

## **CORPORATE GOVERNANCE STATEMENT**

### **EMECO HOLDINGS LIMITED (ACN 112 188 815)**

For the year ended 30 June 2021

Emeco Holdings Limited (**Emeco**) has followed each of the principles and recommendations set out in the 4th edition of the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' (**ASX principles and recommendations**) during FY21, save that there was a brief period, between Mr Yeates resignation on 11 November 2020 until Mr Kane's appointment on 7 December 2020 in which independent directors did not make up a majority of the board (as required by Recommendation 2.4) and Remuneration and Nomination Committee and the Audit and Risk Management Committee only had two members, rather than three members as set out in Recommendations 2.1, 4.1, 7.1 and 8.1.

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

##### **Roles and responsibilities of the board and senior executives**

Emeco's board charter, which has been adopted by the board of Emeco (**Board**), sets out the principles for the operation of the Board and describes the functions and responsibilities of the Board, each director and the chair of the Board (**Chair**).

Under the charter, the Board is accountable to shareholders for the overall performance of Emeco and management of Emeco's affairs. Key responsibilities of the Board include:

- approving corporate strategy and objectives, reviewing the strategic environment and key business risks and opportunities, and monitoring performance in delivery of strategy and objectives;
- evaluating, approving and monitoring the annual budgets and financial and business plans and performance objectives of Emeco;
- monitoring and assessing management's performance in achieving objectives and observing budgets approved by the Board;
- determining the dividend policy and the amount and timing of all dividends;
- evaluating, approving and monitoring major capital expenditure, capital management and all major acquisitions, divestitures and other corporate transactions, including the issue of securities;
- ensuring an appropriate audit and risk framework is in place (for both financial and nonfinancial risks);
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance (with the assistance of the audit and risk management committee);
- overseeing the integrity of Emeco's accounting and corporate reporting systems and financial reports (with advice from the audit and risk management committee);
- evaluating and monitoring annual budgets and business plans;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring delegations of authority, including financial authority limits;
- appointing, re-appointing or removing Emeco's external auditors (on recommendation from the audit and risk management committee);

- appointing, re-appointing or removing Emeco's company secretary;
- managing succession planning for executive directors and senior management; and
- appointing, monitoring and managing the performance and remuneration of executive directors (with advice from the audit and risk management committee).

The charter sets a minimum number of board meetings, sets out the role and responsibilities of the chair of the board, and provides for the establishment of the audit and risk management committee and the remuneration and nomination committee.

The charter also sets minimum standards of ethical conduct of the directors, which are further elaborated on in Emeco's code of conduct, and specifies the terms on which directors are able to obtain independent professional advice at Emeco's expense.

A copy of the board charter and Emeco's code of conduct is available in the corporate governance section of the Emeco website (<http://www.emecogroup.com/investors-overview/corporate-governance/>).

The Company Secretary supports the proper functioning of, and is accountable through the Chair to, the Board. The Company Secretary is also responsible for advising the Board on governance matters, monitoring that board and committee policy and procedures are followed, co-ordinating the timely completion and dissemination of board papers and organising and facilitating induction of new directors and director professional development. Each director is able to communicate directly with the Company Secretary and vice versa.

Under the terms of the board charter, the Managing Director and Chief Executive Officer is responsible to the Board for the day-to-day management of Emeco and its controlled entities (Emeco Group), the implementation of strategic and financial plans, the amount and type of risk assumed by the business and the achievement of strategic and financial objectives, whilst instilling and reinforcing Emeco's values and Code of Conduct. The Board has formally adopted a structured delegated financial authority (**DFA**) which outlines the specific financial authority limits delegated to the Managing Director and Chief Executive Officer. The Board approves and monitors this delegation of financial authority.

The DFA ensures that contract commitments and expenditure are limited to:

- contractual commitments in the ordinary course of business;
- operational expenditure incurred in the day-to-day running of the business; and
- capital expenditure, being the purchase of assets for the purpose of deriving income.

The DFA also sets levels of permitted contractual and expenditure commitment delegated by the Managing Director and Chief Executive Officer to employees across the Emeco Group and is regularly reviewed. Authority limits have been set as a risk management tool to ensure adequate controls are in place when committing the Emeco Group to a contract or incurring costs.

Emeco has written agreements with each director and senior executive personally setting out the terms of their appointment.

### **Director and senior executive selection**

The remuneration and nomination committee (**RNC**) establishes the criteria for board membership and proposes director candidates for consideration by the Board. In proposing candidates, the RNC has regard to the desired composition of the Board and takes into account the skills required to both discharge the Board's duties and to augment any skill set desirable on the Board. Prior to appointing a director or senior executive, Emeco undertakes appropriate background checks including checks as to the person's character, experience, education and criminal record.

