

## Appendix 4G

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

Name of entity:

Spicers Limited

ABN / ARBN:

70005146350

Financial year ended:

30 June 2017

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.spicerslimited.com.au/corporate-governance/corporate-governance.htm>

The Corporate Governance Statement is accurate and up to date as at 25 August 2017 and has been approved by the Spicers Limited Board.

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

Date: 18 October 2017

Name of Director or Secretary authorising lodgement: Mr Frank Glynn, Company Secretary

<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 <i>[insert location]</i> ... 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 checked="" type="checkbox"/> in our Corporate Governance Statement	<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 <i>[insert location]</i>	<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 <i>[insert location]</i>	<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 <i>[insert location]</i>	<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 <u>OR</u></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 type="checkbox"/> at <i>[insert location]</i></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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"/> In 'Guidelines for Board Operation' document, at <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<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 checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<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
2.5	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 <i>[insert location]</i>	<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 <i>[insert location]</i>	<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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> In 'Code of Conduct' document, at <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm</a>	<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 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"/> in 'Guidelines for Board Operation' document, at <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement (5) <b>AND</b></p> <p><input checked="" type="checkbox"/> on pages 20 (4) and 23 (5) of the Spicers Limited Annual Report 2017</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 checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p>(The Committee did not consist solely of Non-executive Directors during the period because it was necessary to include all three Board members on the Committee in order to meet the Corporate Governance requirement to have at least three members, and one of these Directors held an Executive position. This was inevitable due to the small size of the Board and was considered by the Board to be appropriate, given that the Executive Committee member brought extensive knowledge of financial matters, the business and its risks to the Committee, and there was still a majority of independent Non-executive Directors on the Committee.)</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 <i>[insert location]</i>	<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: <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> in 'Continuous Disclosure Policy' document, at <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm</a>	<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.spicerslimited.com.au">http://www.spicerslimited.com.au</a> and <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-governance.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-governance.htm</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 <i>[insert location]</i>	<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 <i>[insert location]</i>	<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 <i>[insert location]</i>	<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 <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> in "Guidelines for Board Operation" document at <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm</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 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 <i>[insert location]</i></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 <i>[insert location]</i></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 <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>
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 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):]  ... 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 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
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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> in the 'Operating and Financial Review' section of the Spicers Limited Annual Report 2017 on page 15</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 <u>OR</u></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"/> in the 'Guidelines for Board Operation' document, at <a href="http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm">http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></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 <u>OR</u></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 <u>OR</u></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 type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input checked="" type="checkbox"/> in the 'Remuneration Report' section of the Spicers Limited Annual Report 2017, on pages 25 to 35</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> in the 'Remuneration Report' section of the Spicers Limited Annual Report 2017, on pages 25 to 35</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>

# **CORPORATE GOVERNANCE STATEMENT 2017 SPICERS LIMITED**

ABN 70 005 146 350

The background of the page features a large, abstract graphic design composed of several overlapping, curved shapes in various shades of blue. These shapes create a sense of depth and movement, with some areas appearing lighter and others darker, suggesting a three-dimensional effect. The overall aesthetic is clean and modern, typical of corporate branding.

# Corporate Governance Statement 2017

The Board of Directors of Spicers Limited ('Spicers' or 'the Company') is pleased to present its Corporate Governance Statement for the period from 1 July 2016 to the date of this Statement (25 August 2017). The information in this statement is current as at 25 August 2017 and has been approved by the Board of Directors (as appointed as at that date), in conjunction with the Directors' Report that forms part of the Spicers Annual Report 2017.

The Directors recognise the importance of good corporate governance in ensuring Board and Management accountability. The Company is committed to applying the *Corporate Governance Principles and Recommendations* (3rd Edition), published by the ASX Corporate Governance Council, in a manner appropriate to its circumstances, to promote ethical conduct and integrity in the Company's activities and decisions.

