

Corporate governance statement – 2016

Approach to corporate governance

Tag Pacific Limited is committed to achieving and demonstrating high standards of corporate governance, consistent with the size of the company and the nature of its activities.

As a listed entity, the company must comply with the Corporations Act 2001 (Corporations Act), the Australian Securities Exchange Listing Rules (ASX Listing Rules) and other laws.

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the recommendations (“Recommendations”) in the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

Except as noted below, and as detailed within this corporate governance statement, the company considers that its governance practices complied throughout the year ended 30 June 2016 with each of the Recommendations.

This statement is current as at 30 August 2016, and has been approved by the board of the company.

ASX Principle 1:

Lay solid foundations for management and oversight

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.*

The board is accountable to the shareholders for the company's performance and governance. Management is responsible for implementing the company's strategy and objectives, and for carrying out the day-to-day management and control of the company's affairs.

The board's role and responsibilities include:

- the company's corporate governance, including the establishment and maintenance of appropriate governance structures;
- the review and oversight of the company's strategic plan, setting goals and long-term objectives with a view to maximising shareholder value;
- adopting an annual budget and reviewing financial performance;
- establishment of the control environment to provide for meaningful and timely information;
- providing the basis for the review of the performance of the board and its members and the senior management and their remuneration;
- the provision of a communication capability and the relevant procedures with all stakeholders in accordance with the continuous disclosure provisions and to comply with the relevant legal requirements;
- reviewing and ratifying systems of risk management;
- establishing a basis for approvals of capital expenditure, acquisitions and divestment; and
- setting high standards for ethical and corporate behaviour.

The board has delegated to senior management responsibility for the day-to-day management of the company and the implementation of the company's strategy and policy initiatives.

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 whether or not to elect or re-elect a director.*

The company's policy is for the board to vet each new candidate for appointment as a director. In cases where existing board members do not have personal knowledge of a candidate's background, checks on candidates are made by seeking character references from knowledgeable sources.

Security holders are provided with a summary of each candidate's experience and qualifications in notices of meeting proposing the election or re-election of directors. In the case of candidates standing for re-election, the candidate's experience and qualifications and period in office is disclosed in the company's annual reports as well as the relevant notice of meeting.

Recommendation 1.3:

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

Each non-executive director on joining the board receives a letter of appointment detailing the terms and conditions of the appointment, including remuneration, indemnity and insurance arrangements and key corporate policies. Existing non-executive directors have entered into an agreement with the company setting out the terms of their appointment. Each executive director or other senior executive other than the Executive Chairman has a detailed employment agreement setting out their position, duties and responsibilities and entitlements.

Recommendation 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 company secretary reports to and takes directions from the chairman on all matters to do with supporting the proper functioning of the board.

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; and*
- (b) disclose that policy or a summary of it; and*
- (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:*

- (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 that Act.*

The company assesses potential employees by reference to the candidate's ability to perform the specified role and to conform with the culture and objectives of the group irrespective of their gender, age, ethnicity, religion or cultural background. Accordingly, the company does not set measurable objectives for achieving gender diversity nor does it measure employees by reference to their gender.

Having regard to the small size of the company's staff the board considers it appropriate for the company to maintain its policy of gender neutrality as set out above.

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.*

The performance of the board, its committees and individual directors is considered on an informal, as needs basis, given that interests associated with directors have a beneficial or non-beneficial interest in a significant number of the company's issued securities.

A performance evaluation of the board, its committees and directors did not take place in the reporting period for the reasons given above.

Recommendation 1.7:

A listed entity should:

- (a) *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.*

All senior managers, other than the Executive Chairman, are subject to a performance appraisal and remuneration review at least annually. Such reviews are undertaken by the remuneration committee of the board in accordance with the company's performance-based remuneration policy, details of which are set out in the Remuneration Report on pages 8 to 13 of the company's 2016 annual report.

A performance evaluation for all senior managers other than the Executive Chairman took place during the reporting period. The Executive Chairman works closely with the board and senior executives and managers of the Tag Group. A performance evaluation for the Executive Chairman was not appropriate given the nature of the role and the structure of the company.