The Board aims to achieve a mix of skills and diversity in its members and periodically reviews its composition to satisfy itself that the pool of skills provided by its current directors is appropriate. Candidates recommended for appointment as new directors are considered by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. The Board has established the following criteria for the appointment of directors of Emeco:

- No actual or potential conflicts of interest at the time of appointment.
- No prior adverse history, including bankruptcy, conviction for an offence of dishonesty or any other serious criminal conviction, ASIC or APRA disqualification.
- Deserved reputation for honesty, integrity and competence.
- Extensive experience at a senior executive level in a field relevant to the Emeco Group's operations and preferably with a listed company.
- High level strategic, financial and commercial capability.
- Available and willing to devote the time required to meetings and Emeco business and a real commitment to the Emeco Group and its success.
- Able to work harmoniously with fellow directors and management.
- Skills, experience and knowledge which complement those of incumbent directors.

Where the Board puts forward a candidate for election as a director, Emeco provides shareholders with biographical details, details of material directorships and material information in Emeco's possession relevant to a decision on whether or not to elect a director. Mr Peter Kane was put forward for Emeco directorship during FY21, after the resignation of Mr Darren Yeates, and was subsequently appointed by the Board as an independent non-executive director.

Under Emeco's constitution, the directors have the power to appoint directors to fill a vacancy or as an addition to the Board. Any director, except a managing director, appointed in this way must retire from office, and is eligible for re-election, at the next annual general meeting following his or her appointment. Mr Peter Kane will seek re-election at the 2021 annual general meeting under these provisions.

Under the terms of Emeco's constitution, all directors other than the managing director must retire from office or seek re-election by the third annual general meeting after his or her election or within three years, whichever is the later. Further, unless determined otherwise by a resolution of Emeco's shareholders at least one director must retire from office at each annual general meeting unless there has been an election of directors earlier that year. Mr Peter Richards will seek re-election at the 2021 annual general meeting under these provisions.

Emeco provides shareholders with the following material information in its possession relevant to a decision on whether or not to elect or re-elect a director in its notice of meeting:

- The director's biographical details, including relevant qualifications, skills and experience.
- Other material directorships held by the director.
- The term of office currently served by the director.
- Whether the Board considers the director to be an independent director.
- Whether the Board supports the election or re-election of the director.

### **Board, committee and director evaluation**

A review of the performance of the Board and the committees is completed annually with the advice and assistance of the RNC. In FY21, the performance review was undertaken using a questionnaire, the scope of which covered the performance of the Board, its committees, the Chair, the Company Secretary and board functions, skills, knowledge, composition, time commitments, performance as a whole and processes of the Board and the committees. Directors' questionnaire responses are collated and then presented to the RNC, with particular attention paid to addressing any items in the questionnaire that received a lower score or any suggestions or commentary provided as part of the questionnaire response.

### **Evaluating the performance of executives**

The performance of the Managing Director and Chief Executive Officer is regularly monitored by the non-executive directors.

Reviews of the performance of senior executives within the Emeco Group are conducted by the Managing Director and Chief Executive Officer each year. These performance reviews provide the Managing Director and Chief Executive Officer and senior executives with the opportunity not only to review the senior executive's performance against a range of financial and operational benchmarks but also to review and assess the senior executive's personal and professional development objectives.

A review of the performance of each senior executive was undertaken in FY21.

The Emeco Group has formal induction procedures in place to introduce new senior executives to the Emeco Group and gain an understanding of the Emeco Group's financial position, strategies, operations, risks and other policies and responsibilities.

### **Diversity**

Emeco has adopted a diversity policy. The principal objective of the diversity policy is to support a corporate culture of workplace diversity, and to work towards establishing a framework for diversity awareness and reporting. A copy of the diversity policy is available in the corporate governance section of the Emeco website.

The diversity policy requires the Board to establish measurable objectives for achieving diversity. The RNC is responsible for assessing and reporting to the Board on Emeco's progress towards achieving its measurable diversity objectives on an annual basis.

Further details regarding:

- Emeco's annual measurable objectives set by the Board in accordance with the diversity policy and progress towards achieving them; and
- the proportion of women employees in the Emeco Group, in senior executive positions and on the Board,

are included in Emeco's 2021 sustainability report (**Sustainability Report**) on pages 4 to 6. A copy of the Sustainability Report is available in the sustainability section of the Emeco website (<http://www.emecogroup.com/who-we-are/sustainability>).

