



Collection House Group

Corporate Governance Statement

Approved By	CLH Board
Approval Date	
Version	11
Review Period	2017

Corporate Governance Statement

Collection House Limited's Board (the Board) and its Senior Executives are committed to achieving and demonstrating the highest standard of good corporate governance practices. We also foster a culture that values ethical behaviour and integrity.

The Board keeps the governance system under regular review to ensure it reflects changes in law and keeps pace with best practice developments in corporate governance.

The Company's listing on the Australian Securities Exchange (ASX) means it must comply with the *Corporations Act 2001*, the ASX Listing Rules and other Australian laws. As a part of this compliance, Collection House Limited (the Group) is required to disclose how it has applied the Recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations – 3rd Edition (the Principles and Recommendations) during the financial year ending 30 June 2017 (reporting period), explaining any departures from them. The Group has, unless otherwise stated, followed the Principles and Recommendations throughout the year.

More information

The Group's key policies, Board and Committee Charters and a checklist detailing its compliance with the Principles and Recommendations (Appendix 4G) are available from its website at www.collectionhouse.com.au/investors-corporate-governance.

A summary of the Group's corporate governance policies and procedures, organised in the same order as the Principles and Recommendations, is set out below.

This statement refers to the retired Chief Executive Officer (5 July 2016), Matthew Thomas, as he held this position during the reporting period. On and from 6 July 2016, Anthony Rivas has held the position as Chief Executive Officer.

Principle 1

Lay solid foundations for management and oversight

Role and Responsibility of Board and Senior Executives

The relationship between the Board and its Senior Executives is critical to the Group's long-term success.

The Board is responsible for guiding and monitoring the Group on behalf of its Shareholders, to account for performance and deliver long-term Shareholder value. The Board is responsible for the Group's strategic direction, for monitoring and guiding management, for overseeing effective governance and ensuring the Group's long-term financial soundness.

In addition, the Board (in conjunction with the Senior Executives) is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

During the reporting period, the Board had delegated responsibility to the Chief Executive Officer (CEO) and the Senior Executives, for matters that are not specifically reserved for the Board – such as the day-to-day management

of the Group's affairs and the implementation of its corporate strategy. These delegations are reviewed on an annual basis.

The Board Charter sets out the principles for how the Board operates and describes the Board's functions and responsibilities and those functions delegated to the CEO, and the Senior Executives.

To assist the Board in carrying out its responsibilities, it has established the following Committees:

- Audit and Risk Management Committee
- PDL Investment Committee (established 1 November 2016)
- Remuneration and Nomination Committee (from 1 July 2016 until 23 December 2016)¹

¹ The Remuneration and Nomination Committee was disbanded on 23 December 2016, with the functions, powers and delegations of the Committee absorbed by the Board.

Each Committee has adopted a formal Charter that outlines its duties and responsibilities. In circumstances where a Committee is disbanded, the functions, powers and delegations of that Committee are absorbed by the Board and the Board will continue to exercise those functions, powers and delegations in accordance with the Charter for that (now disbanded) Committee.

[More information](#)

A full list of specific functions that are reserved for the Board together with a list of functions delegated to the CEO, and the Senior Executives is set out in the Board Charter. The Board Charter together with the Committee Charters are available at www.collectionhouse.com.au/investors-corporate-governance.

Selection and Appointment of New Directors

When considering the selection and appointment of a new Director, the Board will carry out this function in conjunction with the Remuneration and Nomination Committee or where the Committee has been disbanded, the functions, powers and delegations of that Committee are absorbed by the Board and the Board will continue to exercise those functions, powers and delegations in accordance with the Charter for that (now disbanded) Committee. The Remuneration and Nomination Charter sets out the procedure for the selection and appointment of new Directors, which includes, but is not limited to, consideration of the following:

- The qualifications, experience and skills appropriate for an appointee, having regard to those of the existing Board members and likely changes to the Board in the foreseeable future
- Upon identifying a potential appointee, specific consideration is given to that candidate's:
 - competencies and qualifications
 - independence
 - other directorships and time availability
 - the effect of their appointment on the overall balance and composition of the Board
- Undertaking the appropriate checks of a potential appointee to ensure they are a fit and proper person before appointing that person as a Director

The above information, together with biographical detail, will also be made available for the Group's Shareholders when the Director stands for election as a Director in accordance with the Collection House Limited Constitution (the Constitution).