**ASX Principle 2:
Structure the board to add value**

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;*
 - (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 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.*

The company does not have a board nomination committee. It has not adopted this Recommendation as the practices relating to the selection and appointment of directors, detailed within this statement, are an efficient means of meeting the needs of the company, having regard to the relative size of the company which is reflected in the board structure and composition.

The board consists of six directors, four of whom are considered independent, and it is considered that Tag has the capacity to consider director nomination practices and board composition and succession issues within the duly constituted meetings of the board, and that the establishment of a formal committee structure would not add greater value to this process.

The criteria for board membership and the selection of appropriate members of the board are determined by the board itself. Election and rotation of directors is governed by the company's constitution. Shareholder approval is sought where appropriate. In determining the appointment and retirement of non-executive directors, a cross section of skills and experience is sought.

The company's constitution specifies that:

- one third of the directors (with the exception of new appointees who must retire under a different rule); and
- any director, who would have held office for more than 3 years at the time of the annual general meeting,

must retire from office at that general meeting but may stand for re-election. The Managing Director is not required to retire by rotation.

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.

The company does not have a board skills matrix. The board is satisfied that it has an appropriate mix of skills for strategic decision-making and effective oversight in relation to the company's investments. The Directors' Report contained in the company's annual report discloses that the current board has a broad range of skills and qualifications in the

areas of investment, business management, industrial design, information technology, law, commerce, economics and finance.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of directors considered by the board to be independent directors; and*
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Recommendations 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.*

Robert Constable, Robert Moran, Gary Cohen and Gary Weiss are considered by the board to be independent directors.

Other than as stated below, no independent director:

- is or has been employed by a group entity;
- is or has been a partner, director or senior employee of a provider of material professional services to the group;
- is or has been in a material business relationship with the group, or an officer of, or otherwise associated with, someone in such a relationship;
- is a substantial shareholder of the company or an officer of, or otherwise associated with, a substantial shareholder of the company;
- has a material contractual relationship with a group entity other than as a director;
- has close family ties with any person who falls within the above categories; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

Gary Weiss is related to Peter Wise and Nathan Wise. The board is of the opinion that the family relationship does not compromise the independence of Gary Weiss due to his extensive commercial experience and his past and present roles as a director on the board of several public companies.

Information in relation to the period of office held by each director can be found in the Directors' Report on pages 4 to 13 of the company's 2016 annual report. In the opinion of the board, in relation to each independent director, the director has demonstrated and continues to demonstrate a capacity and consistent practice of bringing an independent judgment to bear on all issues before the board, and for that reason the board does not believe that the independence of any such director may have been compromised by the length of his period in office as a director.

Recommendation 2.4:

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

The company has adopted the Recommendation for a majority of the board to be independent directors.

A Tag director is considered independent when he or she is independent of management (that is, non-executive), and free from any business or other relationship that could materially interfere with, or could be reasonably perceived to materially interfere with, the exercise of his or her unfettered and independent judgement. Materiality is considered on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The board comprises an executive chairman, Peter Wise, a managing director and chief executive officer, Nathan Wise, and four non-executive directors being Gary Cohen, Robert Constable, Robert Moran and Gary Weiss. Each of the four non-executive directors is considered to be an independent director.

Notwithstanding the majority of independent directors on the board, the board maintains protocols to ensure that any potential or actual conflicts of interest and duty are properly identified and managed, and to ensure that directors act in accordance with their fiduciary responsibilities.

Directors are able to seek independent professional advice, as appropriate, in the furtherance of their duties. Any such advice may be at the company's expense, subject to prior approval of the board.

Recommendation 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.

Tag has adopted the Recommendation that the roles of chairman and chief executive officer should not be exercised by the same individual.

Tag has not adopted the Recommendation that the chairman of the board should be an independent director, as interests associated with the chairman hold a significant percentage of the company's issued securities. As an alternative to the appointment of an independent chairman, Tag has structured its board to include four independent directors on a board of six directors.

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.

The company does not have an induction or development program for new directors. Interests associated with directors hold a significant number of the company's issued securities and the membership of the board has been stable for a long period. Directors are assisted by fellow directors and senior management to maintain and develop their skills and knowledge in relation to corporate governance policies and the businesses in which the company invests. All directors have direct access to the entire senior management team, including the company secretary, and are provided with information on a timely basis. The skills and knowledge of non-executive directors are also developed and maintained by their directorships with other public and private companies.