Emeco's most recent gender equality indicators, as defined in and published under the *Workplace Gender Equality Act 2012*, can be found in Emeco's Australian Workplace Gender Equality Agency Report, which is available in the sustainability section of the Emeco website.

## **PRINCIPLE 2- STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE**

### **Remuneration and nomination committee**

The Board has established the RNC, whose responsibilities include the following:

- Reviewing the membership and performance of the committees and making recommendations to the Board.
- Reviewing and making recommendations to the Board on succession planning of the Board, the Chief Executive Officer and senior executives, including processes for recruiting new directors, appointing and re-appointing directors, induction of new directors and continuing professional development programs.
- Periodically assessing the skills required to discharge the Board's duties, having regard to the strategic direction of Emeco.
- Reviewing the performance and effectiveness of the Board, its committees and its members.

The charter of the RNC is available in the corporate governance section of the Emeco website.

The members of the RNC in FY21 were Mr Peter Richards (Chair, from 12 November 2020), Mr Darren Yeates (Chair from 1 April 2020 until his resignation as a director of Emeco on 11 November 2020), Mr Peter Kane (from his appointment as a director of Emeco on 7 December 2020) and Mr Keith Skinner. Each member's attendance at the three meetings of the RNC in FY21 is set out at page 19 of Emeco's 2021 annual report (**Annual Report**). A copy of the Annual Report is located on the Emeco website (<http://www.emecogroup.com/category/reports>).

In FY21, the RNC was usually comprised of three independent non-executive directors. There was a brief period, between Mr Yeates resignation on 11 November 2020 until Mr Kane's appointment on 7 December 2020 in which the committee only had two members, rather than three members as set out in Recommendation 2.1. No matters were considered by the RNC during this period.

### Board membership

The Board was generally comprised of five directors in FY21, a majority of which were independent directors. Mr Darren Yeates, a non-executive independent director resigned during FY21 and a new non-executive independent director, Mr Peter Kane, was appointed during FY21. In addition to Mr Yeates and Mr Kane, two other directors, including the Chair, were independent non-executive directors, one was a non-executive director, and one was an executive director. For the few weeks between Mr Yeates' resignation and Mr Kane's appointment, the board did not have a majority of independent directors.

Independent directors are expected to bring independent views and judgment to the Board's deliberations. All of Emeco's independent directors satisfy the criteria for independence set out in the ASX principles and recommendations. In considering whether a director is independent, the Board considers whether the director is 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 Emeco as a whole.

The Board assesses the independence of new directors upon appointment and reviews the independence of the directors annually and as appropriate. The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of Emeco, the director, and the person or entity with which the director has a relationship.

The director, who was not considered to be independent due to his involvement in the management and operations of Emeco Group in FY21, was Mr Testrow, Emeco's Managing Director and Chief Executive Officer.

The non-executive director who was not considered independent due to his employment with a significant shareholder of Emeco was Mr Peter Frank.

The table below sets out details of the status of each of the directors:

**Table 1: Status of directors**

| Director                            | Date of appointment | Length of service | Independent? | Non-Executive? | Seeking re-election at 2021 AGM? |
|-------------------------------------|---------------------|-------------------|--------------|----------------|----------------------------------|
| Peter Richards                      | 14/06/2010          | 11 years          | Yes          | Yes            | Yes                              |
| Ian Testrow                         | 20/08/2015          | 5 years           | No           | No             | No                               |
| Peter Frank                         | 01/04/2017          | 4 years           | No           | Yes            | No                               |
| Keith Skinner                       | 01/04/2017          | 4 years           | Yes          | Yes            | No                               |
| Darren Yeates<br>(until 11/11/2020) | 01/04/2017          | 3 years           | Yes          | Yes            | No                               |
| Peter Kane                          | 07/12/2020          | >1 year           | Yes          | Yes            | Yes                              |

## Director skills, experience and expertise

The following table sets out the key skills and experience of the current directors and the extent to which they are represented on the Board and its committees:

**Table 2: Skills and experience**

|                                 |  | Board<br>(Total 5 directors) | Audit & risk management committee<br>(Total 3 directors) | Remuneration & nomination committee<br>(Total 3 directors) |
|---------------------------------|--|------------------------------|--|--|
| Strategy & sustainability       | Strategic skills. Contributes to the formulation, testing and approval of a business strategy. Alert to opportunities, risks and trends.           | 5 directors                  | 3 directors  | 3 directors  |
| Finance                         | Financial skills and credentials. Aware of financial risk. Understands financial reporting requirements and financial regulations.                 | 5 directors                  | 3 directors  | 3 directors  |
| Marketing & growth              | Understands growth and marketing strategies or has marketing skills.   | 5 directors                  | 3 directors  | 3 directors  |
| Corporate governance            | Background in corporate governance and compliance. Familiar with corporate legislation and statutory requirements.                                 | 4 directors                  | 3 directors  | 3 directors  |
| Operations & asset optimisation | Understands operational improvements and extracting maximum value from existing assets.  | 5 directors                  | 3 directors  | 3 directors  |
| Human capital                   | Experience in setting management performance goals, overseeing and managing performance, developing executive bench strength and succession plans. | 5 directors                  | 3 directors  | 3 directors  |
| External engagement             | Experience with external stakeholder groups (community, regulators, government), including networks and ability to exert influence.                | 4 directors                  | 3 directors  | 3 directors  |
| Industry knowledge              | Expertise and knowledge pertinent to the industries or environments in which the Company operates.   | 4 directors                  | 2 directors  | 2 directors  |
| Technical knowledge             | Skills and expertise in products or technologies relevant to the Company.  | 3 directors                  | 1 director   | 1 director   |
| Corporate finance               | Experience and skills associated with mergers, acquisitions, demergers, capital raising and debt financing.  | 4 directors                  | 2 directors  | 2 directors  |
| Legal                           | Expertise in corporate law or legislation relevant to the Company.   | 1 director                   | 0 directors  | 0 directors  |
| Information technology          | Expertise in IT strategy and system design, procurement and implementation and understands associated risks.                                       | 1 director                   | 0 directors  | 0 directors  |

The directors and a brief description of their skills, experience and expertise are set out at pages 16 to 18 of the Annual Report.

The directors consider that collectively they have the relevant skills, experience and expertise to fulfil their obligations to Emeco, its shareholders and other stakeholders.

All directors are expected to develop and maintain the skills and knowledge required to perform their role as directors effectively and discharge their duties to Emeco. Emeco has induction procedures in place to introduce new directors to Emeco and gain an understanding of the Emeco Group's financial position, strategies, operations, risks and other policies and responsibilities. Professional development opportunities to further develop the skills and knowledge required to effectively perform as directors of Emeco are provided each year and considered on an ongoing basis, including as part of the FY21 performance review.

Under the board charter, a director is entitled to seek professional advice at Emeco's expense on any matter connected with the discharge of his or her duties in accordance with the procedure set out in the charter, a copy of which is available in the corporate governance section of the Emeco website.

All directors have unrestricted access to the general counsel and company secretary and other employees of the Emeco Group as and when required. Subject to law, the directors also have access to all records of Emeco and information held by Emeco Group employees and external advisors. Directors are provided, on an "as needed" basis, with papers, presentations and briefings on Emeco Group businesses and on matters which may affect the operations of the Emeco Group. The Board receives regular detailed financial and operational reports from senior executives to enable it to carry out its duties.

### **PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

#### **Articulate and disclose Emeco's values**

Emeco has established an overall strategic aim or purpose of being the best in the world at managing heavy earthmoving equipment and helping our customers to get the most out of every piece of equipment.

Emeco's ideology or values, detailed in the Ideology section of Emeco's website, reflect its shared beliefs as to the standards and behaviours that it expects from its directors, senior executives and employees to meet this strategic aim or purpose. The Managing Director and Chief Executive Officer is accountable to the Board for instilling and reinforcing Emeco's values and Code of Conduct.

Emeco recognises that, in order to be successfully integrated within its business and adopted by employees, Emeco's values need to be supported and accepted throughout the organisation. During FY21, management has undertaken a process of reviewing Emeco's values and ideology through engaging broadly with the employee base throughout the business. The Board has received regular updates from management and will consider this feedback as part of a periodic review of Emeco's specific values and ideology in FY22.

In addition to these specific ideology or values, Emeco considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves lawfully, ethically and responsibly in all of their commercial dealings on Emeco's behalf. Accordingly, Emeco recognises that it is important to promote lawful, ethical and responsible conduct amongst its employees, officers and contractors and has adopted a number of policies and codes which applies to directors, senior executives and employees including the Code of Conduct, Anti-bribery and Corruption Policy, Whistleblower Policy and Human Rights Policy. New employees are required to undertake training on these policies.

#### **Code of Conduct**

Emeco has adopted, a code of conduct which applies to all directors, officers, employees, consultants and contractors of the Emeco Group.

The objectives of the code of conduct are to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Emeco Group;
- employees are aware of their responsibilities under their contract of employment and always act in a lawful, ethical and professional manner; and
- all persons dealing with the Emeco Group, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of Emeco.