The Company has an existing framework of processes and guidelines for its governance that includes policies and monitoring procedures, internal control systems, a risk management programme, and standards for ensuring lawful and ethical conduct with the aim of protecting and enhancing shareholder value.

Spicers considers that its corporate governance practices substantially followed the ASX Corporate Governance Council's Principles and Recommendations during the period. Any departures from the Principles and Recommendations will be indicated on the ASX form Appendix 4G 'Key to Disclosures Corporate Governance Principles and Recommendations' and explained under the respective Principle header in this Statement.

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

### Role of the Board and Management

Management and control of the business and affairs of the Company is vested in the Board under the Company's Constitution. In particular, the Board has the overall responsibility for the conduct and governance of the Company, including its strategic direction, the review of the strategic plans established by the management team and the monitoring of performance targets. Directors meet regularly without Management present.

The Board does not itself manage the strategic plans, operations and financial performance of the business; this is the role of the Chief Executive Officer ('CEO') and his/her management team, subject to the oversight and supervision of the Board.

### Responsibilities of the Board

The Board, amongst other things:

- Reviews and approves management's plans for conducting and developing the Company's business;
- Approves any material changes to plans that have previously been approved by the Board;
- Places limits on the extent to which management can commit resources or dispose of assets or raise funds without specific approval;

- Reviews monthly reports from the CEO and Chief Financial Officer (CFO) covering financial performance against budget and reasons if there are any material variations and trends;
- Regularly reviews reports from the CEO and other Management covering all material aspects of the Company's business and operations, including key areas of risk and importance; and
- Monitors the performance of Management.

Matters that are reserved for the Board and are not within the authority delegated to the CEO include:

- (a) Appointment and remuneration of the CEO and general approval of policies relating to any sub-delegation by him/her;
- (b) All matters relating to the issue of securities of the Company;
- (c) Adoption of annual business plans and budgets and approval of longer-term strategic plans for the Company and all business units;
- (d) Appointment and remuneration of members of the Board;
- (e) Approval of Directors' Reports and financial statements for release to the ASX and security holders;
- (f) Approval of the Annual Report, Annual General Meeting notice and any other significant reports or announcements to the ASX and security holders. Any ASX announcements that relate to price-sensitive information require approval by the Chairman who will liaise with the Board as necessary;
- (g) Declaration of dividends and distributions to security holders;
- (h) Approval of appointment of the Company Secretary and Management who report directly to the CEO, including approval of the terms of appointment and remuneration of those executives;
- (i) Approval, oversight and review of:
  - audit functions and their performance, including the appointment of Internal and External Auditors;
  - control and corporate governance functions and their performance;
  - human resources and remuneration policies and performance;
- (j) Approval, oversight and review of the Company's risk management framework and programme;
- (k) Approving any major donations proposed by the CEO;
- (l) Acquisition and disposal of major capital items/businesses;
- (m) Major external borrowings and commitments, and establishing rules for the administration of key treasury activities, as agreed with the CFO;
- (n) Significant guarantees given to third parties and subsidiaries; and
- (o) The initiation of significant litigation.

Spicers' Guidelines for Board Operation ('Board Guidelines') document, which contains the Board and Committee Charters along with other information about the Company's corporate governance practices, is posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

## Responsibilities of Management

Managing the operations and financial performance of the business is the role of the CEO and his/her management team ('Management'). These activities are undertaken in accordance with the strategic plans approved by the Board.

Execution of strategic plans, financial and operational activities are undertaken by Management within the authority levels set by the Company's 'Delegation of Authorities' policy and in accordance with other Company policies, as approved by the Board. The CEO and senior executives reporting to him/her have their roles and responsibilities defined in written employment agreements.

The Company Secretary is directly accountable to the Board, via the Chairman, on all matters connected with the proper functioning of the Board.

## Board performance reviews

The Nomination & Governance Committee institutes processes to monitor Board performance both collectively and individually. The Chairman facilitates annual reviews of the Board's and Directors' performances; the Audit & Risk Committee Chairman reviews the performance of the Chairman in the same manner.