**ASX Principle 3:
A listed entity should act ethically and responsibly**

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.*

As part of the board's commitment to the highest standards of conduct, the company has established operating protocols to deal with various issues including:

- conflicts of interest;
- employment practices;
- fair trading;
- health and safety; and
- relations with customers and suppliers.

These are designed to:

- clarify the standards of ethical behaviour required of the board, senior managers and employees and encourage compliance with those standards; and
- assist the company to comply with its legal obligations and have regard to the reasonable expectations of shareholders.

The Recommendation to have a formal code has not been adopted in view of the limited nature and extent of the company's operations, the long-standing tenure of directors and the close relationship of directors with the senior management team. The company's business operations are limited to investments in separately-governed entities with their own trading businesses. The boards and management of those separate entities are responsible for the conduct of the underlying businesses.

In accordance with the constitution and the Corporations Act, directors are required to disclose to the board any material personal interest they may have in a matter being considered by the board, and to not vote on the matter or be present when the matter is being considered by the board.

The board has adopted a share trading policy to restrict trading in the company's shares by directors and senior employees of the company to certain periods after the publication of the company's annual and half-year results, as long as they are not in possession of unpublished price-sensitive information.

**ASX Principle 4:
Safeguard integrity in financial reporting**

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 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.*

The board has established an audit committee to assist it to ensure the truthful and factual presentation of the company's financial position.

Notwithstanding the existence of the audit committee, ultimate responsibility for the integrity of the company's financial reporting rests with the full board.

The audit committee comprises two of the four independent, non-executive directors: Robert Constable and Robert Moran. The committee is chaired by Robert Constable, who is not the chairman of the board.

The board considers that the skills, experience and expertise of Messrs Constable and Moran are entirely suited to the effective discharge of the responsibilities of the committee.

The board has not adopted the Recommendation for the committee to maintain at least three directors, given the nature and extent of company's activities and the relative size of the board.

The role and responsibilities of the Tag audit committee are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- ensure the integrity of the financial reporting process;
- review the annual and half-yearly financial statements;
- oversee the independence of the external auditor; and
- ensure the existence of a process for identification and management of key business risks.

The committee has rights of access to management, rights to seek explanations and additional information, and access to external auditors without management being present.

The committee meets at least twice each year and reports to the board on all matters relevant to its role and responsibilities. Minutes of its meetings are made available to the full board.

The board has adopted the Recommendation to establish a committee charter.

The qualifications of committee members are listed in the Directors' Report at pages 6 and 7 of the company's 2016 annual report.

The number of committee meetings held during the reporting period and the attendance of each member at those meetings is set out in the Directors' Report at page 7 of the company's 2016 annual report.

Recommendation 4.2:

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.

The board received the above declaration from the CEO and CFO before approving the company's financial statements for the year ended 30 June 2016.

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.

The company complies with this Recommendation. The Company's external auditor is required by the Corporations Act to be represented at the AGM by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit.

**ASX Principle 5:
Make timely and balanced disclosure**

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.*

The company secretary has been nominated as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX and the public.

The company secretary and/or the chief executive officer jointly ensure that any proposed announcement is drafted in a timely manner, is factual, expressed in a clear and consistent manner and does not omit material information.

Except for standard secretarial and procedural matters, all material announcements to the ASX are authorised by the board.

The Recommendation to establish a written policy has not been adopted. The board considers a written policy unnecessary to ensure compliance by the company with its continuous disclosure obligations in view of the company's small senior executive team and the limited nature and extent of the company's business operations.

**ASX Principle 6:
Respect the rights of security holders**

Recommendation 6.1:

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

The company aims to keep shareholders informed of its performance and all major developments in an ongoing manner.

The information for investors provided on the company's website includes:

- copies of the company's ASX announcements;
- copies of the company's annual reports and half-year reports;
- the names and brief biographical information for its directors and company secretary; and
- a summary of the company's mission, investment philosophy and history.

Recommendation 6.2:

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

The company provides investors with access to information via its website in the form of ASX announcements, annual reports, half-year reports, the text of the chairman's AGM address, and links to the websites of the entities in which the company has investments. The company's contact details are published on its website and the executive team responds to enquiries from investors.

