <http://gowings.com/wp-content/uploads/2016/06/Board-Charter.pdf>. These include:

- Setting the strategic direction of the Company;
- Overseeing and monitoring the Company's performance and achievement of strategic goals and objectives;
- Approving and monitoring the progress of major capital expenditure, acquisitions and divestitures;
- Determining and approving capital, funding, approving budgets and dividend policies;
- Defining the limits to management's responsibilities;
- Overseeing the process for making timely and balanced disclosures of all material information concerning the Company;
- Monitoring Senior Executives' performance against appropriate measures;
- Ensuring appropriate risk management systems, internal controls, codes of conduct and compliance processes are in place;
- Meet regularly to review management operational reports regarding the financial performance of the Company;
- Appointing and removing the Managing Director, including approving the remuneration of the Managing Director and succession plans for the Managing Director;



- Ratifying the appointment and, where appropriate, the replacement of any Senior Executives;
- Resolving to appoint and where appropriate removal of the Company Secretary; and
- Approving the Company's Remuneration framework and monitoring the effectiveness of the Company's governance practices.

To assist in its decision making, the Board has also established the following standing Committees, each of which has a formal Charter setting out the roles, responsibilities and composition of each:

- Audit Committee; and
- Remuneration Committee.

The Board has delegated to the Managing Director and other Senior Executives the responsibility for the operation and administration of the Company, including the implementation of corporate strategies and the development of annual budgets. Senior Executives are responsible for keeping the Board informed, through the provision of accurate, timely management reports and monthly management accounts, to enable the Board to perform its responsibilities.

1.2 Before Directors are appointed, all necessary checks are undertaken by the Board. Any candidate for appointment or election as a non-executive Director is required to provide the Board with all relevant information and a consent for the Company to conduct any background or other checks including checks as to the person's character, experience, education, criminal record and bankruptcy history. In addition, biographical details, as well as details pertaining to material directorships held, are included in election and re-election notices to shareholders to enable shareholders to make informed decisions on election or re-election of candidates. These details are outlined on pages 28, 29 and 33 of the Directors' Report which forms part of the 2018 Annual Report of the Company (Annual Report).

A statement as to whether the Board considers a Director to be independent is outlined on pages 28 and 29 of the Directors Report for the Reporting Period (Directors' Report). The Directors' Report forms part of the 2018 Annual Report for the Company.

1.3 Written agreements setting out the terms of their employment are in place for all Directors and Senior Executives. Further details are provided on pages 36 to 38 of the Remuneration Report.

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



The role of the Company Secretary includes:

- Advising the Board on governance matters;
- Coordinating the timely completion and dispatch of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Assisting in the organisation and facilitating the induction and professional development of Directors.

Each Director can communicate directly with the Company Secretary and vice versa.

1.5 The Board has not adopted a formal diversity policy or set measurable objectives based on diversity alone. Instead, the Board believes that it has fostered and that the Company and its employees have a governance and value culture that encourages, excellence and ethical business practice to enhance long term shareholder value, including the advancement of all employees in an ethical manner as appropriate, irrespective of gender, age, ethnicity and cultural background. This is evidenced by 50% of the Senior positions within the Company being occupied by a female. Females make up more than 50% of the Company's general workforce. Currently there are no females on the Board.

1.6 Board performance is open to evaluation by shareholders at Annual General Meetings. At every Annual General Meeting, one-third of the Directors (or if their number is not a multiple of three then the number nearest to but not exceeding one-third) shall retire as a Director and if eligible are able to offer themselves for re-election. A non-executive Director cannot retain office for more than three years without submitting themselves for re-election.

Whilst the Board has not undertaken an annual review with respect to the performance of each of the Board, its Committees and Directors for the reporting period, a review of the Board, its Committees and Directors performance is an ongoing process within the Company. In addition to attending Board meetings, Directors are required to attend and contribute to strategy days, specifically with respect to material investments or controlled entities (such as Surf Hardware) which form part of the Gowings Group.

Each Director has been appointed based on their specific skills and experience, which is reflected in the various roles they undertake at either the Board or a Committee level and their ability to operate in a collaborative manner.

1.7 Senior Executives along with all other employees are required to complete a performance review form and meet with their manager to discuss their performance for the previous financial year.



The outcomes of these appraisals along with any recommendations are reviewed by the Remuneration Committee annually. Performance evaluations were undertaken in relation to the Reporting Period, as per the outlined process.

PRINCIPLE 2: Structure the board to add value

2.1 The Board currently consists of four Directors. There are three non-executive Directors (two of whom are independent) and one executive Director, being the Managing Director. The Managing Director holds a key management role within the Company. The tenure of Directors is governed by the Company's Constitution and the ASX Listing Rules. The names, details and qualifications of the Directors are outlined on pages 28 and 29 of the Directors' Report.