The performance of other Board Committees is facilitated by the relevant Committee Chairperson in a similar manner. Further details on the process are disclosed in the 'Board Guidelines' document, posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

Evaluations of the Board, Board Committees and individual Directors' performance were undertaken during the period in accordance with the processes described above.

## Performance evaluation of senior executives

Remuneration levels are set competitively to attract and retain suitably qualified and experienced senior executives. Where necessary, the Remuneration & Human Resources Committee will engage independent advice on appropriate remuneration packages and policies including incentive programmes.

The Company has remuneration policies that link remuneration paid to executive management to company performance. The annual performance review occurs after the end of the financial year and is a joint assessment with the CEO and senior executive of the:

1. Executive's performance against the goals for the former 12 months, and agreement on the goals to be achieved during the following 12 months;
2. Extent to which the executive demonstrates the necessary leadership and behavioural competencies; and
3. Personal and career development actions undertaken by the executive during the year and those planned for the following 12 months, which may enhance the executive's opportunity for progression to more senior roles within the Company.

Additionally, the executive's STI plan contains specific financial targets, such as earnings and working capital ratios. The CEO's performance is similarly evaluated with the Chairman of the Company.

Performance evaluation reviews of the CEO and current executive management for the financial year ended 30 June 2017 have been undertaken in accordance with this annual performance review process.

## Diversity

Spicers' diversity objective was reviewed during the financial year ended 30 June 2016, given the significant change in the operational footprint of the Company following withdrawal from European and Canadian operations in 2015.

The new diversity objective applicable from 1 July 2016 is to increase the proportion of females in management roles to 25 percent by 30 June 2019. To work towards this objective, focus areas will include identifying, developing and mentoring high potential females, as well as reviewing recruitment, personal development and employment practices.

Due to the reduced operational footprint of the Company, and to minimise Board operation expenses, the Board elected to maintain a small but efficient composition, with no changes to Non-executive Directors during the period. Thus, the Board did not have a female Director during the year.

At 30 June 2017, the proportion of female employees in the business were:

- No female director at Board level;
- 18.9 percent in a management role (versus 21.0 percent in the prior year); and
- 30.1 percent of all employees were female (versus 31.5 percent in the prior year).

Separately, but related to gender diversity, in accordance with the Australian *Workplace Gender Equality Act 2012*, Spicers Limited has submitted a 2017 report detailing gender equality in our Australia workplace to the Workplace Gender Equality Agency ('WGEA').

The Company's policy on Diversity and the 2017 WGEA report are available on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

## Principle 2: Structure the Board to add value

### Board composition and operation

The Company's Board ('the Board') comprises of the following Directors as at the date of this Corporate Governance Statement:

Director	Date appointed to Board	Length of service as at date of report
Robert Kaye SC, Independent Non-executive Director (Chairman)	27/09/2012	59 months
Michael Barker, Independent Non-executive Director	27/09/2012	59 months
Wayne Johnston, Finance Director and CFO	24/02/2016	18 months

The Company's Constitution provides for a minimum of three and a maximum of ten Directors. A majority of Non-executive Directors over Executive Directors is required, and the Chairman of the Board should not also be the Managing Director and/or Chief Executive Officer. Non-executive Directors may hold office up to a maximum term of 11 years.

The Board composition during the period was three members. Due to the reduced operational footprint of the Company, and to minimise costs, the Board elected to maintain a small but efficient composition during the period.

However, under the terms of the Scheme Implementation Agreement between the Company and The Trust Company (RE Services) Pty Ltd (the responsible entity of the PaperlinX SPS Trust), the Board agreed to undertake a comprehensive board renewal process. This process is designed to allow the newly unified body of shareholders to elect the directors that will take Spicers forward on its next phase of activity. The board renewal process is described in detail in the materials that were announced on the ASX on 4 May 2017 and subsequently issued to the Company's shareholders and PaperlinX SPS unitholders.

