

## AROWANA INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES (AWN)

For the year ended 30 June 2017

### Corporate Governance Statement

Arowana International Limited (the “Company” or “AWN”) and its controlled entities (together “Group”) had in place the following corporate governance policies and practices for financial year ended 30 June 2017, designed to address the principles contained in the Corporate Governance Council’s Principles and Recommendations. While the Principles and Recommendations are not mandatory, the Company seeks to ensure best practice Corporate Governance, appropriate for its size and circumstances.

The information in this statement is current at 31 August 2017 and has been approved by the Board.

### Principle 1 – Lay solid foundation for management and oversight

#### Board Roles and Responsibilities

The Board has formalised roles and responsibilities and makes a clear distinction between matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the responsibilities of the Board include:

- Oversight of the Company, including its control and accountability systems;
- Setting the Company’s major goals including the strategies and financial objectives to be implemented by management;
- Appointing, removing and controlling the Chief Executive Officer;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer / Chief Investment Officer and / or the Company Secretary;
- Input into and final approval of management’s development of the corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Monitoring senior management’s performance and their implementation of strategy, and ensuring that appropriate resources are available
- Review of succession planning;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Approving and monitoring financial and other reporting; and
- Corporate governance.



The Board has delegated responsibility to the Chief Executive Officer and Chief Financial and Operating Officer for:

- Developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- Maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- Developing the Group annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- Managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board;
- Making recommendations for the appointment of key management personnel, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for key management roles; and

Approval of capital expenditure and other business transactions within predetermined limits set by the Board.

### **Performance Evaluation**

The Board was responsible for approving the performance objectives and measures for the Chief Executive Officer and assessing whether these objectives had been satisfied by the performance of the Chief Executive Officer during the relevant period and in accordance with agreed terms of engagement.

The Chief Executive Officer was responsible for approving the performance objectives and measures of other senior executives in consultation with the Board.

The Board has adopted an on-going, self-evaluation process to measure its own performance and the performance of its committees.

The review process takes into consideration all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contributions to the overall management of the business.

### **Principle 2 – Structure of the Board to add value**

At 30 June 2017, the Board comprised of 3 non-executive directors and 1 executive director, the Chief Executive Officer. The Board comprises of:

- Kevin Tser Fah Chin – Executive Director and Chief Executive Officer (“CEO”)
- Hon John Colinton Moore – Non Executive Director
- Robert John McKelvey – Non Executive Director
- Anthony Paul Kinnear – Non Executive Director



## **Chairman**

During the year Kevin Tser Fah Chin, the CEO, who is an executive director acted as Chairman and is not considered an independent director.

## **Nomination and Remuneration Committee**

A Nomination & Remuneration Committee Charter has been adopted by the board of the Company and provides the terms of reference for the Nomination & Remuneration Committee.

## **Kevin Chin**

Kevin is the founder and Executive Chairman of Arowana, which comprises Arowana International Limited, Arowana Partners Group and Arowana Capital (where he was a co-founder).

He has over 15 years' experience as a "hands on" strategic and operational leader in CEO, CFO and COO roles for listed and unlisted companies where he has taken a significant shareholding position.

Kevin has also had over 15 years of funds management experience encompassing private equity, listed equities, fund of funds and venture capital.

Kevin has led the Arowana team to delivering annualised returns exceeding 30% on investments (both realised and unrealised) across both operating companies and funds since 2007.

These include Arowana International Limited, Evolution Group Holdings Limited, Intueri Education Group, the Arowana Australasian Special Situations Fund I and the Arowana Microcap Australasian Private Equity Fund I.

He also led the IPO of the listed investment company, Asian Masters Fund Limited in December 2007 and during his 2 year tenure as its defacto Chief Investment Officer, the Asian Masters Fund Limited beat its benchmark index by 29% and delivered a positive absolute return notwithstanding the Global Financial Crisis.

Prior to founding Arowana, Kevin led the \$12m privatization and management buyout of ASX listed software company, SoftLaw Corporation Limited (which was renamed to RuleBurst Limited) in November 2004 and became its hands-on CFOO. Together with the rest of the management team, they executed a rapid turnaround in the business and subsequently scaled it up globally. RuleBurst was acquired by Oracle Corporation in November 2008 for \$150m.

His prior professional experience includes working for the Lowy Family Group, J.P.Morgan, Ord Minnett, Price Waterhouse and Deloitte. Kevin holds a Bachelor of Commerce degree from the University of New South Wales where he was one of the inaugural University Co-Op Scholars with the School of Banking and Finance. Kevin is a Fellow of FINSIA (Financial Services Institute of Australasia) where he also lectured for the FINSIA Masters Degree course, Advanced Industrial Equity Analysis. He is also a qualified Chartered Accountant.

Kevin assumed the role of Executive Chairman in February 2015.



*Other current directorships in listed companies:*

- Arowana Australasian Value Opportunities Fund Limited
- VivoPower International PLC
- Arowana Inc. (in voluntary liquidation)

*Former directorships of listed companies in the last 3 years:*

None

*Special responsibilities:*

Kevin is the Chairman of the Company and also participates in all key decisions.