Re-appointment of Directors

The re-appointment procedures for incumbent Directors are outlined in the Constitution. In summary, subject to the specific matters described in the Constitution, an election of Directors must take place each year at which one third (excluding the Managing Director) of Directors must retire. Any Director who has been in office for three or more years and for three or more Annual General Meetings must also retire. Directors who retire are generally eligible for re-election.

Information pertaining to tenure and independence, together with any other material information held on a Director standing for re-appointment will be made available for the Group's Shareholder when that Director stands for re-election.

The Explanatory Memorandum attached to the Notice of Annual General Meeting will contain the above information including a statement as to whether the Board supports the election or re-election of the candidate.

More information

The Charter of the Remuneration and Nomination Committee, which details its duties, objectives and responsibilities, is available at www.collectionhouse.com.au/investors-corporate-governance.

Formal Appointments

All Board and Senior Executive appointments are pursuant to formal terms of appointment.

The formal terms of appointment will generally set out expectations (position description, duties, accountability and responsibility), commitment, remuneration, requirements to comply with key corporate policies including conflict of interest and securities trading policy, indemnity and insurance arrangements, access to corporate information, and circumstances under which the appointment may be terminated.

Company Secretary

Each Director of the Board has full and unfettered support from, and access to the Company Secretary. The Company Secretary is directly accountable to the Board, through the Board Chairman, for all governance matters that relate to the Board's proper functioning.

Policy Concerning Diversity

The Group has established a policy concerning diversity and has disclosed the policy on its website.

The Diversity Policy recognises that diversity can take many forms: cultural background, race, ethnicity, experience, gender, age, impairment or disability, sexual preference, religion, political beliefs or any other area of potential difference.

The Group values diversity and recognises the important benefits and contributions that people of diverse backgrounds make to the Group. Our diverse workforce is central to our continued growth and improved operational performance as employees of diverse backgrounds and experience are able to provide exceptional customer service to our equally diverse customer base.

The Group reviews annually the proportion of female employees in the Group, women in other Management positions, women in Senior Manager Positions, women in Senior Executive positions, and women on the Board. Set out below is the report for the year ending 30 June 2017.

Position	Number	%
Number of women employees in the whole organisation	418	59
Number of women in other Management positions (Team Leaders, Operations Managers, Supervisors)	29	51
Number of women in Senior Managers positions**	4	27
Number of women in Senior Executive positions*	3	30
Number of women on the Board	0	0

* Senior Executive include members of the Executive Management Team (EMT).

** Senior Managers' positions include 1 and 2 steps down from the CEO.

The Diversity Policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

Women account for 61 percent of the Group's Non-Manual positions and 42 percent of overall Managers in the Group. In 2015, the Board established the 2015-2016 and 2016-2017 measurable objectives in the context of a longer-term strategy, which will enable better opportunities for women to move into more senior managerial roles in the future.

In 2015-2016 the Board, through the Remuneration and Nomination Committee, assessed that the measurable objectives were substantially achieved. The exception were those objectives with a time frame that exceeds an individual reporting year.

In 2016-2017 in accordance with the Diversity Policy, the Board, following the Remuneration and Nomination Committee Charter assessed that the measurable objectives for 2016-2017 were substantially achieved.

The Committee made the following assessment of progress towards achieving the gender diversity objectives for 2016-2017:

- At least one female had been considered for each Senior Executive position
- The number of females in Management positions is now at 51 percent
- The number of females in the Leadership Excellence and Development (LEAD) program exceeded targets, with 51 percent of employees undertaking the LEAD program, being female.

Maintaining a workplace free from discrimination and harassment, and continuing to ensure we maintain a workplace that supports staff with family, carer and cultural responsibilities is embedded into our culture of diversity. The Group will continue to strive to maintain its best practice standards in this area.

To ensure the focus is maintained on the longer-term strategy for gender diversity the Board has set out the following diversity objectives moving forward:

- continue to focus on ensuring at least one female candidate is shortlisted for all Board, Senior Executive and Senior Management positions
- work towards maintaining and increasing the number of female Managers with a 50 percent benchmark

- commitment to ongoing training through The Leadership Academy and increasing participation of females into Executive Leadership Training by 5 percent, year on year.

More information

The Group's Diversity Policy is available at www.collectionhouse.com.au/investors-corporate-governance.

Evaluating Performance of the Board, its Committees and Directors

The Board is responsible for reviewing its procedure for the evaluation of the performance of the Board, its Committees and Directors, and addressing any issues that may emerge from that review.

A performance evaluation of the Board, its Committees and Directors is undertaken annually near the completion of the financial year by interviewing Directors, and can include written surveys sent to each Director and Committee member.