As part of the board renewal process, the Company appointed a recruitment consultant specialising in director and chairperson appointments for ASX-listed entities to undertake a recruitment process to appoint up to three suitably qualified and experienced, independent, non-executive directors (including a potential chairperson) to the Board, subject to shareholder approval. The Board identified two candidates for election as directors that meet the criteria in relation to independence as set out in the Company's Corporate Governance Statement and would be suitable to replace the retiring directors.

In addition, as announced on the ASX on 28 June 2017, the Company called for nominations from shareholders and other suitably qualified candidates to join the Board. As a result of that process, the Company received eight director nominations, in addition to the two candidates identified by the Board as part of its recruitment process.

The Company will hold an extraordinary general meeting ('EGM') on 6 September 2017 to vote on the election of directors. In addition, following a shareholder notice, a resolution in relation to the removal of Mr Wayne Johnston as a Director will be voted on at the EGM.

As previously announced, Mr Robert Kaye and Mr Michael Barker will resign as directors of the Company with effect from the close of the EGM subject to the Board comprising a minimum number of directors as is required under the Corporations Act and the Company's Constitution. Mr Wayne Johnston, as Finance Director and Chief Financial Officer intends to remain on the Company's Board, subject to the vote at the EGM.

New appointments may be made in the future to facilitate Board succession, to introduce further skills and experience relevant to the Company's strategy and Board operations, or for the purpose of bringing more diversity to the Board.

The Board reviews the internal guidelines relating to corporate governance, Board memberships and operations, and committee structures as and when it is necessary to do so. The Company's 'Board Guidelines' document, which contains information about the Company's Board operations and corporate governance practices, is posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

### Independence of Directors

Each Director is required to apply independent judgment, free from the influence of Management, to their decision-making and actions. To enable Directors to properly perform their duties, Directors have the right to seek independent professional advice at the Company's expense after consulting the Chairman.

The Board assesses the independence of Directors on a regular basis and as changes in Directors' interests occur. Generally a Director is considered to be independent if they are Non-executive (and have not been employed in an executive capacity by the Company in the past three years) and they:

- Are not a substantial security holder (being a person holding five percent or more of the Company's voting stock), or an officer of (or otherwise associated directly with) a substantial security holder;
- Have not (including within the past three years) been a partner, director or senior employee of a provider of material professional services to the Company and/or its subsidiaries;
- Have not (including within the past three years) been in a material business relationship with the Company and/or its subsidiaries, or an officer of (or otherwise associated directly with) someone with such a relationship;
- Have no material contractual relationship with the Company and/or its subsidiaries other than as a Director;
- Have no close family ties with any person who falls within any of the categories described above; and
- Have not been a Director for such a period that their independence may have been compromised.

Quantitative materiality for the above purposes is determined as an amount over five percent of the Company's annual turnover or over five percent of the individual Director's net worth. Qualitative factors are also taken into account in considering materiality, including the nature of any relationship and the circumstances of the Directors.

Directors are required to inform the Board of any material interests that could potentially conflict with those of the Company. If a material conflict of interest should arise any relevant Director may not participate in Boardroom discussions or vote on the matter unless the Board resolves otherwise. If a material conflict of interest should arise and the Board is unable to properly deal with the matter because of insufficient quorum or for other legal reasons, it will bring the matter to security holders for approval.

The Company's Non-executive Directors are considered independent and to have no business or other relationships that could compromise their independence.

### Board induction, development and skills

At the time of their appointment, each Director enters into a Deed with the Company covering matters such as Directors' rights to access Board Papers and independent advice as well as indemnity and insurance arrangements. A Letter of Appointment is also provided to Non-executive Directors, which assists them in understanding the Company's expectations of them. The Company has a process for undertaking appropriate background checks on any new Directors prior to putting them forward to security holders for election in an AGM or general meeting.