### **Robert McKelvey**

Rob was appointed in February 2015 and was previously Managing Director of the US technology research firm, Gartner Inc. for the Asia Pacific. He has extensive knowledge and experience of technology trends and developments and is also a certified master coach and is a strong advocate of building the right culture and coaching processes within organisations.

*Other current directorships in listed companies:*

None

*Former directorships of listed companies in the last 3 years:*

None

*Special responsibilities:*

Rob is Chairman of the Nomination and Remuneration Committee.

### **Anthony Kinnear**

Tony was appointed in November 2015 and has over 25 years of leadership experience with both private, high growth technology start-ups and large multinationals in Australia and throughout Asia. In his current role, he serves as Managing Director of Thomson Reuters for the ASEAN and North Asian regions, covering 14 geographies. Prior to this he has been CEO of four information and technology businesses, two of which he took to IPO. Tony brings a unique, real-world command of software and technology, research and big data as well as extensive fund raising, acquisition and operating experience. Tony holds a Bachelor of Arts with Honours and a Bachelor of Laws from the University of Sydney.

*Other current directorships in listed companies:*

None

*Former directorships of listed companies in the last 3 years:*

None

*Special responsibilities:*

None



## John Moore AO

John was a member of the Brisbane Stock Exchange between 1962 and 1975. He is currently serving as a Non-Executive Director of Arowana International Limited.

John was the former Federal Minister for Industry, Science and Tourism in 1996 and held that portfolio until 1998, also holding the position of Vice President of the Executive Council. In 1998, John assumed the role of Federal Minister of Defence and held that portfolio until his retirement from politics in 2001.

John holds a Bachelor of Commerce and Associate in Accountancy from the University of Queensland.

John has also held director or board memberships in a number of Australian companies, including Brandt Limited (Australia), P.F.C.B. Limited and Agricultural Investments Limited, and was a board member of Merrill Lynch Australia and Citinational Australia.

*Other current directorships in listed companies:*

- Arowana Australasian Value Opportunities Fund Limited
- Herencia Resources Limited
- Arowana Inc. (in voluntary liquidation)

*Former directorships of listed companies in the last 3 years:*

None

*Special responsibilities:*

John is Chairman of the Audit and Risk Committee and a Member of the Nomination and Remuneration Committee

## Board and Committee Meeting Attendance

Director	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Mr Anthony Kinnear	10	10	N/A	N/A	N/A	N/A
Mr Kevin Chin	11	11	N/A	N/A	N/A	N/A
Mr John Moore	9	11	2	2	N/A	N/A
Mr Robert McKelvey	11	11	2	2	N/A	N/A

*A = number of meetings attended*

*B = number of meetings held during the time the director held office during the reporting period.*



## **Principle 3 – Promote Ethical and Responsible Decision Making**

### **Code of Conduct**

A code of conduct is established. In summary, it provides that the directors and officers:

- Act honestly and in good faith and in the best interest of the Company;
- Use due care, skill and diligence in fulfilling their duties;
- Use the powers of their position for a proper purpose, in the interest of the Company;
- Will not misuse the Company’s information;
- Will not allow personal interests, or those of associates, conflict with the interest of the Company;
- Exercise independent judgement and actions;
- Maintain the confidentiality of Company information acquired by virtue of their position;
- Will not engage in conduct likely to bring discredit to the Company; and
- Will act honestly, in good faith and in the best interest of the Company.

### **Share Trading Policy**

The Company has a share trading policy regarding directors and employees trading in its securities. Directors, officers and employees were subject to the Corporations Act 2001(Cth) restrictions in relation to applying for, acquiring and disposing of securities in, or other relevant products of, the company (or procuring another person to do so), if they are in possession of inside information.

Under the Trading Policy, directors, officer and employees of the Company are restricted from trading in the Company’s securities during the following periods:

- Between the financial year end and the announcement to the ASX of final results for the year
- Between the financial half-year end and the announcement to the ASX of the interim results for the half-year
- Between the Notice of Annual General Meeting of the Company and the Annual General Meeting of the Company
- Any other period designated by the Board.

In addition, directors, officers and employees may not participate in any short-term or speculative trading of the Company’s securities.

### **Diversity**

The Board has adopted a diversity policy, available upon request. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.



The Board is responsible for developing policies in relation to a corporate culture that supports diversity and the implementation of measureable diversity objectives.

The Company's strategies may include:

- Recruiting from a diverse range of candidates for all positions including senior executive roles and board positions;
- Ensuring succession planning considers diversity;
- Mentoring and professional development programs;
- Networking opportunities;
- Pay equity to ensure equal pay for equal work across our workforce;
- Mentoring and support networks for women who return from maternity leave; and
- Training and awareness programs to foster a corporate culture that embraces and values diversity.

No women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives for director and senior executive positions as they become vacant and appropriately qualified candidates become available.