Under the code of conduct, all Emeco Group personnel must, amongst other things:

- act honestly and in good faith at all times and in a manner which is in the best interests of Emeco as a whole;
- conduct their personal activities in a manner that is lawful and avoids conflicts of interest between their personal interests and those of Emeco;
- always act in a manner that is in compliance with the laws and regulations of the country in which they work;
- report any actual or potential breaches of the law, the code of conduct or Emeco's other policies to the company secretary; and
- not permit or condone the making of payments, gifts, favours, bribes, facilitation payments or kick-backs in the expectation of preferred treatment for themselves or Emeco.

The ARMC is responsible for reviewing the process of communicating Emeco's Code of Conduct to personnel and for monitoring compliance therewith. The Code of Conduct is to be reviewed periodically and was last reviewed during FY21.

A copy of the code of conduct is available in the corporate governance section of the Emeco website and all new employees are informed of their obligations under the code of conduct.

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise Emeco of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of Emeco. A director is required to notify Emeco of any new material personal interests or change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered nor vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the *Corporations Act 2001* (Cth) (**Corporations Act**).

### **Whistleblower Policy**

Emeco actively promotes and encourages ethical behaviour and protection for those who report violations of the code of conduct or other unlawful or unethical conduct in good faith and has adopted a Whistleblower Policy to deal with matters with promptly and fairly.

The Whistleblower Policy provides a framework for identifying and reporting suspected illegal, fraudulent negligent or corrupt activity and other misconduct relating to the Company. It ensures that Emeco personnel and related parties are able to report such conduct without fear of prejudice. Reports can be made internally or through Stopline, an independent provider of whistleblowing services engaged by the Company to take reports.

The findings of all investigations are reported to the Chief Executive Officer and/or the Chair of the Audit and Risk Management Committee who, together with the Board, determine the appropriate response.

A copy of the Whistleblower Policy is available in the corporate governance section of the Emeco website. The Whistleblower Policy is to be reviewed periodically and was last reviewed by the Board during FY21.

### **Anti-Bribery and Corruption Policy**

Emeco takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships and to implementing effective systems to counter bribery. The Anti-Bribery and Corruption Policy provides guidance as to what constitutes bribery and corruption, reinforces Emeco's minimum expectations of its employees and outlines the internal controls and standards Emeco has in place to minimise the risk of prohibited conduct.



Any actual or suspected breach of the Anti-Bribery and Corruption Policy can be made under the Whistleblower Policy. The findings of investigations regarding protected disclosures under the Whistleblower Policy will be reported to the Chief Executive Officer and/or the Chair of the Audit and Risk Management Committee who, together with the Board (where appropriate), will determine the appropriate response.

A copy of the Anti-Bribery and Corruption Policy is available in the corporate governance section of the Emeco website. The Anti-Bribery and Corruption Policy is to be reviewed periodically and was last reviewed by the Board during FY21.

## **PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

### **Audit and risk management committee**

The Board has established an audit and risk management committee (**ARMC**) to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders of Emeco in connection with:

- the financial reporting process, the system of internal control relating to all matters affecting Emeco's financial performance, the audit process, and Emeco's process for monitoring compliance with laws and regulations and the code of conduct; and
- implementing and supervising Emeco's risk management framework.

The ARMC charter requires the committee to be made up of a minimum of three directors, all of whom must be non-executive directors and the majority of whom must be independent. During FY21, the committee generally comprised three independent non-executive directors, all of whom have financial expertise. The members of the ARMC in FY21 were Mr Keith Skinner (Chair), Mr Peter Richards, Mr Darren Yeates (until his resignation as a director of Emeco on 11 November 2020) and Mr Peter Kane (from his appointment as a director of Emeco on 7 December 2020). The qualifications of the ARMC members are set out at pages 16 to 18 of the Annual Report.

There was a brief period, between Mr Yeates resignation on 11 November 2020 until Mr Kane's appointment on 7 December 2020 in which the committee only had two members, rather than three members as set out in Recommendation 4.1. One meeting of the ARMC occurred during this period.

The ARMC charter sets out the roles and responsibilities of the committee and is available in the corporate governance section of the Emeco website. A review of the charter was undertaken during FY21.

In FY21, the ARMC held four meetings. Each committee member's attendance at these meetings is set out at page 19 of the Annual Report. The other directors, including the Managing Director and Chief Executive Officer, the Company Secretary and any other persons considered appropriate may attend the meetings of the ARMC by invitation. The ARMC also meets from time to time with the external auditor in the absence of management.