Recommendation 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.

The company allows a reasonable opportunity at the AGM and other shareholder meetings for questions and comments from shareholders relating to the company and the audit of the company's annual financial report.

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.

The company gives its shareholders this option. The company has invited its shareholders to make an election to receive communications electronically and has provided all shareholders with an election form and reply-paid envelope for that purpose. Shareholders may contact the company's share registry for assistance in making that election on-line. The share registry contact details are published on the company's website.

**ASX Principle 7:
Recognise and manage risk**

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 directors,*and disclose:
 - (3) the charter of the committee;*
 - (4) the members of the committee; and*
 - (5) as at the end of the 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.*

The company does not have a risk committee separate from the audit committee. In view of the small size of the company's executive team, the limited nature and extent of company's business operations, and the tenure, experience and understanding of the company's directors, the company has established informal processes for the oversight and management of material business risks. These processes involve close monitoring by the executive team of the entities and industry in which the company has invested, and close consultation between the executive team and the board on all matters posing material risks.

Formal and informal policies for the oversight and management of the various business risks associated with the company's specific investments are conducted at the relevant subsidiary board and management level.

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.*

The board and senior management continuously assess the risks facing the company and consult among themselves to establish a consensus on acceptable levels of risk and measures for managing risks. In view of the informal and continuous nature of the company's risk management processes, there is no periodic review of the risk management framework.

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 audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The company does not have a formal internal audit function. In the opinion of the board, the risks facing the company are adequately managed and controlled by the informal processes described above, due to the small size of the executive team, the small

company staff, and the limited nature and extent of the company's business operations as an investor in other entities. The effectiveness of the company's risk management and internal control processes is continuously assessed by the board and senior executives in their close dialogue on company affairs and investment performance.

Recommendation 7.4:

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.

The company discloses financial risks to which it is subject in the notes to its annual financial report, at pages 40 to 44 of the company's 2016 annual report. In addition, the entities in which the company has invested are exposed to a number of business risks that indirectly pose a risk to the value of the company's investments in those entities. The company's annual report describes the entities in which the company has invested and the nature of their businesses and industry sector. The company has not identified any particular risk that poses a "material exposure" for the company within the meaning of the Recommendations (i.e. a real possibility that the risk in question could substantively impact the company's ability to create or preserve value for shareholders over the short, medium or long term).

**ASX Principle 8:
Remunerate fairly and responsibly**

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 the remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Tag board has established a remuneration committee which meets at least once per annum. The remuneration committee comprises two independent non-executive directors: Gary Cohen and Robert Constable.

The roles and responsibilities of the remuneration committee are to:

- make recommendations to the board on an appropriate remuneration policy for directors and senior managers;
- undertake the performance reviews of senior managers; and
- determine the remuneration and employment terms of senior managers in accordance with the adopted remuneration policy.

Remuneration for non-executive directors is determined by the full board and is subject to limits approved by shareholders.

The board has established a remuneration committee charter.

The committee reports to the board on all matters relevant to its role and responsibilities. Minutes of its meetings are made available to the full board.

The number of committee meetings held during the reporting period and the attendance of each member at those meetings is set out in the Directors' Report at page 7 of the company's 2016 annual report.

Tag has not adopted the Recommendation to have at least three remuneration committee members. The board considers that the skills, experience and expertise of Messrs Cohen and Constable are adequate and entirely suited to the effective discharge of the responsibilities of the committee, having regard to the small size of the company's executive team and the size and composition of the board.

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.

The company's remuneration report is contained in the company's 2016 annual report (a copy of which is available on the company's website) at pages 8 to 13. The remuneration report discloses the company's remuneration policy for non-executive directors separately from its remuneration policy for senior managers.

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.*

The company has an Executive Share Option Plan for eligible senior managers. Details of the Plan are set out in the remuneration report at pages 8 to 13 of the company's 2016 annual report. The company does not have a policy on whether Plan participants are permitted to enter into transactions which limit the economic risk of participating in the Plan. The board considers that such a policy is inappropriate to the company's particular circumstances and having regard to the size of the company and the size of the Executive Share Option Plan. Also, the Corporations Act prohibits the company's key management personnel from entering into hedging arrangements in relation to unvested equity-based remuneration.