The performance review is usually facilitated internally and covers the role, composition, procedure and practices of the Board and its Committees. The individual responses provided are confidential to each Board and Committee member. The Chair formally discusses the results with the Directors and the Committees.

The Chair is reviewed by his fellow Directors adjudging his performance and contributions to the Board, Board discussions, leadership, and in guiding and assisting the Board to comply with its Charter.

Periodically, the Board, via the Chair of the Remuneration and Nomination Committee (where and when empowered), may consider using external facilitators to conduct these performance reviews.

During the reporting period, the Board and its Committees were evaluated following the end of the financial year and in accordance with a written survey, and as described above.

Evaluating Performance of Senior Executives

The Board is responsible for reviewing Collection House's procedure for the evaluation of the performance of the Senior Executives and addressing any issues that may emerge from that review.

The Board has established processes for evaluating the performance of the CEO, and Senior Executives. The individual performance of the CEO, and each of the Senior Executives is evaluated against the achievement of agreed performance objectives. The evaluation process is conducted annually and is followed by the determination of appropriate remuneration for the relevant Senior Executive.

The performance review of the CEO is undertaken by the Chair of the Board who then makes recommendations to the Board. The performance review of the other Senior Executives is undertaken by the CEO and approved by the Board.

Detailed information regarding the Group's remuneration practices is provided in the Remuneration Report contained in the Directors' Report section of the Annual Report. The CEO, and Senior Executives were evaluated following the end of the financial year in accordance with the processes described in the Remuneration Report.

More information

The Charters and Policies which set out functions, responsibilities and accountabilities that support Principle 1, comprising part of the Group's Corporate Governance suite of policies, are available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 2

Structure the Board to add value

Composition of the Board

As at 30 June 2017, the Board comprised four Directors (including the Chair), all of whom are Independent Non-Executive Directors.

On 1 July 2016, the Board comprised of seven Directors (including the Chair), all of whom are Non-Executive Directors - including Leigh Berkley and Lev Mizikovsky (a substantial Shareholder) who were appointed to the Board on 1 July 2016.

During the reporting period, David Gray retired from the Board effective 5 August 2016; David Liddy retired as the Chair and from the Board effective 4 November 2016; Julie-Anne Schafer retired from the Board effective 4 January 2017; Lev Mizikovsky retired from the Board effective 30 January 2017.

Michael Knox was appointed to the Board effective 24 March 2017. In accordance with the Constitution, Michael Knox will stand for election at the Annual General Meeting.

Remuneration and Nomination Committee

The role and function of the Nomination Committee has been incorporated into the Remuneration and Nomination Committee.

During the reporting period, the functions, powers and delegations of Remuneration and Nomination Committee were absorbed by the Board effective 23 December 2016. On and from 23 December 2016 the Board has exercised those functions, powers and delegations of the Committee in accordance with the Remuneration and Nominations Charter. The members of the Remuneration and Nomination Committee until disbanded are set out in the table below:

Start Date	End Date	Members	attendance	independent
1 July 2016	5 August 2016	David Gray (chair) David Liddy; Julie-Anne Schafer; Philip Hennessy	1 1 2 4	Yes – all independent non-executive directors
5 August 2016	3 November 2016	Julie-Anne Schafer (chair); David Liddy; Philip Hennessy; Lev Mizikovsky; Kerry Daly	2 1 4 1 3	Yes – the majority were independent non-executive directors
3 November 2016	4 November 2016	Julie-Anne Schafer (chair); Philip Hennessy; Lev Mizikovsky; Kerry Daly	2 4 1 3	Yes – the majority were independent non-executive directors
4 November 2016	23 December 2016	Julie-Anne Schafer (chair); Philip Hennessy; Lev Mizikovsky; Kerry Daly	2 4 1 3	Yes – the majority were independent non-executive directors

23 December 2016	30 June 2017	Philip Hennessy	4	Yes – all independent non-executive directors
		Kerry Daly	3	
		Leigh Berkley	2	
		Michael Knox	1	

The Committee had met on four occasions prior to the Committee being disbanded on 23 December 2016. On and from 23 December 2016, the full Board met on a further five occasions during the reporting period. From 23 December 2016 until 30 January 2017 the majority of the Board were independent, non-executive directors. On and from 31 January 2017 until the close of the reporting period, all Board members are independent, non-executive directors.

Information about each current Board member's qualifications, skills, experience and their attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report section of the Annual Report.

