



## ENNOX GROUP LTD

This corporate governance statement sets out Ennox Group Ltd (“the Company”) current compliance with the ASX Corporate Governance Council Principles and Recommendations (“Recommendations”). The Recommendations are not mandatory however, this corporate governance statement discloses the extent to which the Company has followed the Recommendations.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1 Role of Board and Management**

The Board considers that the essential responsibility of directors is to oversee the Company’s activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company’s business is delegated to the Managing Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary, removing the Managing Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organisational performance and the achievement of strategic goals and objectives
  - Compliance with the Company’s code of conduct
  - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company’s reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and reporting to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior executives' performance is reviewed on a regular basis by the Board.

A copy of the Board Charter is available on the Company's website.

**Recommendation 1.2 Director / Senior Management Checks**

The Company has in place a policy that it will perform appropriate checks on all potential directors and senior management. This will potentially include undertaking background and other checks before appointing a person or putting them forward to shareholders as a candidate for election as a director. The Company also provides information on the length of time in office for those seeking re-election as well information about relevant qualifications, skills and experiences.

**Recommendation 1.3 Written Agreement with each Director and Senior Executive**

All non-executive directors are engaged by the Company under letters of appointment and senior executives are engaged under executive service agreements. These agreements detail the roles and responsibilities of the individual.

Details of the letters of appointment and service contracts for senior executives are provided in the Remuneration Report within the Annual Report.

**Recommendation 1.4 Company Secretary**

The appointment and removal of a Company Secretary is a matter reserved for decision by the Board. The Company Secretary has a direct line of communication with all directors, and is responsible for supporting the proper functioning of the Board which includes providing advice on governance and procedural issues, the preparation of Board papers and minutes, attendance at Board meetings and maintaining policies and procedures.

**Recommendation 1.5 Diversity Policy**

The Company has a formal policy in relation to diversity but has not set measurable objectives for the achieving diversity. The board believes that given the size and nature of the Company's activities, and the existing diversity profile of the organisation, that an informal approach is appropriate at this time. Senior management roles and positions are filled by the best candidates available without discrimination. The Company aims to increase diversity in senior appointments as positions and appropriate candidates become available.

The Company is committed to a workplace environment that promotes diversity and recognises the key competitive benefits of recruiting, developing and retaining a talented, diverse and motivated workforce. The board recognises the benefits of diversity at board level, senior management level and within the organisation generally and recognises the organisational strengths, deeper problem solving ability and opportunity for innovation that diversity may bring.

The Company will review this position annually and, as activities expand, plans to establish a formal diversity policy and set measurable objectives for achieving diversity in relation to gender.

#### **Recommendation 1.6 Board Performance Assessment**

Membership of the Board, its activities and composition, is subject to on-going review. Given the size of the Company and the management team, this process is managed informally by the directors. Improvement in Board processes and effectiveness is a continuing objective and the primary purpose of Board evaluation is to identify ways to improve performance.

The Board has not conducted a formal performance assessment of the Board, including its Committees and individual directors, during the year. The Company will look to conduct a formal evaluation in the future.

#### **Recommendation 1.7 Performance Evaluation of Senior Executives**

The performance of all directors is reviewed by the Chairman on an ongoing basis and any director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other board members.

The Company has established guidelines to identify the measurable and qualitative indicators of the director's performance during the course of the year. Those guidelines include:

- Attendance at all board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that director's position being reviewed.

Performance reviews were conducted during the 2021 financial year.

### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

#### **Recommendation 2.1 Nominations Committee**

The Company does not currently have a separate Nomination Committee. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

#### **Recommendation 2.2 Board Skills Matrix**

The Company supports the appointment of directors who bring a wide range of business and professional skills and experience. While the Company does not have a formal skills matrix, it does consider directors attributes prior to any appointment. The qualifications, skills and experience for each director are included in the Directors' Report in the Annual Report. The Company will review the requirement for a

skills matrix as it grows to ensure that it is in the best position to add expertise and experience that is relevant to the Company.

**Recommendation 2.3 Directors' Independence**

An independent director is defined as a director that is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders.