### **Periodic corporate reports**

Emeco releases a number of periodic corporate reports including its annual and half-year directors report, annual and half yearly financial statements and the sustainability report.

Emeco is cognisant of the importance of ensuring that the report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions.

To assist it to verify such information, the Board may seek representations from management and senior executives. For example, notwithstanding that the annual financial statements are audited by Emeco's external auditor, Deloitte Touche Tohmatsu, in respect of Emeco's FY21 financial statements, the Board also received a declaration from the Chief Executive Officer and the Chief Financial Officer that, in their opinion, the financial records of Emeco had been properly maintained and that the financial statements complied with the accounting standards and gave a true and fair view of the financial position and performance of Emeco and that the opinion was formed on the basis of a sound system of risk management and internal control which is operating effectively. Managers and senior executives of Emeco may, on request, attend Board or committee meetings to report on specific areas or provide management papers for the Board or committee's review.

Emeco has also adopted a Continuous Disclosure Policy which provides that all employees are required to notify the Company Secretary or a reporting officer if they believe that there is information which may require disclosure. The policy emphasises a proactive approach to continuous disclosure and aims to create a culture of openness which is conducive to material and appropriate information being noted and disclosed, including in any periodic report. A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Emeco website. Emeco has a robust internal audit function, as described below under the disclosure for Recommendation 7, to assist in ensuring that any fraud or error is detected.

Further, the Board is assisted by the RNC and ARMC, each containing directors with the specific skillsets set out in Principle 2 above. Under the ARMC charter, each member of the ARMC must be financially literate and at least one member must have expertise in financial reporting. The ARMC reviews the financial statements for the half year and full year and considers whether they are complete, consistent with information known to the committee members and reflect appropriate accounting policies and principals. The ARMC also reviews the financial sections of the annual report and related regulatory filings before release and considers the accuracy and completeness of the information.

The ARMC may itself seek advice from any external parties that it considers desirable. In particular, representatives of Deloitte Touche Tohmatsu may, at the invitation of the ARMC, attend ARMC meetings and provide requested input, including as to whether they agree with or consider management's approach and conclusions in relation to financial and tax matters reasonable.

For the purposes of the Listing Rules, Emeco has appointed the Company Secretary to be responsible for communications with ASX. The Company Secretary is accountable to the Board, through the Chair, for monitoring that Board and Committee policy and procedures are followed. As part of this process, the Company Secretary ensures that all periodic reports have the necessary internal approvals prior to release to the ASX.

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

Emeco is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and disclosing to investors and other stakeholders all information about Emeco that a reasonable person would expect to have a material effect on the price or value of Emeco's securities.

Emeco has adopted a continuous disclosure policy directed to ensuring Emeco compliance with its continuous disclosure obligations. A copy of the policy is available in the corporate governance section of the Emeco website.

The continuous disclosure policy, amongst other things:

- sets out the roles and responsibilities of Emeco's officers and employees in the context of Emeco's continuous disclosure obligations;
- emphasises a proactive approach to continuous disclosure and requires Emeco to comply with the spirit as well as the letter of the ASX continuous disclosure requirements;
- ensures the Board receives copies of all material market announcements promptly after they are made;
- ensures any presentation materials for a new and substantive investor or analyst presentation are released to the ASX ahead of any briefings;

- specifies Emeco representatives who are authorised to speak publicly on behalf of Emeco;
- contains the policy and procedures for dealing with shareholder questions and analysts to deal with potential disclosure issues; and
- sets out how Emeco deals with market rumour and speculation.

The Company Secretary is responsible for overseeing and coordinating the disclosure of information by Emeco to the ASX. Compliance with the policy is reviewed and monitored by the ARMC, and also by the Board. The Continuous Disclosure Policy is reviewed regularly, including during FY21, having regard to the changing circumstances of Emeco.

## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITYHOLDERS**

Emeco acknowledges the importance of effective communication with its shareholders and has adopted a communications policy designed to facilitate effective two-way communication between Emeco, its shareholders and investors. A copy of the communications policy is available in the corporate governance section of the Emeco website. The Board is responsible for adopting and monitoring the Communications Policy and the policy is reviewed by the Board every 2 years. The Communications Policy was last reviewed during FY21.

Emeco provides information about itself and its governance via its website. All public announcements are posted on Emeco's website after they have been released to the ASX. Emeco also places the full text of notices of meetings and explanatory material on its website, as well as copies of its annual report and the Chair's address at the annual general meeting. Key dates are noted on Emeco's website. Emeco maintains a section on its website containing information for investors and may release specific investor presentations and webcasts throughout the year.