The current structure of the Board has been designed to provide the most effective composition, size and commitment from its Directors who have extensive experience and between them possess an extensive range of skills, knowledge and a wide diversity of capability to oversee the Company's business. This also ensures that the Board performs its function to the optimum and meets corporate governance standards that are relevant to the Company's current size and scope of operations.

Given the current size of the Company, the Board does not consider it appropriate to establish a nomination committee as the Board currently performs this function.

2.2 The Board considers that it has the necessary skills and experience to carry out its duties and responsibilities in an effective manner. The summary of the Boards skills and experience is reflected below:

<u>Skills and Experience</u>	<u>Number of Directors / Board Representation (out of 4)</u>
Executive Leadership	4
Board Representation	4
Accounting & Audit	3
Financial Analysis	3
Investment Experience	4
Property Management / Development	3
Asset Management	3
Retail Marketing	2
Risk Management	4
Strategic Development	4
Corporate Finance	4



2.3 As noted in 2.1, the Company presently has two independent Directors whose details are outlined on pages 28 and 29 of the Directors' Report. The Board considers a Director's independent status on an ongoing basis at each Board meeting and more specifically prior to the end of each reporting period. The length of service of each Director is outlined on page 33 of the Directors' Report.

The Board has formulated its own independence criteria, (as outlined in the Company's Board Charter) based on the ASX Corporate Governance Recommendations. Based on the Company's independence criteria, the Board is of the view that the length of service in which Mr John Parker has been a Director of the Company has not affected his capacity to bring independent judgement to bear on issues before the Board and to act in the best interest of the Company and its shareholders.

2.4 The Board is comprised of four Directors, including a non-executive Chairman, two non-executive Directors and the Managing Director. The Board has assessed that two of the three non-executive Directors are independent and the remaining two Directors are not independent. Notwithstanding that a majority of the Board of Directors are not independent, the Board believes that each Director brings independent judgement to each decision considered by the Board and the Directors have an appropriate mix of skills, experience and alignment of interests to act in the best interest of the Company and its shareholders.

During the Reporting Period, a Directors Standing Notice of Interest Register was adopted. This register assists the Board in determining whether there has been a change to the independence status of a Director.

2.5 The Chairman of the Board, Professor West, is a non-executive Director who is not independent. He is not the CEO of the Company. Professor West has and continues to perform advisory services to the Company and is also in the list of top 20 shareholders of the Company. The Board has taken this into consideration and is confident that Professor West's knowledge of the Company, his active interest and participation in the Company and his experience across other companies has not affected his ability to fulfil his role as Chairman of the Board. The Board believes he is the best person to fulfil the role of Chairman of the Board and therefore does not consider it necessary to appoint an independent Chairman to the Board. If at any point in time Professor West's independence is considered an issue with respect to a specific matter, the Board will appoint an independent non-executive Director to preside over the relevant matter under discussion and Professor West will absent himself in accordance with the Corporations Act.



2.6 The Company does not have a program for inducting new Directors, to provide professional development opportunities or skills training. However, the necessary induction and training will be provided when required. Directors are carefully selected to ensure their existing experience and skills are complementary to the Company.

PRINCIPLE 3: Act ethically and responsibly

3.1 The Company has a Code of Conduct which applies to each of the Company's Directors, Senior Executives and employees, which can be found on the Company's website at <http://gowings.com/wp-content/uploads/2016/06/Code%20of%20Conduct.pdf>
The most effective way to promote ethical and responsible conduct is for the Board and the Senior Executive team to foster, through their actions, the Company's key vision and values. The continuous development of an ethical corporate culture is a key component.

PRINCIPLE 4: Safeguard integrity in corporate reporting

4.1 The Company has an Audit Committee. The Audit Committee is made up of three non-executive Directors, two of whom are independent. The Committee is chaired by an independent Director who is not the Chairman of the Board. The Charter of the Audit Committee includes its roles and responsibilities and can be found at <http://gowings.com/wp-content/uploads/2015/07/Gowing-Bros-Audit-Committee-Charter.pdf>

The members of the Audit Committee, their relevant experience and qualifications, the number of times the Committee met during the Reporting Period and the individual attendances of the members are outlined on pages 28, 29 and 34 of the Directors' Report.

4.2 Before the Board approves the financial statements for a financial period, the Managing Director and the Chief Financial Officer provide a declaration in writing to the Board that the Company's financial records 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 Company as required by section 295A of the Corporations Act, for each Reporting Period. The declaration states that their opinion has been formed based on a sound system of risk management and internal control, which is operating effectively.

4.3 The Company ensures that its external auditor attends the Annual General Meeting and is available to answer shareholder questions relevant to the audit.



PRINCIPLE 5: Make timely and balanced disclosure

5.1 The Company has a written Continuous Disclosure policy to ensure that the Company complies with its continuous disclosure obligations which can be found at

<http://gowings.com/wp-content/uploads/2016/06/Continuous%20Disclosure%20Policy.pdf>

PRINCIPLE 6: Respect the rights of security-holders

6.1 The Board ensures that shareholders are kept informed of all major developments affecting the Company. The Company provides information about itself and its governance to investors via its website, which includes announcements made to the ASX and various Governance Policies and Charters.