The date of appointment and independence of each director is as follows. A profile of each director and their professional skills and expertise is included in the Directors' Report of the Annual Report.

- Yit Yang Yee (Appointed: 15 July 2016) Independent Non-Executive Chairman
- Damion Ryan (appointed 1 October 2020) Managing Director
- Kurt Lehndorf (appointed 1 December 2020) Independent Non-Executive Director

**Recommendation 2.4 Majority of Directors Independent**

The majority of the directors of the Company are independent directors.

**Recommendation 2.5 Chairman and Chief Executive Officer / Managing Director**

The Company maintains a separation between the role of Chairman and the role of Managing Director. Day to day management is the responsibility of the Managing Director, Mr Damion Ryan and the role of Chairman is filled by Mr Yit Yang Yee.

**Recommendation 2.6 Company Induction and Professional Development of Directors**

The Board's induction program provides incoming directors with information that will enable them to carry out their duties in the best interests of the Company, as well as educating them in the Company's policies and procedures.

The Company encourages directors to develop and maintain the skills and knowledge needed to perform their role as Directors.

**PRINCIPLE 3: ACT LAWFULLY, ETHICALLY AND RESPONSIBLY**

**Recommendation 3.1 Company's Values**

The Company's values are:

- Act with honesty and integrity
- Respect the law and act accordingly
- Respect confidentiality and not misuse information
- Value and maintain professionalism
- Avoid conflicts of interest
- Strive to be good corporate citizens
- Have respect for each other

**Recommendation 3.2 Code of Conduct**

The Company has a formal Code of Conduct which establishes the standards of behaviour expected of Directors and employees of the Company.

All directors and employees have a responsibility to report any suspected non-compliance with the Code of Conduct, during the period there were no instances reported to the Board or management.

A copy of the Code of Conduct is available on the Company's website.

**Recommendation 3.3 Whistleblower Policy**

The Company has a formal Whistleblower Policy available on the Company's website.

The policy outlines reportable conduct and procedures including the fair treatment of all stakeholders in the process. The policy applies to all of the Company's officers and employees.

**Recommendation 3.4 Anti-Bribery and Corruption Policy**

The Company does not currently in place a formal Anti-Bribery and Corruption Policy. The Company expects that its other actions in this area such as the Code of Conduct and Whistleblower Policy sufficiently cover the Company's requirements in this area at this stage.

**PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING****Recommendation 4.1 Audit Committee**

The Company does not have a separate audit committee (the "Audit Committee") as that role is assumed by the full Board. The full Board in its capacity as the Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee includes the following:-

- Oversee the Company's financial reporting
- Reviewing internal control and recommending enhancements;

The committee is chaired by the Chairman of the Company and a majority of members are independent. The relevant qualifications of the committee members forms part of the Director's Report in the Annual Report.

The committee met twice during the year ended 30 June 2021.

**Recommendation 4.2 Declarations from the CEO and CFO**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) provide a declaration in accordance with section 295A of the Corporations Act to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the Company's financial reports comply with the appropriate accounting standards and present a true and fair view of the Company's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **Recommendation 4.3 Verification of Periodic Corporate Reports**

The Board ensures that any periodic corporate report the Company intends to release to the market is internally reviewed, verified and approved by the Company Secretary prior to release to the market.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **Recommendation 5.1 Continuous Disclosure Policy**

Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the Corporations Act 2001.

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the company secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought from the company's external counsel.

The company secretary is required to consult with the Chair in relation to matters brought to his attention for potential announcement. Where the matter is urgent and the Chair is not contactable, another director is contacted. Where another director is not contactable, the company secretary may decide whether an announcement is made, or whether a trading halt is warranted.

Generally, the directors are ultimately responsible for decisions relating to the making of market announcements. The company secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the company such as significant acquisitions, disposals and closures, dividend declarations and buybacks, and any other transaction flagged by the Chair as being fundamentally significant.

The company secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

### **Recommendation 5.2 Distribution of Material Market Announcements to the Board**

The Company requires that copies are provided to the Board by the Company Secretary of all material market announcements promptly after they made.

