

Statement of Corporate Governance Practices 2016

Introduction

The Board of Directors of Coventry Group Ltd (CGL) is responsible for the corporate governance of the Company.

The practices outlined in this statement are in accordance with the ASX Corporate Governance Council's (ASXCGC) Corporate Governance Principles and Recommendations (3rd Edition) unless otherwise stated.

ASXCGC Principle 1

Lay solid foundations for management and oversight.

A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.

ASXCGC Recommendation 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.

CGL Practice

The Board has ultimate responsibility for oversight of the management and actions of CGL. It is responsible to shareholders for the Group's overall corporate governance.

The Board has a charter which formalises certain matters relating to the Board. The charter addresses the purpose and role of the Board, its powers, Board membership, independence criteria, meeting formalities, Board sub-committee requirements, self-assessment and appointment procedures as well as a policy on directors' terms of office.

The Board charter can be viewed on the Group's website under the tab – 'Investors, Corporate Governance'.

The Company has a formal delegated authority policy which sets out parameters and limits for entering into contractual relationship with customers and suppliers, and other operational matters. There are separate policies covering capital expenditure and treasury transactions. The policies are amended and updated as circumstances arise.

ASXCGC Recommendation 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.

CGL Practice

The Board undertakes a robust process in selecting a candidate as a director. External advice is sought and independent search firms are engaged where warranted.

All notices to security holders for AGMs and general meetings of the Company where a decision is required to elect or re-elect a director contain relevant information regarding the individual(s) being considered for election or re-election.

ASXCGC Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

CGL Practice

The Company has in place formal letters of engagement for non-executive directors, setting out the key terms and conditions of their appointment.

The Chief Executive Officer and Managing Director, Mr P J B Caughey is engaged in accordance with a service contract.

All senior executives of the Company are employed pursuant to formal service contracts and have formal position descriptions. The chief financial officer has his service contract endorsed by the Board.

ASXCGC Recommendation 1.4

The Company Secretary of a listed company should be accountable directly to the board, through the Chair, on all matters to do with the proper functioning of the board.

CGL Practice

The Company Secretary of the Company has a direct reporting line to the Chairman and is responsible to the Board for statutory compliance and administrative matters associated with the Board.

ASXCGC Recommendation 1.5

A listed entity should:

- (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;
- (b) Disclose that policy or a summary of it; and
- (c) Disclose as at the end of each reporting period 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:

- (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
- (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 the Act.

CGL Practice

The Company has a formal diversity policy.

The policy can be viewed on the Group’s website under the tab – ‘Investors, Corporate Governance’.

The Company is committed to an ethical and responsible work environment that values, encourages, promotes and fosters fairness and diversity. A number of objectives have been established to achieve diversity namely as follows:

- (i) ensure recruitment and selection practices reflect the principle of diversity and encourage a diverse candidate pool for appointments to senior levels;
- (ii) develop mentoring programs and network opportunities;
- (iii) support promotion of talented women in management positions;
- (iv) achieve a diverse and skilled workforce with a view to increasing representation of women across the Company; and
- (v) creating a work environment that values and utilises contributions of employees with diverse backgrounds, experiences and perspectives.

As at June 2016, 20% (June 2015 - 18%) of the Company’s employees were women. While there are no women on the senior executive team, 18% (2015 - 16%) of the Company’s managerial or professional positions were held by women. Of the Company’s four non-executive directors, one is female.

ASXCGC Recommendation 1.6

A listed entity should:

- (a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

CGL Practice

The Board charter stipulates that an annual performance evaluation of the Board and its committees be undertaken. An annual internal review of the Board and its committees is carried out. The purpose of the review is to provide satisfaction that the Board comprises the most appropriate mix of expertise, skills, knowledge and experience in order to direct the Company.

ASXCGC Recommendation 1.7

- (a) A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) Disclose, in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process.

CGL Practice

Arrangements are in place to monitor the performance of senior executives of the Company. The direct reports to the chief executive officer have formal reviews at least once a year.

Performance is measured against previously agreed objectives / key performance indicators (KPIs). Apart from reviewing KPIs, the performance appraisal also considers leadership competencies, areas of improvement, training and development as well as career aspirations.

The Board monitors the performance of the Chief Executive Officer and his direct reports (in consultation with the Chief Executive Officer) to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the performance of the Company.

ASXCGC Principle 2

Structure the board to add value.

A listed entity should have a board of appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASXCGC Recommendation 2.1

The board of a listed entity should:

- (a) Have a nomination committee which:
 - (1) Has at least three members, a majority of whom are independent directors; and
 - (2) Is chaired by an independent director and disclose;
 - (3) The charter of the committee; and
 - (4) The members of the committee; and
 - (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
- (b) If it does not have a nomination committee, disclose that fact and the process it employs to address board succession issues and to ensure that the board has the appropriate experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

CGL Practice

The Board has determined that the role of the nomination committee is most appropriately carried out by the full Board. The Chairman takes the lead in the process of ensuring the

composition of the Board is appropriate having considered the results of the annual internal performance evaluation of the Board and other factors pertinent to its effective operation.