6.2 The Company has a Continuous Disclosure Policy, which supports the Board's commitment to ensure effective communication with its shareholders. The Company communicates with its shareholders in several ways, including:

- Annual and half-yearly reports;
- Encouraging shareholder attendance at Annual General Meetings;
- Lodging statutory ASX announcements;
- Completing ASX market disclosures in accordance with the Company's Continuous Discloser Policy;
- Ensuring that the Company's Annual Report is available to all shareholders either through direct distribution or via the Company's website; and
- Sending notices and explanatory memoranda to shareholders in relation to resolutions to be put to a vote.

6.3 The Company regards the Annual General Meeting as an opportunity for engaging and communicating with its shareholders to provide a greater understanding of the business, governance, financial performance and prospects of the Company as well as giving shareholders the opportunity to express their views on matters concerning the Company. The Company's policy is to encourage effective shareholder participation at shareholder meetings.

Notices of Meeting for a meeting of shareholders, are accompanied by explanatory notes to enable shareholders to assess and make informed decisions on the resolutions being put forward at the meeting.

Shareholders unable to attend such a meeting can exercise their right to ask questions about, or make comments on, the management of the Company by submitting questions



or comments ahead of the meeting. Where appropriate these questions will be responded to at the meeting.

6.4 The 'Contact' section of the Company's website, <http://gowings.com/contact/> allows shareholders to contact the Company directly. The Company also gives shareholders the option of receiving communications and shareholder material electronically.

PRINCIPLE 7: Recognise and manage risk

7.1 The Company has an Audit Committee, (previously described under Principle 4.1) which oversees both the establishment and maintenance of a framework for pro-active risk management. The Company complies with Principle 7.1.

7.2 The Board through the Audit Committee has undertaken a review of the Risk Management Framework for the reporting period. A number of risks specifically relating to the shopping centres' safeguards were identified. An extensive independent review is being undertaken which will enable management to fully understand and implement processes and systems to mitigate against any remaining key risks.

7.3 The Company, given its size, does not have an internal audit function. Instead, monthly management reports are prepared by Senior Executives within the Company, identifying relevant areas of risk and internal control. These reports are circulated to Board members, where applicable, for them to evaluate and to continue to improve the effectiveness of the Risk Management framework and internal control processes.

7.4 The Board determines the overall risk appetite for the Company and approves strategies to ensure that key risks are identified and managed. The Board has, through the Audit Committee, developed a Risk Management Framework and charged management with its implementation within the Company, utilising risk mitigation strategies.

The Board and Senior Executives have identified several specific areas that pose a risk to the business and are implementing strategies to mitigate these risks. These include:

Risk Identified	Strategy to Minimise Risk
Operational – WH&S	Pro-active culture of safety first
Financial – Receivables	Internal controls: prevent, monitor, detect
Strategic – Investment decisions	SWOT analysis, risk matrix, strategy sessions
Commercial & Reputational	Tenancy analysis, regulatory compliance
Technical – systems failure	Flood mitigation, offsite disaster recovery
Financial Markets Risk	Monitoring, hedging, ratio analysis & KPIs



The Board believes that its business is economically, environmentally and socially sustainable and therefore does not consider that the Company has any material exposure to environmental or socially sustainable risks.

PRINCIPLE 8: Remunerate fairly and responsibly

8.1 The Company has a Remuneration Committee and its roles and responsibilities are set out in the Committee Charter which can be found at <http://gowings.com/wp-content/uploads/2016/06/Remuneration%20Committee%20Charter.pdf>

The Committee consists of two Directors, one being an independent non-executive Director, who is Chairman of the Committee, and the Managing Director. The Company does not believe that the failure to have three directors in any way hinders the operation of this Committee as all recommendations from the Committee are presented to the Board for approval. The members of the Remuneration Committee and the number of times the Committee met during the period and the individual attendances of the members are outlined on page 34 of the Directors' Report.

Remuneration levels are based on skills, knowledge, experience, education, length of service, industry salary and remuneration levels and retention. Remuneration is reviewed annually for the Managing Director, non-executive Directors and Senior Executives to ensure that it remains appropriate. The Managing Director, being a member of this Committee is not involved in determining his own remuneration.

8.2 The non-executive Directors are remunerated by way of fees and statutory superannuation and do not receive any retirement benefits. The remuneration is in line with their responsibilities, duties and risks involved in the role. Total remuneration for non-executive Directors is restricted in terms of the remuneration cap, which is reviewed periodically and is subject to shareholder approval for increased limits.

Additional information with respect to remuneration, including separate disclosure of policies and practices regarding the remuneration of non-executive Directors, the Managing Director and other key management personnel, is outlined on pages 36 - 38 of the Remuneration Report.

8.3 It is the policy of the Company that participants in the equity-based remuneration plans of the Company are not permitted to enter into transactions which limit their economic risk of participating in the scheme.