**Recommendation 5.3 Release of Presentation Materials Continuous Disclosure Policy**

The Company has a policy of providing access to balanced and understandable information on the Company's performance, this includes providing access to presentation material through the ASX platform.

**PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS****Recommendation 6.1 Information on Website**

The Company provides information about itself and its governance to investors via its website and has a "Investors" section where all relevant corporate governance information can be accessed.

The Company's Constitution, committee charters and relevant Corporate Governance Policies are all listed on the Corporate Governance section of the website.

**Recommendation 6.2 Investor Relations Program**

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. The Company actively engages with shareholders, meeting them on request and responding to any enquiries that they make from time to time.

**Recommendation 6.3 Participation at Meetings of Shareholders**

The Company encourages shareholders to attend the company's AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to. Shareholders can make an election to receive a copy of the Company's Annual Report by mail; otherwise the Annual Report are published in the ASX Announcement platform.

**Recommendation 6.4 Decision of Substantive Resolutions by Poll**

The Company decides all substantive resolutions at meetings of its security holders by poll and discloses the results of these votes to the market.

**Recommendation 6.5 Electronic Communication**

The Company and its registry have the capability to communicate with shareholders electronically through our website and email. Details are provided on the Company's website.

**PRINCIPLE 7: RECOGNISE AND MANAGE RISK****Recommendation 7.1 Risk Committee**

Due to the size and structure of the Company, currently all functions, roles and responsibilities regarding risk oversight and management and internal control are undertaken by the Board as a whole. The Company has a framework of control based on formal procedures and appropriate delegation of financial and other authorities. The executive directors and senior management have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

**Recommendation 7.2 Annual Risk Review**

The Company continually reviews its risk management framework as required. The Board is regularly briefed and involved in discussions in relation to risks facing the Company. During the period no formal annual review was conducted.

**Recommendation 7.3 Internal Audit**

Due to the size and structure of the Company there is currently no formal internal audit function. The Company Secretary periodically undertakes an internal review of financial systems and processes and where systems are developed and reports to the Board, which decides on the adequacy of these systems and approves any recommendations for implementation. The Company Secretary also works closely with the external independent accounting personnel, approves recommendations for implementation and is given unrestricted access to the books and records of the company. This overview function is operated completely independently of the external audit.

**Recommendation 7.4 Environmental and Social Risks**

The Company continually reviews environmental and social sustainability risks in the areas in which it operates. Risk areas include the impact on the environment through farming techniques, recyclability of product packaging and shipping methods. During the period there were no risks which the Company considered material, however this is subject to change as circumstances dictate.

**Principle 8: Remunerate fairly and responsibly****Recommendation 8.1 Remuneration Committee**

Given the size of the company and current level of activity, the Board has assumed the duties and responsibilities typically delegated to a remuneration committee.

The Board oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

The Board monitors and determines, amongst others, the following matters:

- the company's remuneration structure including long term incentives and superannuation arrangements;
- remuneration and incentives of the CEO (or equivalent) and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;
- workplace health and safety;
- workplace diversity; and
- the Remuneration Report, contained within the Directors' report.

When considered necessary, the Board can obtain external advice from independent consultants in determining the company's remuneration practices including remuneration levels.

Shareholders determine the maximum quantum of remuneration payable to non-executive directors.

**Recommendation 8.2 Disclosure of Remuneration Policies and Practices**

Non-executive directors are remunerated by way of cash fees. The level of remuneration reflects the anticipated time commitments and responsibilities of the position.

Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making. For the same reason, equity based remuneration is limited to non-performance based instruments such as shares.

Executive directors (if any) and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration (if applicable) is linked directly to specific performance targets that are aligned to both short and long term objectives. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

**Recommendation 8.3 Policy on Equity Based Remuneration Scheme**

The Company does not have any Equity Based Remuneration Scheme.

**PRINCIPLE 9: ADDITIONAL RECOMMENDATIONS****Recommendation 9.1 Processes for Directors Whose First Language Is Not English**

All the meetings of the Board are conducted in English.