In relation to nomination matters, the Board continues to exercise the functions, powers and delegations in accordance with the Remuneration and Nominations Committee Charter. Below outlines duties reviewed by the Board (usually reviewed by the Remuneration and Nomination Committee) on nomination matters prior to recommendations being made to the Board:

- Board succession planning
- Induction and continuing professional development program for Directors
- The development and implementation of a process for evaluating the performance of the Board, its Committees and Directors
- The process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of the evaluation, preparing a description of the role and capabilities required for a particular appointment
- The appointment and re-election of Directors
- Ensuring there are plans in place to manage the succession of the CEO and other Senior Executives.

More information

The Charter of the Remuneration and Nomination Committee, which details its duties, objectives and responsibilities, is available at www.collectionhouse.com.au/investors-corporate-governance.

Directors Skills and Experience

The Board is committed to ensuring its composition has the appropriate collective mix of skills, experience, expertise and diversity to enable them to appropriately discharge their duties effectively.

The function of developing a skills matrix that sets out the mix of skills, experience and diversity that the Board currently has together with identifying the desired skills and diversity the Board aims to achieve is usually delegated to the Remuneration and Nomination Committee. However since the Board disbanded this Committee on 23 December 2016, the Board is responsible for this function.

Collectively, the Board has an extensive range of commercial skills and other relevant experience to ensure the effective management of the business. Board members, including some who are also directors of other companies, together have a combination of experience in the following business areas:

- Financial qualifications, experience and literacy
- Governance
- Data analytics/management

- Industry
- Risk and compliance
- Corporate strategy

The Board considers its current members to have an appropriate mix of skills that enable the Board to discharge its responsibilities, and deliver the Company's strategy and corporate objectives.

Information about each current Director's qualifications, skills, experience and period in office is set out in the Directors' Report section of the Annual Report.

Independence of Directors and the Board

As at 30 June 2017, the Board comprised of four Directors, all of whom were Independent Directors. Therefore, the Directors are independent. On and from 1 July 2017 the Board comprises of four Directors, all of whom are Independent Directors, thus, the Directors are independent.

The Board considers a Director to be independent if they are independent of Management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of Director independence, 'materiality' is considered from the perspective of both the Group and individual Director. In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it may interfere, or may reasonably be perceived to interfere, with the Director's capacity to bring an independent unfettered judgement to bear, and to act in the best interests of the Group and its Shareholders.

Assessment requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to act in an independent manner.

As at 30 June 2017 and in accordance with the definition of independence above, and in consideration of the independence criteria set out in Box 2.3 of the ASX Principles and Recommendations 3rd Edition, the Board has reviewed the independence status of each Director. The table below details the names of the Directors, their independence status and tenure on the Board.

Director	Independent	Executive / Non-Executive	Tenure
David Liddy (appointed 27 March 2012 retired 4 November 2016)	Independent	Chair	4 years, 8 months
Kerry Daly (appointed 30 October 2009)	Independent	Chair	7 years, 8 months
David Gray (appointed 28 June 2011 retired 5 August 2016)	Independent	Non-Executive	5 years, 2 months
Philip Hennessy (appointed 22 August 2013)	Independent	Non-Executive	3 years, 10 months

Julie-Anne Schafer (appointed 28 January 2014 retired 4 January 2017)	Independent	Non-Executive	2 years, 11 months
Leigh Berkley (appointed 1 July 2016)	Independent	Non-Executive	12 months
Lev Mizikovski (appointed 1 July 2016 retired 23 January 2017)		Non-Executive	7 months
Michael Knox (appointed 24 March 2017)	Independent	Non-Executive	4 months

In accordance with the Group's Conflict of Interest Policy and the Board of Directors' Charter, Directors have a continuing obligation to disclose any interests or relationships, including any related financial or other details, to the Board for determination as to whether that interest or relationship could, or could reasonably be perceived to, materially interfere with the exercise of a Director's unfettered and independent judgement. Conflicts of interest is a standing agenda item at each Board meeting, requiring each Director to disclose any new information which could, or could reasonably be perceived to, impair the Director's independence.

In applying its policy on independence, the Board's emphasis is to encourage independent judgement amongst all Directors at all times – irrespective of their background. Nonetheless, the independence of each Director is assessed annually.

More information

The Group's Board of Directors Charter together with the Conflict of Interest Policy are available at www.collectionhouse.com.au/investors-corporate-governance.

Independent Chair and CEO

The roles of Chair and CEO are exercised by separate persons.