The Company has an induction process and materials for new Directors. This process is focused on providing the new Director with an introduction to the Company's strategy and business, as well as incorporating more detailed information in relation to Board Committees and areas that the Director will be particularly involved in.

The Company supports Directors in identifying and undertaking training on any topics for their professional development, particularly in relation to Directors' duties and responsibilities and knowledge of the Company's markets.

The Board considers the current mix of Directors to have a range of skills, experience and expertise appropriate to the scaled down operations of Spicers and to ensure Board effectiveness.

The skills, qualifications and experience of the Directors at the date of this statement are set out on page 20 of the Spicers Annual Report 2017.

A review of the skills matrix of the Board has been completed in the period. The mix of skills and experience currently represented on the Board is shown in the table below.

Skills and experience	Number of Directors (out of 3)
<b>Industry/business specific:</b>	
Paper and packaging industry	3
Wholesaling and distribution	3
Sales and marketing	2
Sourcing and procurement	1
Acquisitions and divestments	3
International experience	3
<b>Functional:</b>	
Business leadership (including strategy and stakeholder management)	3
Listed company experience (including corporate governance)	3
Financial acumen (including financial reporting and taxation)	2
Capital management and financing	2
Risk management and insurance	2
Environmental, health and safety	3
Human resources (including executive remuneration)	3
Legal and negotiation	2
Information technology	1

In addition to the above technical skills and experience, the Board considers that each Director has the following personal attributes:

- Integrity and honesty;
- Curiosity and an active contributor to discussions;
- Interpersonal and team-working skills; and
- Time available to undertake responsibilities.



## Board committees

To assist in the execution of its governance responsibilities, the Board has established the following committees:

- Nomination & Governance;
- Audit & Risk; and
- Remuneration & Human Resources.

All committees have written charters, which are set out in full in the 'Board Guidelines' document, which is available on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

The Committees operate principally in a review or advisory capacity, except where powers are expressly conferred on or delegated to a Committee by the Board. Each Committee reports to the full Board following a Committee meeting. Given the small number of Directors during the reporting period, the Board sometimes take on responsibilities which would have otherwise been delegated to Committees.

Details of the number of Committee meetings and the attendance record of members in the year ended 30 June 2017 are set out in the table below.

Directors	Board of Directors		Audit & Risk Committee		Nomination & Governance Committee		Remuneration & Human Resources Committee	
	A	B	A	B	A	B	A	B
Robert Kaye SC	18	18	3	3	2	2	3	2
Michael Barker	18	18	3	3	2	2	3	3
Wayne Johnston	18	18	3	3	2	2	3	3

A – Number of meetings held during the time the Director held office or was a member of the relevant committee during the year.

B – Number of meetings attended.

## Nomination & Governance Committee

A majority of the current members of the Nomination & Governance Committee consist of independent Non-executive Directors. The Committee is chaired by the Chairman of the Board who is an independent Non-executive Director. Current members are Mr Robert Kaye SC (Chair), Mr Michael Barker and Mr Wayne Johnston.

The primary responsibilities of the Nomination & Governance Committee are to make recommendations to, and assist, the Board in connection with the appointment and performance evaluation of Directors, corporate governance, the appointment and remuneration arrangements of the Managing Director and/or CEO, and related matters.

Where a vacancy exists or if the Board considers that it would benefit from the services of an additional director, the Nomination & Governance Committee will determine and make recommendations to the Board to identify the appropriate qualities, expertise, diversity, experience and competencies required. The Board's policy and procedures on nomination, selection and appointment of new Directors (including the Nomination & Governance Committee charter) is disclosed in the 'Board Guidelines' document, posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

The performance of the Committee was evaluated during the period by the Directors.