In addition, Emeco maintains a corporate governance section on its website containing its constitution, board and committee charters and corporate governance policies. A section on the website titled "Our Ideology" sets out Emeco's values.

Emeco offers shareholders a number of options for receiving electronic communications. Shareholders can elect to receive notification by email when payment advices, annual reports, notices of meetings and proxy forms are available online. They can also elect to receive email notification of important announcements.

Emeco also encourages effective shareholder participation at general meetings, which are the major forum for shareholders to ask questions of the directors about the performance of the Emeco Group. To facilitate shareholder participation, Emeco keeps itself informed about improved technology and electronic access for shareholders who are unable to be physically present at meetings.

Currently Emeco uses various technology including webcasting for significant meetings and presentations. Where possible, Emeco arranges for advance notice of significant group briefings (including results announcements) and makes them accessible through the use of webcasting or other mass communication methods that are practical at the time. The Emeco website contains archives of all Emeco webcasts.

Shareholders are also welcome to provide relevant written questions on the management of the company, ahead of the meeting. Where appropriate, these questions will be addressed at the relevant meeting or Emeco will provide a written response at the meeting.

For the 2020 Annual General Meeting, a recording of the meeting was made available on the Company's website following the meeting. In order to ensure all shareholders are able to readily vote, in addition to hardcopy forms and in person attendance, shareholders were able to submit proxy forms online for the 2020 Annual General Meeting.

All resolutions at the 2020 Annual General Meeting were decided by a poll.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### **Risk management**

The Board believes that risk management is fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Board, with assistance from the ARMC, is responsible for ensuring there are adequate processes and policies in place to identify, assess and mitigate risk.

The ARMC is responsible for considering Emeco's overall risk management framework and reviewing its effectiveness in meeting sound corporate governance principles in light of the amount and type of risk the company is willing to assume. The ARMC:

- reviews with management the system for identifying, managing and monitoring Emeco's key risks;
- Obtains reports from management on the status of any key risk exposures or incidents and new and emerging sources of risk and the controls, together with mitigation measures put in place to deal with those risks; and
- Reviews any material incident involving fraud or a breakdown of Emeco's risk controls and the lessons learned.

The Board is kept informed of all significant business risks and opportunities.

Details regarding the ARMC including its members and the meetings held are set out under Principle 4 (above) and on pages 16 to 19 of the Annual Report. The ARMC charter is available in the corporate governance section of the Emeco website. There was a brief period, between Mr Yeates resignation on 11 November 2020 until Mr Kane's appointment on 7 December 2020 in which the committee only had two members, rather than three members as set out in Recommendation 7.1. One meeting of the ARMC occurred during this period.

Emeco has adopted a risk management policy and has also implemented a formal enterprise risk management program to ensure that risk management concepts and awareness are embedded in the culture of the Emeco Group where they can be reviewed on an ongoing basis. The key elements of Emeco's enterprise risk management program are as follows:

- Identification and classification of risk into strategic, operational, financial, compliance and reputational risks.
- Quantification and ranking of risk consequences, likelihood and rate.
- Development of a database for communicating and updating activity and progress on risk matters and maintaining risk registers.
- Identification, enhancement and development of key internal controls to address risk issues, including risk treatment plans and assigning accountabilities for identified risks to senior Emeco employees.
- Comprehensive insurance program.

Under the risk management policy, the Chief Executive Officer and senior management team are responsible and accountable for ensuring that systems, procedures and controls are in place so that risks are managed to an acceptable level.

Under the DFA (discussed above in respect of Recommendation 1), the Chief Executive Officer is to discuss and review with the Board any expenditure commitments within the Chief Executive Officer's delegated authority where the matter, in the Chief Executive Officer's judgement, involves extraordinary sensitivities or exposes Emeco to a greater than normal level of risk.

Under the risk management policy, senior management are responsible for reporting to the Chief Financial Officer on the management of their region or department's material business risk and the Chief Financial Officer is to provide assurance to the ARMC and the Board on the effectiveness of the Group's risk management, governance and control frameworks, including through the production of the risk and opportunity register. Through this, the ARMC is able to review actions taken to ensure that Emeco is operating with due regard to the approved risk management policy.

A review and update of the risk management policy and the risk management framework was undertaken during FY21, including consideration of new and emerging risks.

### **Internal assurance**

The overall internal assurance process is overseen and managed by the Chief Financial Officer. The Chief Financial Officer reports to the ARMC and the Board on risk areas as well as the implementation of the Emeco Group's risk management, governance and control processes and frameworks. Independent experts are engaged as required to assist with the internal assurance process.