The role of the Chair for the reporting period, was filled by David Liddy (Independent Non-Executive Director) until 4 November 2016 (when David Liddy retired) and was then succeeded by Kerry Daly.

The role of the CEO, for the reporting period, was filled by Matthew Thomas CEO until 5 July 2016 (when Matthew Thomas retired) and was then succeeded by Anthony Rivas.

Director Induction and Continuing Education

Upon appointment, an induction process is carried out as part of the new Director's appointment to the Board.

The induction process is designed to enable the immediate, active and valuable contribution by the incoming new Director to the Board's decision-making processes. Typically, the induction process involves the new Director meeting with their fellow Directors and Senior Executive members to discuss the Group's strategic objectives, financial affairs, culture, values, risks and operations.

An induction pack is also provided by the Company Secretary which documents a wide range of matters relevant to the Group's governance. This includes the roles, responsibilities and activities of the Board, its Committees, the Senior Executives and Management.

Ongoing director education is provided through regular presentations on key business functions or activities. The external auditor, and industry experts also address the Board from time to time on matters relevant to the Group's business or its operating environment.

Continuing education and training and/or professional development of Directors to enhance, maintain or develop skills and experience is encouraged and supported by the Board to assist the effective performance of the Director. The Board delegates the function of identifying skills desired or identifying gaps to the Remuneration and Nomination Committee, when that Committee is disbanded, the responsibility is that of the Board. Continuing education and training and/or professional development for those desired skills identified and/or gap filling, will be made available to Directors at the Company's expense.

Independent Advice

To enable the Group's Board to fulfil its role, each Director may obtain independent advice on relevant matters at the Group's expense.

Directors are entitled, with the approval of the Board Chairman, to obtain independent professional advice relating to their role as a Director. A copy of any advice received by a Director is made available to all other Board members, except where the circumstances make that inappropriate.

Further, all Directors have unrestricted and unfettered access to the Group's records and information, and receive regular detailed financial and operational reports from members of the Senior Executive that enable them to carry out their duties.

The Chair and the Directors regularly consult with the CEO, the CFO / Company Secretary and members of the Senior Executive. In addition, Directors may consult with, and request additional information from, any of the Group's employees.

Each Board Committee has the full authority of the Board to:

- Communicate and consult with external and internal persons and organisations concerning matters delegated to the Committee
- Appoint independent experts to provide advice on matters delegated to the Committee

More information

The Charters and Policies which set out functions, responsibilities and accountabilities that support Principle 2, comprising part of the Group's Corporate Governance suite of policies, are available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 3

Act ethically and responsibly

The Board demonstrates its commitment to, and encourages a culture of ethical and responsible behaviour in all business activities and operations carried out by the Group. This is achieved by articulating in the Code of Conduct for Directors and Senior Executives, together with the philosophy and standards the Board regards as 'acceptable business' and 'ethical practices' for its Directors, Senior Executives and all employees.

Code of Conduct

The Code of Conduct outlines the standard of ethical behaviour that is expected of its Directors and Officers at all times. Together with the philosophy for all employees, these policies act as the guiding principles for acceptable behaviours and responsibilities. It also states:

- Practices required by employees to maintain confidence in Collection House's integrity and ethical standards
- Expectations regarding professionalism, respect for the law, conflicts of interest, confidentiality, environment and good corporate values
- Legal obligations of employees and the reasonable expectations of their stakeholders
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices

There are a number of internal policies in place as part of a compliance framework to monitor and encourage adherence with the Code of Conduct and industry codes. The key related policies include:

- Conflict of Interest Policy
- Whistleblower Policy
- Securities Trading Policy

More information

The Code of Conduct for Directors and Senior Executives is available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 4

Safeguard integrity in corporate reporting

Collection House Audit and Risk Management Committee and Charter

The Board has established an Audit and Risk Management Committee to review the integrity of the Group's financial reporting, and to oversee the Group's external and internal auditors.

As at 30 June 2017, the current members of the Audit and Risk Management Committee were Philip Hennessy (Chair and Independent Director) Kerry Daly and Leigh Berkley. During the reporting period, the members of the Committee were a majority of independent Non-Executive Directors. The Committee met nine times during the reporting year.

Information about each current Committee member's qualifications, skills, experience and their attendance at Audit and Risk Management Committee meetings are set out in the Directors' Report section of the Annual Report.

The Audit and Risk Management Committee has adopted a formal Charter that outlines its duties and responsibilities.