## Principle 3: Act ethically and responsibly

### Code of Conduct

The Board recognises the need for the highest standards of ethical conduct by all Directors and employees. The Board has adopted a code of ethics that sets out the fundamental ethical values to guide, and be observed by, Directors in their participation as members of the Board and its committees. Details of this code can be found in the 'Board Guidelines' document, posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

Spicers' 'Code of Conduct' encompasses its Values, Core Operating Principles and Company policies. The Code was developed so that the expected ethical standards, appropriate behaviours and accountabilities are understood by everyone who works for Spicers' businesses, including employees and contractors. The 'Code of Conduct' is posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

Spicers has a policy designed to prevent improper conduct and to encourage and protect persons who report suspected fraud or illegal activities. Information on the policy and the 'Speak Up' service (for reporting improper conduct) is posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm> and has been communicated to employees throughout the Company.

## Principle 4: Safeguard integrity in corporate reporting

### Audit & Risk Committee

This Committee assists the Board with discharging its responsibilities related to corporate reporting and risk management.

A majority of the members of the Audit & Risk Committee are independent Non-executive Directors. The Committee does not consist solely of Non-executive Directors because it is necessary to include all three Board members on the Committee in order to meet the Corporate Governance requirement to have at least three members, and one of these Directors holds an Executive position. This is inevitable due to the small size of the Board and is considered by the Board to be appropriate, given that the Executive Committee member brings extensive knowledge of financial matters, the business and its risks to the Committee, and there is still a majority of independent Non-executive Directors on the Committee.

The Committee Chairman is Mr Michael Barker, independent Non-executive Director and its members are Mr Robert Kaye SC, independent Non-executive Director and Mr Wayne Johnston, Finance Director & CFO. These Committee members come from diverse backgrounds, with sufficient industry and financial experience to discharge their responsibilities. The skills, qualifications and experience of the Committee members at the date of this statement are set out on page 20 of the Spicers Annual Report 2017.

Relevant senior Finance staff, as well as representatives of the External and Internal Auditors, are invited to Audit & Risk Committee meetings at the discretion of the Committee. On a regular basis, the Audit & Risk Committee meets with the External Auditor in the absence of management.

The Audit & Risk Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to:

- The reliability and appropriateness of financial reporting, including adequacy of disclosures and application of accounting policies;
- Oversight of external audit and internal audit activities;
- Oversight of an effective risk management programme;
- Legal and compliance matters;
- Taxation management and compliance; and
- The adequacy of the Company's insurance programme.

The charter of the Audit & Risk Committee is disclosed in the 'Board Guidelines' document, posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

The performance of the Committee was evaluated during the period by the Directors.

### External Auditor

The Audit & Risk Committee is responsible for the procedures for appointing the External Auditor and rotating external audit engagement partners. It is the Company's policy that the Lead Audit Partner be rotated every five years, unless the Audit & Risk Committee recommends to the Board that the term of the Lead Audit Partner be extended in accordance with the provisions of the *Corporations Act 2001*. Details of the Lead Audit Partner's rotation are set out in the 'Directors Report' section of the Spicers Annual Report 2017.

The Audit & Risk Committee annually reviews the fee and independence of the External Auditor, and obtains confirmation from the External Auditor that, in their professional judgment, they are independent.

As a matter of general policy, the External Auditor is not engaged for non-statutory audit services. In special circumstances the auditor may, however, provide non-audit services that do not detract from the External Auditor's independence. Authority levels, going no lower than CFO level, for non-audit work undertaken by the Company's External Auditor, have been established by the Company's Board based on the estimated cost of the non-audit work.

The Company ensures that the External Auditor attends its AGM and is available to answer questions from security holders related to its audit and/or auditors report, including relevant questions received in advance by the External Auditor.

### CEO and CFO declaration

For each (half-year and year-end) reporting period, the CEO and the CFO provide assurance to the Board, in accordance with section 295A of the *Corporations Act 2001* and ASX Corporate Governance Principle 4.2 that:

- The financial records have been properly maintained;
- The financial statements comply with relevant accounting standards and present a true and fair view of the financial position and performance of the entity; and
- Their opinion has been formed on the basis of a sound system of risk management and internal control and that is operating effectively in relation to the financial statements and financial reporting risks.