## **Principle 4 - Safeguard integrity in financial reporting**

### **Audit and Risk Committee**

The role of the Audit & Risk Committee is to assist the Board in monitoring the processes and controls associated with the financial reporting function that ensure the integrity of the Company's financial statements. Specifically, the audit committee oversees:

- The integrity of external financial reporting;
- The independence of the external auditor;
- Ensuring that the directors and senior management are provided with financial and non-financial information that is of the high quality and relevant to the judgments to be made by them;
- Ensuring that controls are established and maintained in order to safeguard the Group's financial and physical resources;
- Ensuring that systems or procedures are in place so that the Group complies with relevant statutory and regulatory requirements; and
- Assessing risks arising from the Group's operations, and consider the adequacy of measures taken to moderate those risks.

In accordance with the ASX's Corporate Governance Principles and Recommendations, the Audit & Risk Committee is comprised of a majority of independent directors. The Chairman of the Committee is The Hon. John Moore, and members are Mr. Rob McKelvey and Mr. Conor Byrne (Chief Financial and Operating Officer).



## **Principle 5 – Make timely and balanced disclosure**

The Company had a disclosure policy regarding procedures relating to the notification of price sensitive information to the ASX and the subsequent posting of announcements on the Company's website.

## **Principle 6 – Respect the rights of shareholders**

The Company has a shareholder communication policy which included:

- Dealing fairly, transparently and openly with both current and prospective shareholders;
- The use of available channels and cost effective technologies to reach shareholders who may be geographically dispersed and in order to communicate promptly with all shareholders; and
- Facilitating participation in shareholders meetings and dealing promptly with shareholder enquiries.

## **Principle 7 – Recognise and manage risk**

The Board has established a risk oversight and framework policy. The Board is responsible for the oversight of the Group's risk.

The CEO is responsible for preparing the Group's risk profile and establishing appropriate systems and controls to minimise risk.

The CEO reports on the risk profile and the effectiveness of these systems and controls to the Board of Directors at least annually.

The external auditors are requested to report any internal control issues that are identified in the course of review of the Group's half-year results and the audit of the full year results.

The CEO and CFO confirm annually in writing to the Board that the integrity of the financial statements is based on a sound system of risk management including internal compliance and control systems

The Group's risk management including internal compliance and control systems is operating efficiently and effectively in all material aspects.

The Group has no material exposure to economic, environmental or social sustainability risks and this is reviewed annually.

## **Principle 8 – Remuneration Policies**

### **Remuneration Policy**

The Nomination & Remuneration Committee Charter was adopted by the current Board of the Company to provide the terms of reference for the Nomination & Remuneration Committee.

The Nomination & Remuneration Committee's objective is to assist the Board in fulfilling its responsibilities by reviewing, advising and making recommendations to the Board on nomination and remuneration policies and practices.





Remuneration focussed responsibilities of the Committee include determining and agreeing with the Board the policy for the remuneration of the non-executive directors, the CEO and the executive team and will review the ongoing appropriateness and relevance of the remuneration policy.

Further remuneration focussed responsibilities of the Nomination & Remuneration Committee include making recommendations to the Board in relation to those executive incentive plans that require the approval of shareholders. In making those recommendations the Committee will have regard to the remuneration policy and to the total cost of each plan.

Under the Nomination & Remuneration Committee Charter, where practicable, the Committee will comprise solely of non-executive directors and have at least three members. New members will be proposed by the Chairman and approved by the Board. The Committee is for the time being chaired by Hon. John Moore AO and members are Mr. Rob McKelvey and Mr. Conor Byrne.

### **Remuneration Objectives**

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company.

### **Fixed compensation**

Fixed compensation consists of base compensation, as well as leave entitlements and employer contribution to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executives' compensation is also reviewed on promotion.

### **Performance linked compensation**

Under the revised LTVCP, enterprise office employees as a group will receive AWN shares to the value of 20% of any outperformance above an average 8% per annum hurdle rate of Arowana International Limited's enterprise value (with relevant adjustments for any debt or equity raised or returned), calculated over a 5 year period. The plan also makes provision for certain Early Trigger Events that may result in an early incentive payment, as was the case during the year.

### **Service Contracts**

#### *Kevin Chin – Chief Executive Officer*

Mr. Kevin Chin, in the role as Chief Executive Officer (CEO) has a contract of employment executed on 2 July 2013 with the company. The contract specifies the duties and obligations to be fulfilled in the role of CEO. The contract provides for a 6 month notice period for termination and base remuneration of \$30,000 per year.



***Gary Hui – Chief Investment Officer***

Mr. Gary Hui, in the role as Chief Investment Officer (CIO) has a contract of employment executed on 23 October 2014 with the company. The contract specifies the duties and obligations to be fulfilled in the role of CIO. The contract provides for a 3 month notice period for termination and remuneration arrangements as outlined above for company executives.

***Conor Byrne – Chief Financial and Operating Officer***

Mr. Conor Byrne, acted as interim Chief Financial Officer (CFO) from 10 March 2015 until 13 July 2015 when a contract of employment was executed for the permanent role of Chief Financial and Operating Officer (CFOO). The contract provides for a 3 month notice period for termination and remuneration arrangements as outlined above for company executives.

**Share-based Compensation**

No shares or options were granted to key management personnel as compensation during 2016 or 2017.

**Non-Executive Directors**

Directors' base fees are presently up to \$120,000 per annum, and non-executive directors do not receive performance-related compensation.

