

## Corporate Governance Statement

The Board of Directors of First Growth Funds Ltd ("the Company") is responsible for the corporate governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

First Growth Funds Ltd's Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations" as revised in August 2007 the Principles of which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

The Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, the fact is disclosed, together with reasons for the departure.

### 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

*Companies should establish and disclose the respective roles and responsibilities of Board and management.*

#### **The board of directors**

The board operates in accordance with the broad principles set out in this charter which is available from the corporate governance information section of the Company website at [www.firstgrowthfunds.com](http://www.firstgrowthfunds.com). The charter details the board's composition and responsibilities.

#### **Board composition**

The charter states:

- the board will comprise a suitable mix of non-executive directors and executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management;
- in recognition of the importance of independent views and the board's role in supervising the activities of management, it is preferred that the Chairman should be an independent non-executive director, the board must be independent of management and all directors are required to bring independent judgement to bear in their board decision making;
- the Chairman is elected by the full board and is required to meet regularly (either formally or informally) with the Managing Director;
- the Company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience; and
- the board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.

#### **Responsibilities**

The responsibilities of the board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- 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 the Group's strategic goals and objectives;
  - compliance with the Company's Code of Conduct; and
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation; and
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

### 2. STRUCTURE THE BOARD TO ADD VALUE

*Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.*

### **Board members**

There are four non-executive directors, two of who is deemed independent under the principles set out below

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or “fresh” perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

### **Directors’ independence**

The board has adopted specific principles in relation to directors’ independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company. In relation to this, Mr Geoff Barnes is the representative of GXB Pty Ltd and GEBA Pty Ltd ( a major shareholder of the Company) and on the board ;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group;
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company; and / or
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders’ understanding of the director’s performance.

### **Non-executive directors**

The non-executive directors are encouraged to meet regularly without the presence of management or executive directors, to discuss the operation of the board and a range of other matters. Relevant matters arising from these meetings are shared with the full board.

### **Term of office**

The Company’s Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to attaining the age of 70 years when a director will retire, by agreement, at the next AGM and will not seek re-election.

### **Chairman and Managing Director (MD)**

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board’s relationship with the Company’s senior executives.

The Managing Director is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

The Chairman will oversee the Managing Director role in times of absence of the position.

### **Commitment**

The board is scheduled to meet formally on approximately six occasions during each calendar year, and more regularly and informally by telephone. This is considered adequate given the Company’s current size and scale of operations.

Non-executive directors are expected to spend an appropriate portion of time per year preparing for and attending board and committee meetings and associated activities.

It is the Company’s practice to allow its executive directors to accept appointments outside the Company with prior advice to and agreement by the board.

The commitments of non-executive directors are considered by the Board prior to the directors’ appointment to the board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

### **Conflict of interests**

Any and all potential conflicts of interest (whether relating to non executive directors, or to executive directors) are to be notified by the individual director concerned, prior to the matter being formally discussed between Directors. In accordance with the board charter, the directors concerned declare their interests in those dealings to the Company and take no part in decisions relating to them or the preceding discussions. In addition, these directors do not receive any papers from the Group pertaining to those dealings.

### **Independent professional advice**

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent

professional advice at the Company's expense. Prior written approval of the Chairman is required, but this is not to be unreasonably withheld.

### 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

*Companies should actively promote ethical and responsible decision-making.*

The Company supports and has adopted the Code of Conduct published by the Australian Institute of Company Directors in 2005. The code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The insider trading provisions of the Corporations Act have been drawn to the attention of all Directors and executives and it has been agreed that this will be a continuing policy on a regular basis. Directors have all entered into agreements to notify the Company within three days of any dealing in the Company's securities and it is an employment condition that all executives notify the Company within three days of any dealing in the Company's securities.

#### **Performance assessment**

The board is encouraged to undertake an annual self assessment of its collective performance, the performance of the Chairman and of its committees. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman is encouraged to undertake an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

### 4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

*Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.*

#### **Corporate reporting**

The Managing Director and Chief Financial Officer, at the end of each six month period, make the following certifications to the board:

1. that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
2. that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

#### **Audit committee**

The audit committee has been established ahead of listing and consists of the following directors:

- Michael Clarke (Chairman)
- Athan Lekkas
- Geoff Barnes
- Joe Calabria

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee operates in accordance with a charter which is available on the Company website. The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting;
  - compliance with applicable laws and regulations;
- determine the scope of potential internal audit requirements;
- oversee the effective operation of the risk management framework;
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and external auditors;
- meets with external auditors at least twice each year, or more frequently if necessary;

- reviews the processes the MD and CFO have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors as required without the presence of management; and
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

#### **External auditors**

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO Vic Pty Ltd, were appointed as the external auditor for the financial year 2012 onwards.

It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## **5. MAKE TIMELY AND BALANCED DISCLOSURE**

*Companies should promote timely and balanced disclosure of all material matters concerning the company.*

#### **Continuous disclosure and shareholder communication**

The Company has policies and procedures on continuous information disclosure that focus on timely and balanced disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The company secretary has been nominated as the person responsible for communications 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, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When presentations on aspects of the Group's operations are made, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders can access a copy of the Company's annual report and quarterly reports via the Company's website or ASX website. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all Company announcements, media briefings, details of Company meetings, press releases for the last three years and financial reports for the last five years available on the Company's website.

## **6. RESPECT THE RIGHTS OF SHAREHOLDERS**

*Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.*

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- a. The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
- b. Quarterly Reports to all shareholders (to be issued within four weeks of the end of the quarter);
- c. The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate; and
- d. The Company's Corporate Internet site at [www.firstgrowthfunds.com](http://www.firstgrowthfunds.com). This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and annual report.

The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is automatically posted on the Company's website as soon as it is disclosed to ASX.

## 7. RECOGNISE AND MANAGE RISK

*Companies should establish a sound system of risk oversight, management and internal control.*

### **Board committees**

The board has established two sub-committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the Remuneration and Audit Committees. The committee structure and membership is reviewed on an annual basis.

Each committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Minutes of committee meetings are tabled at the subsequent committee meeting and are available to other directors. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

### **Risk assessment and management**

The board is responsible for ensuring there are adequate policies in place in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. A formal delegation of authority document exists and is operational.

The Company risk management policy and the operation of the risk management and compliance system are regularly reviewed by the executive directors.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

In addition, the board requires that each major proposal submitted to the board for decision is accompanied by an appropriate review of risks and, where required, management's proposed mitigation strategies.

### **The environment, health and safety management system (EHSMS)**

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS is currently being finalised to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system will allow the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the Group's businesses to raise standards;
- use energy and other resources efficiently, and
- encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

## 8. REMUNERATE FAIRLY AND RESPONSIBLY

*Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.*

### **Remuneration committee**

The remuneration committee has been established ahead of listing and consists of the following directors:

- Athan Lekkas (Chairman)
- Joe Calabria
- Geoff Barnes
- Michael Clarke

The remuneration committee operates in accordance with its charter which is available on the Company website. The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members have regard to external remuneration sources on recent developments on remuneration and related matters as required.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.