ASXCGC Recommendation 2.2

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.

CGL Practice

The Board comprises individuals with a comprehensive mix of experience and expertise across a variety of industries. In particular:

Industry – Trade distribution, manufacturing, retail, mining, engineering, finance, oil & gas and public sector.

Experience/expertise – Strategy, finance, risk management, safety, executive leadership and marketing.

ASXCGC Recommendation 2.3

A listed entity should disclose:

- (a) The names of the directors considered to be independent directors;
- (b) If a director has an interest, position, association or relationship of the type set out in ASXCGC's criteria for determining the independence of directors, 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 of why the board is of that opinion; and
- (c) The length of service of each director.

CGL Practice

The composition of the Board remained unaltered during the 2015 / 16 financial year.

The Board presently consists of five directors. Four directors are non-executive directors and are considered to be independent.

The names of the independent directors are Messrs NG Cathie, NJ Willis, KR Perry and Ms V Papachristos.

The Board has a balanced composition with each current director bringing to the Company a range of complementary skills and experience.

In relation to the term of office for the directors, the Board has adopted the following policy:

“Subject to circumstances prevailing at the time and the Company's ability to find a suitable replacement, a director shall retire from the Board no later than the earlier of:

- the conclusion of the annual general meeting occurring after the twelfth anniversary of the director's first appointment or election to the Board; or
- the conclusion of the annual general meeting occurring immediately after the director's seventy-second birthday – unless elected by special resolution at that and subsequent annual general meetings.

The Board may consider variations to this policy in exceptional circumstances.”

The length of service for each director is as follows:

- KR Perry appointed 18 September 2009
- NG Cathie appointed 19 September 2014
- NJ Willis appointed 19 September 2014
- PJB Caughey appointed 1 January 2015
- V Papachristos appointed 27 April 2015

ASXCGC Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

CGL Practice

The Board presently consists of five directors. Four directors are non-executive directors and independent.

ASXCGC Recommendation 2.5

The Chair of the board of a listed entity should be independent director and, in particular, should not be the same person as the Chief Executive Officer of the entity.

CGL Practice

Mr NG Cathie is Chairman of the Board and is an independent director..

ASXCGC Recommendation 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.

CGL Practice

The Company has a formal induction program for all newly appointed directors.

The directors are encouraged to attend relevant professional development seminars and courses and are kept informed by management in relation to any changes in the regulatory environment affecting the Company.

ASXCGC Principle 3

A listed entity should act ethically and responsibly.

ASXCGC Recommendation 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.

CGL Practice

The Company has a formal code of conduct. The code sets out the principles and standards with which all the Group's directors, senior executives and employees are expected to comply in the performance of their respective duties. The code requires all directors, senior executives and employees to act with honesty and integrity, comply with the law and conduct themselves in the best interests of the Company.

The code of conduct can be viewed on the Group's website, under the tab – "Investors, Corporate Governance".

ASXCGC Principle 4

Safeguard integrity in corporate reporting.

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of corporate reporting.

ASXCGC Recommendation 4.1

The board of a listed entity should:

- (a) Have an audit committee which:
 - (1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent, directors; and
 - (2) Is chaired by an independent director, who is not the chair of the board; and disclose:
 - (3) The charter of the committee;
 - (4) The relevant qualifications and experience of the members of the committee; and
 - (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
- (b) If it does not have an audit committee, disclose the 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.

CGL Practice

The Board has established an audit & risk committee.

The members of the audit & risk committee are presently Mr KR Perry (Chairman), Mr NG Cathie and Ms V Papachristos. All members of the committee are independent non-executive directors. Mr NG Cathie has accounting qualifications.

The Company's audit & risk committee has a formal charter which sets out its roles, composition and duties and responsibilities. The committee reports back to the Board on all matters relevant to its roles and responsibilities.

The committee's charter can be viewed on the Group's website, under the tab – 'Investors, Corporate Governance'.

The number of committee meetings held and individual attendances of the members during the relevant reporting period are shown in the Company's annual report under the section Directors' Report sub-section Directors' Meetings.

ASXCGC Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from the 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 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.

CGL Practice

The Board receives assurance from the CEO and CFO in the form of 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 entity and that the opinion is founded on the basis of a sound system of risk management and internal control which is operating efficiently and effectively in all material respects and where not so operating, is being brought into compliance.

ASXCGC Recommendation 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.

CGL Practice

The Company's external auditor, KPMG, via its engagement partner, attends the Company's AGM. Security holders in attendance are invited to ask relevant questions to the external auditor.

ASXCGC Principle 5

Make timely and balanced disclosure.

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASXCGC Recommendation 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.

CGL Practice

The Board observes the continuous disclosure obligations as imposed by the ASX Listing Rules. The matter is continuously monitored by the Group's executive management and regularly reviewed by the Board. The Chairman and CEO are authorised to communicate with security holders in relation to Board approved ASX disclosures. Other directors and management must adhere to this policy.

All notifications and announcements to the ASX are posted on the Company's website, under the tab – 'Investors, ASX Announcements'. The company secretary is the responsible person for all communications with the ASX.