The Charter includes information on the procedures for selection and appointment of the external auditor of the Group, and for the rotation of external audit engagement partners. Annually, the Committee is responsible for evaluating and monitoring the external auditors' qualifications, independence, performance, capability and service provided by the external auditor. The Committee conducted its monitoring and evaluation of the external auditor and provided its findings to the Board.

More information

A full copy of the Group's Audit and Risk Management Committee Charter is available at www.collectionhouse.com.au/investors-corporate-governance.

Chief Executive Officer and Chief Financial Officer Financial Statement Declarations

The Board regularly receives reports about the Group's current financial and operational results.

At each reporting period, the CEO and CFO declare and certify to the Board Pursuant to section 295A of the *Corporations Act 2001*, that in their opinion, the Group's financial records of the Company have been properly maintained and that the financial statements present a true and fair view in all material respects, of the financial position, the financial conditions and operational/performance results of the Group at that date, and are in compliance with the relevant Accounting Standards and section 286 of the *Corporations Act 2001*. In their opinion, the report has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

Auditor Attendance at Annual General Meeting

The Board is committed to safeguarding the integrity of the Group's corporate reporting, and aims to ensure reporting is accurate, reliable and presents a true and fair view of the Group's financial position and its performance, and has been based on a sound system of risk management and internal controls.

In support of the Board's commitment, the Board requests and requires as part of the auditor appointment, the external auditor who conducted and supervised the audit of the Group's financial results together with its internal controls, attends our Annual General Meeting each year. This is for the purpose of supporting the audited financial reports and to answer any relevant questions from our Shareholders concerning the audit. The Board's requirements are contained in the Investor Relations Guideline.

More information

The Audit and Risk Management Charter together with the Investor Relations Guideline are available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 5

Make timely and balanced disclosure

Policy to Ensure Compliance with ASX Listing Rule Disclosure Requirements

The Group aims to keep analysts, investors, Shareholders and the market fully informed of its financial performance and strategy.

The Continuous Disclosure Policy sets out the procedures to be followed to regulate the communication of market sensitive information, ensure material information is not disclosed on a selective basis and to ensure the Group's processes are compliant with its continuous disclosure obligations.

The policy addresses:

- The roles and responsibilities of Directors, Senior Executives and employees in complying with the Group's disclosure obligations
- Safeguarding the confidentiality of corporate information to avoid premature disclosure
- Media contact and comment
- External communications such as analyst briefings and responses to Shareholders' questions
- Measures for responding to or avoiding the emergence of a false market in the Group's securities

More information

The Group's Continuous Disclosure Policy that supports Principle 5 is available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 6

Respect the rights of Shareholders

Corporate Governance Website

The Group has a corporate website that has a dedicated 'Investors' web page, which includes links to:

- All ASX communications, daily and historical share price information, annual reports and financial statements, presentations, notices of meetings of Shareholders and accompanying memorandums and other important information about the Group
- The names, and a brief biographical for each of the Group's Directors and Senior Executives
- The Constitution, the Board of Directors' Charter, the Committee Charters (Audit and Risk Management Committee, PDL Investment Committee and the Remuneration and Nomination Committee)
- The corporate governance policies, including the current Corporate Governance Statement
- Key company dates and if applicable, the venue
- Contact details of our securities registry
- Make Shareholder enquiries with the Group at any time (via the Investor Enquiries link on our website, <http://www.collectionhouse.com.au/contact>)

Promotion of Effective Communication with Shareholders

The Group has an Investor Relations Guideline which seeks to promote effective communication with its Shareholders. The Guideline explains how information concerning the Group will be communicated to Shareholders. The communication channels include:

- Collection House's Annual Report
- Disclosures made to the ASX
- Notices of Meeting and other Explanatory Memoranda
- Investor presentations

Shareholders are able to make enquiries with the Group at any time through the Investor Enquires page on the Group's website.

Facilitate and Encourage Participation and Meetings of Shareholders

The Investor Relations Guideline seeks to provide non-attending Shareholders with the ability to exercise their rights to ask questions about, or make comments on, the management of the Group by providing their questions and/or commentary ahead of the Annual General Meeting.

Where appropriate, these questions or comments will be read and answered at the Annual General Meeting or by the Group providing a transcript of the questions and a written answer at the Annual General Meeting. The

Shareholder will be provided with the transcript of the question and the written answer after the close of the Annual General Meeting.

Electronic Communication with Shareholders

At the 2011 Annual General Meeting, the Board of Directors and Shareholders voted in the affirmative to make changes to the Constitution, thus enabling electronic communications as and between the Group and its Shareholders.