These written certifications provided to the Board are supported by a statutory reporting declaration process where all relevant Country/Entity and Functional Management complete a questionnaire and provide a formal declaration to enable the CEO and CFO to provide their declaration.

## Principle 5: Make timely and balanced disclosure

### Disclosure Policy

The Company has established policies and procedures designed to guide compliance with ASX Listing Rules disclosure requirements, and to ensure accountability at a senior executive level for that compliance.

The Continuous Disclosure Policy sets out vetting and authorisation processes designed to ensure any relevant information requiring disclosure to the market:

- Is made in a timely manner;
- Is factual;
- Does not omit material information; and
- Is expressed in a clear and objective manner.

The Board and Management of the Company are aware of the need to advise the ASX of information that may have a material effect on the price or value of Spicers Limited's securities.

The CFO (also joint Company Secretary) together with the CEO and assisted by the Company Secretary and Investor Relations Manager are responsible for reviewing relevant information, which any of them becomes aware of, for the purposes of ASX Listing Rule 3.1.

Releases that relate to price-sensitive information require the approval of the Chairman and, where appropriate, review by the Nomination & Governance Committee prior to being provided to the Board for final approval. Disclosure issues are a standing item at meetings of the Board of Directors. The 'Continuous Disclosure and Investor Relations' policy is available on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

## Principle 6: Respect the rights of security holders

### Investor relations policy and Company website

Spicers is committed to promoting constructive and effective 'two-way' communication with its security holders and prospective investors.

The Board aims to ensure that security holders and the investment market generally are informed in a timely manner of all major developments affecting the Company's business and affairs.

In addition, security holders and prospective investors have access to the CEO and CFO if they have any questions regarding the Company's business and affairs. It is the Company's practice to keep this channel of communication open with security holders at all times. Briefing meetings are offered to key security holders and prospective investors immediately following each release of annual and half-year results.

The Company's communication policy is incorporated in its Continuous Disclosure and Investor Relations Policy, which is available on its website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

The Company's website is used to provide information generally on the Group and complement the official release of material information to the ASX. The Company's annual and half-year result announcements, together with all other relevant ASX and media release announcements made to the market, are posted on the website as soon as practically possible.

The website also contains other relevant material, including:

- The Chairman's and CEO's addresses at the Annual General Meeting;
- Materials as recommended in the ASX Corporate Governance Principles and Recommendations;
- A dedicated Investor Relations section; and
- Profiles of the Board and senior executives.

The Company also gives security holders the option to communicate electronically with it, via email to [contact@spicers.com.au](mailto:contact@spicers.com.au), or as posted on its website at <http://www.spicerslimited.com.au/investor-information/shareholder-enquiries.htm>.

### Participation in the Annual General Meeting

At the Annual General Meeting (AGM), the Chairman and CEO address the meeting on the results for the financial year under report and other relevant issues, including developments during the period since the end of that financial year.

Notices of meeting for the AGM are accompanied by explanatory information to enable shareholders to assess and make an informed decision on the resolutions being put forward at the meetings. Full copies of notices of meetings are posted as ASX releases on the Company's website.

Shareholders are encouraged to attend AGMs, where ample opportunity is given for questions and answers. Questions can be lodged with the Company in advance of the meeting through the investor relations enquiry form on its website or via email to [contact@spicers.com.au](mailto:contact@spicers.com.au), or in writing to the Company's address. Shareholders unable to attend AGMs in person are entitled to appoint proxies (no more than two) to vote on their behalf in the meeting.

The External Auditor attends the AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report. Security holders may also lodge their questions to the auditor in advance of the meeting.

### Other stakeholders

The Board and Management recognise the legitimate interests of all stakeholders in the Company, including security holders, employees, suppliers, customers and the wider community. Spicers is committed to policies and practices that are aimed at improving these relationships through mutually beneficial outcomes.