The ARMC reviews the effectiveness of Emeco's internal controls regarding all matters affecting Emeco's financial performance and financial reporting, including information technology security and control. The ARMC will also review the scope of the internal and external auditor's review of internal control, review reports on significant findings and recommendations, together with management's responses, and recommend changes from time to time as appropriate.

### **Environmental and social risks**

Any material exposures to environmental or social risks, the risks and Emeco's approach to managing those risks are addressed on page 2 in the Sustainability Report. A copy of the Sustainability Report is available in the sustainability section of the Emeco website (<http://www.emecogroup.com/who-we-are/sustainability>).

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

The Board has established a remuneration and nomination committee. Details regarding membership of the RNC are set out under Principle 2 of this corporate governance statement and each member's attendance at the meetings held by the RNC in FY21 is set out at page 19 of the Annual Report. There was a brief period, between Mr Yeates resignation on 11 November 2020 until Mr Kane's appointment on 7 December 2020 in which the committee only had two members, rather than three members as set out in Recommendation 8.1. No matter was considered by the RNC during this period.

The Emeco Group remuneration policy is substantially reflected in the objectives of the RNC. The RNC's remuneration objectives are to endeavour to ensure that:

- the directors and senior executives of the Emeco Group are remunerated fairly and appropriately;
- the remuneration policies and outcomes strike an appropriate balance between the interests of Emeco's shareholders, and rewarding and motivating the Emeco Group's executives and employees in order to secure the long term benefits of their energy and loyalty; and
- the human resources policies and practices are consistent with and complementary to the strategic direction and human resources objectives of Emeco as determined by the Board.

Under its charter, the RNC is required to review and make recommendations to the Board about:

- the general remuneration strategy for the Emeco Group so that it motivates executives and employees to pursue the long term growth and success of the Emeco Group and establishes a fair and transparent relationship between individual performance and remuneration;
- the terms of remuneration for the executive directors and other senior executives of the Emeco Group including the criteria for assessing performance;
- diversity policy compliance and reporting;
- remuneration reviews for non-executive directors;
- changes in remuneration policy and practices, including superannuation and other benefits; and
- employee equity plans and allocations under those plans.

The charter of the RNC is available in the corporate governance section of the Emeco website. A review of the charter is scheduled to be undertaken during FY22.



The Board is ultimately responsible, with the advice and assistance of the RNC, for reviewing and approving the performance and remuneration of the individual Board members and policies with respect to remuneration of employees, taking into account matters including the Company's strategic objectives and values.

Emeco clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash benefits and superannuation contributions. They do not receive options or bonus payments, or retirement benefits other than superannuation. There are no minimum shareholding requirements for directors.

The Managing Director and Chief Executive Officer receives fixed remuneration, together with incentives linked to achievement of Company key performance indicators (**KPIs**). In FY21, this included a short term incentive (to be paid in cash) and a long term incentive awarded in the form of rights to ordinary Emeco shares (**Performance Rights**). If the KPIs are not satisfied, no Performance Rights will be issued. If the KPIs are only partially satisfied, a proportion of the Performance Rights will be issued. The Performance Rights are scheduled to vest after the announcement of Emeco's annual results in 2023. The issue of the Performance Rights is subject to shareholder approval and, if the Managing Director and Chief Executive Officer leaves the Emeco Group due to his employment being terminated for misconduct or other breach of your employment contract, the Board may, in its absolute discretion, determine that all or part of the Performance Rights will lapse.

A remuneration report detailing Emeco's policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives and the information required by section 300A of the Corporations Act in relation to FY21 is included in the Annual Report on pages 23 to 38.

### **The share trading policy**

The principal objective of Emeco's share trading policy is to raise awareness, and minimise any potential for breach, of the prohibitions on insider trading contained in the Corporations Act. The policy is also intended to minimise any possible misunderstandings or suspicions arising from employees and officers trading in Emeco's shares by preventing trading at certain times of the year such as prior to the release of half and full year results and quarterly updates.

Emeco has appropriate compliance standards and procedures in place to ensure the share trading policy is properly adhered to. Employees are reminded of the commencement and end of each blackout period and a copy of the share trading policy accompanies these notifications.

Emeco has an equity-based remuneration scheme (see pages 25 to 28 of the Annual Report for more information) and, through its share trading policy, prohibits participants from entering into transactions which limit the economic risk of participating in the scheme.

A copy of the share trading policy is available in the corporate governance section of the Emeco website.

Signed in accordance with a resolution of the directors.



Ian Testrow  
Managing Director

Perth, 17th day of August 2021