Since the 2011 Annual General Meeting and in continuance of promoting the speed, convenience and environmental friendliness of electronic communications, the Group has enabled Shareholders to directly send and receive electronic communications from the Group's share registry.

Shareholders can access these services directly from the Group's website available at www.collectionhouse.com.au (under the heading Investors).

More information

The Group's website and the Investor Relations Guideline are available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 7

Recognise and manage risk

Oversight and Management of Risk

The Board recognises that risk management is an integral part of the industry in which the Group operates. The Board is responsible for, and has established, policies for the oversight and management of business risk and has adopted a formal Risk Management Policy and Framework.

Management of risk is overseen by the Board. The Audit and Risk Management Committee oversee, review and report back to the Board on the integrity and soundness of the Risk Management Policy and Framework to ensure that it not only identifies and manages risk, but also identifies opportunities for the Group that can create additional value.

The Audit and Risk Management Committee reviews and makes recommendations to the Board on:

- The adequacy of the Group's processes for managing risk
- Any incident involving fraud or other breakdown of the Group's internal controls
- The Group's insurance program, having regard to the Group's business and the insurable risks associated with the Group's business operations

The structure of the Audit and Risk Management Committee, its members, its Chair and the number of times it has met throughout the reporting period is detailed above under Principle 4. The Charter of the Audit and Risk Management Committee is available from www.collectionhouse.com.au/investors-corporate-governance.

As the Board is ultimately responsible for risk management, it has established the risk appetite and strategy for the Group. It is the role of the Senior Executive to design, implement and report on the soundness, adequacy and effectiveness of the risk management system and internal controls within the Group and to ensure that Group operations operate within the risk appetite and strategy set by the Board.

Senior Management has implemented a Risk Management Policy and Framework based on AS/NZs ISO 31000:2009 – Risk Management – Principles and Guidelines. The Risk Management Policy provides guidance to assist in the

identification, assessment, monitoring and management of risk for the Group and requires that the results are reported to the Board through the Audit and Risk Management Committee. The Framework identifies specific key risks at all levels of the business and provides for the reporting and monitoring of material risks across the Group.

The Board receives periodic reports through the Audit and Risk Management Committee, that provides a summary of the results of risk management initiatives within the Group so that the Board can satisfy itself that the Risk Management Framework continues to be sound, and that the Group is operating within the risk appetite and strategy set by the Board.

The Board has conducted a review of the Group's risk management framework during the reporting period, which has resulted in amendments to the management of risk to further accord with AS/NZS ISO 31000:2009. In particular, the introduction of the formal recording and internal reviews of business learning incidents to support the Risk Management Policy and Framework.

Internal Audit Function

The Group established an internal audit function in 2004 to assist the Group to accomplish its objectives. This is achieved by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes.

Internal Audit has a direct reporting line to the Chief Executive Officer who has a direct reporting line to the Chair of the Audit and Risk Management Committee. The Audit and Risk Management Committee annually reviews the Internal Audit Plan for the upcoming year, and makes recommendations for its endorsement. At each meeting of the Audit and Risk Management Committee, a standing item is the review of scope of the approved Audit plan. This is together with Internal Audits findings and recommendations, management responses, and risk mitigation/corrective action strategies.

The scope of work of the Internal Audit Department is to determine whether the Group's framework of risk management, internal controls, and corporate governance processes, as designed and implemented by management, are adequate and functioning – together with reporting its findings directly to the Chief Executive Officer. The Internal Audit mission and scope of work is documented in the Internal Audit Charter, which is also subject to annual review by the Audit and Risk Management Committee.

Risk Exposure

The Group does not operate in a sector that exposes it to any material economic, environmental or socially sustainable risks.

More information

Full copies of the Group's Audit and Risk Management Committee Charter and Risk Management Policy are available from www.collectionhouse.com.au/investors-corporate-governance.

Principle 8

Remunerate fairly and responsibly

Remuneration of Board Members and Senior Executives

Remuneration is a key focus for investors and our Shareholders. The Board is charged and responsible to balance:

- The Group's desire to attract and retain high quality Directors and to attract, retain and motivate Senior Executives

- The need to ensure incentives for Senior Executives encourage them to pursue the growth and success of the Group (both in the short-term and over the longer-term) without taking undue risks
- The need to ensure incentives for Non-Executive Directors do not conflict with their obligation to bring an independent judgement to matters before the Board
- The Group's commercial interest by not excessively over-remunerating.