ASXCGC Principle 6

Respect the rights of security holders.

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASXCGC Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

CGL Practice

The Company's website – www.cgl.com.au – contains particulars regarding its activities and operations as well as relevant documents pertinent to its governance regime.

ASXCGC Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

CGL Practice

The Company encourages regular and timely communication with its shareholders and other stakeholders. Communication channels used by the Company include:

- regular shareholder communication such as the Half Year Report, Annual Report and, as appropriate, other periodic advices such as director changes;
- shareholder access to communications through the use of information technology such as the Company's website (www.cgl.com.au) where all key notices, policies and documents are posted; and
- a direct link from the Company's website to Computershare Investor Services, the Company's share registry service provider.

ASXCGC Recommendation 6.3

A listed entity should disclose the policies and processes it has to facilitate and encourage participation at meetings of security holders.

CGL Practice

The Board encourages full participation by shareholders at the AGM during which they are invited to raise questions or make comment regarding the operations and performance of the Company.

The external auditor attends each AGM and is available to answer shareholder questions about the audit.

ASXCGC Recommendation 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.

CGL Practice

The Company, and its share registry service provider, gives security holders the option to receive communications electronically.

ASXCGC Principle 7

Recognise and manage risk.

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

ASXCGC Recommendation 7.1

The board of a listed entity should:

- (a) Have a committee or committees to oversee risk, each of which:
 - (1) Has at least three members, a majority of whom are independent directors; and
 - (2) Is chaired by an independent director; and disclose:
 - (3) The charter of the committee; and
 - (4) The members of the committee; and
 - (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
- (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.

CGL Practice

The Company has a audit & risk committee that has responsibility for overseeing the Company's risk management framework. Refer to comments for CGL Practice under ASXCGC Recommendation 4.1.

The Company has established a policy for the oversight and management of material business risks. The policy titled Risk Management Policy and Methodology can be viewed on the Group's website under the tab – 'Investors, Corporate Governance'.

The Board via the audit & risk committee has reviewed and approved this policy, and is satisfied that management has implemented a sound system of risk management and internal control.

ASXCGC Recommendation 7.2

The board or a committee of the board should:

- (a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) Disclose, in relation to each reporting period, whether such a review has taken place.

CGL Practice

The Company has established a Group risk register which includes material business risks.

The Group risk register is reviewed annually by the audit & risk committee

ASXCGC Recommendation 7.3

A listed entity should disclose:

- (a) If it has an internal audit function, how the function is structured and what role it performs ; or
- (b) If it does not have an internal function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

CGL Practice

The Company does not have an internal audit function.

The Company has undertaken a group-wide review of risk and implemented mechanisms appropriate to the size and complexity of its operations to manage risk without the requirement of a separate internal audit function. In particular, management reviews the organisational structure and accounting controls and processes of each business in the group on a regular basis and reports appropriately to the Board. In this manner the Board is satisfied there are appropriate mechanisms in place to identify material business risks and ensure they are managed effectively.

ASXCGC Recommendation 7.4

A listed entity should disclose whether it has a material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

CGL Practice

The Company does not have any material exposure to environmental or social sustainability risks. In relation to economic risks the Company is impacted in the main by the cycles of the mining / resources and construction sectors and volatility of currency exchange rates. The Company is aware of these exposures and has procedures in place to mitigate them.

ASXCGC Principle 8

Remunerate fairly and responsibly.

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

ASXCGC Recommendation 8.1

The board of a listed entity should:

- (a) Have a remuneration committee which:
 - (1) Has at least three members, a majority of whom are independent directors; and
 - (2) Is chaired by an independent director; and disclose:
 - (3) The charter of the committee;
 - (4) The members of the committee; and
 - (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
- (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.

CGL Practice

The Board has established a remuneration committee.

The members of the remuneration committee are presently Mr NG Cathie (Chairman), Mr KR Perry and Mr NJ Willis. All members of the committee are independent non-executive directors.

The Company's remuneration committee has a formal charter which sets out its roles, composition and duties and responsibilities. The committee reports back to the Board on all matters relevant to its roles and responsibilities.

The committee's charter can be viewed on the Group's website, under the tab – 'Investors, Corporate Governance'.

The number of committee meetings held and individual attendances of the members during the relevant reporting period are shown in the Company's annual report under the section Directors' Report sub-section Directors' Meetings.

ASX Recommendation 8.2

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.

CGL Practice

The remuneration of non-executive directors is reviewed on a periodic basis by the remuneration committee having regard to the work load of the directors and the level of fees paid to non-executive directors of other companies of similar size and nature.

The aggregate amount payable to non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders at the annual general meeting. Further details of non-executive directors' remuneration are contained in the remuneration report of the annual report.

All senior Company executives have service contracts which clearly set out the basis for their remuneration. Further details of executive remuneration are set out in the remuneration report of the annual report.

ASX Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

- (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
- (b) Disclose that policy or a summary of it.

CGL Practice

An Executive Long Term Incentive Plan was approved by shareholders at the 2015 annual general meeting.