## Principle 7: Recognise and manage risk

### Risk oversight and management

The Company has a risk management programme that operates at various levels of the business underpinned by specific systems and procedures. As part of this programme, material risks are identified and assessed by Management and the Risk Manager, as are procedures and other actions for managing and mitigating them.

The Audit & Risk Committee has responsibility for oversight of the Company's risk management programme. Key elements of the Committee's risk oversight role include:

- Annual review of the Company's risk management framework and policy to confirm that it continues to be appropriate, with the most recent review completed in July 2017. A copy of the Company's Risk Management policy is available on its website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>;
- At least an annual review of the Company's risk profile and mitigating processes;
- Review of the Company's insurance programme; and
- Review and approval of any significant new or revised Company Policies.

Further details on the composition and charter of the Audit & Risk Committee are noted in the 'Principle 4: Safeguard integrity in corporate reporting' section above.

Further oversight and monitoring of business risks and risk management activities is conducted through:

- Regular internal management reporting;
- Reporting at Board and Committee meetings by relevant managers;
- Site visits by the Board and Management; and
- Internal and external audits.

### Internal Audit

The combined Risk & Internal Audit function provides further assurance in relation to the Company's risk management, internal controls and governance processes.

The Internal Audit function has unrestricted access to review the Company's operations and focuses its activities on improving governance, processes and internal controls in key risk areas as assessed by the risk management programme. These activities are carried out via a combination of formal reviews and risk mitigation/internal controls improvement support. The function is resourced via a combination of internal staff and/or external provider 'co-source' support.

Oversight of the Internal Audit function is performed by the Audit & Risk Committee, which receives and reviews regular reports from Internal Audit on its work. The head of Internal Audit has a direct reporting line to the Committee.

## Material business risks and economic, environmental and sustainability risks

Annual reporting and analysis on the Company's material business risks and exposure to any material economic, environmental and sustainability risks is provided in the 'Operating and Financial Review' section of the Spicers Annual Report 2017, on pages 14 and 15.

## Principle 8: Remunerate fairly and responsibly

### Remuneration & Human Resources Committee

Pursuant to Listing Rule 12.8, only an entity included in the S&P/ASX 300 Index at the beginning of the financial year needs to have a Remuneration Committee during that year. For good governance, the Board has continued to maintain a Remuneration & Human Resources (HR) Committee.

A majority of the members of the Remuneration & HR Committee, and its Chair, are independent Non-executive Directors. The Committee Chairman is Mr Michael Barker and its members are Mr Robert Kaye SC and Mr Wayne Johnston.

The Remuneration & HR Committee's primary responsibilities are to make recommendations to, and assist, the Board in relation to human resources, diversity and remuneration policies and practices for Spicers. The Committee's role also includes responsibility for share option and rights plans, incentive performance packages and succession planning.

The charter of the Remuneration & HR Committee is disclosed in the 'Board Guidelines' document, posted on the Company's website at <http://www.spicerslimited.com.au/corporate-governance/corporate-policies.htm>.

The performance of the Committee was evaluated during the period by the Directors.

### Remuneration of Non-executive Directors, CEO and senior executives

Non-executive Directors are paid fees which are not dependent on the Company's performance. They are also entitled to statutory superannuation contributions from the Company. Non-executive Directors are not entitled to receive retirement benefits upon leaving office. Whilst the Chairs of Board Committees may receive a fee, Committee members do not receive any fees.

The CEO and other senior executives are compensated via a combination of Total Fixed Remuneration (TFR), consisting of base salary, superannuation plan contributions, other fringe benefits, variable 'at-risk' remuneration in the form of Short Term Incentive (STI) and/or Long Term Incentive (LTI) plans. Hedging of variable STI and LTI remuneration is not permitted.

Further details on policies, practices and structure of remuneration for the Non-executive Directors, CEO and other senior executives are included in the 'Remuneration Report' section of the Spicers Annual Report 2017, as set out on pages 25 to 35.