During the reporting period, the functions, powers and delegations of Remuneration and Nomination Committee were absorbed by the Board effective 23 December 2016. On and from 23 December 2016 the Board has exercised those functions, powers and delegations of the Committee in accordance with the Remuneration and Nominations Charter. The members of the Remuneration and Nomination Committee until disbanded are set out in the table on page 7.

The Committee had met on two occasions prior to the Committee being disbanded on 23 December 2016. On and from 23 December 2016, the full Board met on a further two occasions during the reporting period. From 23 December 2016 until 30 January 2017 the majority of the Board were independent, non-executive directors. On and from 31 January 2017 until the close of the reporting period, all Board members are independent, non-executive directors.

Information about each current Board member's qualifications, skills, experience and their attendance at Remuneration and Nomination Committee meetings are set out in the Directors' Report section of the Annual Report.

Detailed information regarding the Group's remuneration practices is provided in the Remuneration Report contained in the Directors' Report section of the Annual Report. Senior Executives were evaluated following the end of the financial year in accordance with the processes described in the Remuneration Report. No individual Director or Senior Executive was involved in deciding their own remuneration.

Remuneration of Non-Executive Directors and Senior Executives

The role of the Board when considering remuneration includes the review and recommendation of appropriate Directors' fees to be paid to Non-Executive Directors.

The Board also considers how the remuneration policies are applied to Senior Executives, including any equity-based remuneration plan that may be considered, subject to Shareholder approval (where required). When considering the entitlement by members of the Senior Executives to short-term incentive (STI), and long-term incentive (LTI) payments and entitlements, the Board exercises its discretion in relation to the payment of these benefits. This includes having regard to the overall performance of individual Senior Executives against objectives set by the Board for the CEO and members of the Senior Executive, and the overall performance of the Group. Details of STI and LTI schemes are set out in the Remuneration Report of the Directors' Report section of the Annual Report.

The objectives of the Group's remuneration policies are to ensure that:

- Senior Executives are motivated to pursue the long-term growth and success of the Group
- There is a clear relationship between performance and remuneration

The Group will reduce, cancel or claw back any performance-based remuneration in the event of serious misconduct or a material misstatement of the Group's financial statements.

Following the end of the financial year, the Board reviewed and approved:

- The CEO's performance against objectives set by the Board for the financial year ending 30 June 2017 and, consequently, the short-term bonus to be awarded to the CEO and Senior Executives referable to the financial year ending 30 June 2017
- The remuneration for the CEO and members of the Senior Executive, which will apply during the financial year

ending 30 June 2018

- The short-term incentives for the CEO and members of the Senior Executive, which will apply during the financial year ending 30 June 2018
- The long-term incentives for the CEO and members of the Senior Executive.

Policy on Entering into Transactions in Associated Products which limit Economic Risk

Group employees who hold Collection House shares (unvested or vested as the case may be) under the Performance Rights Plan (PRP or the Plan) are not permitted to hedge or create derivative arrangements in respect to those shares, or any of their rights and interests in any of those shares. Non-Executive Directors do not participate in any Performance Rights Plan.

The rules of the PRP specifically provide that a participant must not grant or enter into any Security Interest in or over any Collection House shares that may be acquired under the Plan (Participant Shares), or otherwise deal with any Participant Shares or interest in them until the relevant Participant Shares are transferred to the participant in accordance with the Plan rules. Security Interests are defined to extend to any mortgage, charge, pledge or lien or other encumbrance of any nature, and include any derivative relating to or involving a Participant Share.

Any Security Interest, disposal or dealing made by a participant in contravention of the Plan rules will not be recognised by the Group.

A summary of current remuneration arrangements, including performance rights are set out in more detail in the Remuneration Report section of the Directors' Report.

More information

The Group's Remuneration Charter and Performance Rights Plan are available at www.collectionhouse.com.au/investors-corporate-governance.

Other Corporate Governance Policies

Securities Trading

Policy Concerning Trading in the Group's Securities

The Group has adopted a formal Securities Trading Policy, which details the Group's policy concerning trading in the Group's shares by Directors, members of the Senior Executive and all employees.

The policy is reviewed annually by the Board and was last updated and disclosed to the ASX on 26 April 2017, in accordance with ASX Listing Rules. The policy addresses each of the ASX requirements, including provisions relating to the prohibition of trading by Directors and members of the Senior Executive in the Group's securities.

A copy of the Securities Trading Policy was given to the ASX and released to the market and is available at www.collectionhouse.com.au/investors-corporate-governance.