

# CORPORATE GOVERNANCE

The Board of Directors of K&S Corporation Limited is responsible for the governance of the consolidated entity. The Board guides and monitors the business and affairs of K&S Corporation Limited on behalf of the Shareholders by whom they are elected and to whom they are accountable.

In keeping with the Australian Securities Exchange Corporate Governance Council's updated Corporate Governance Principles and Recommendations, this statement outlines the Company's compliance with the ASX principles.

The K&S Corporation Limited Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

## **Principle 1**

Lay solid foundations for management oversight

## **Principle 2**

Structure the board to add value

## **Principle 3**

Act ethically and responsibly

## **Principle 4**

Safeguard integrity in corporate reporting

## **Principle 5**

Make timely and balanced disclosure

## **Principle 6**

Respect the rights of shareholders

## **Principle 7**

Recognise and manage risk

## **Principle 8**

Remunerate fairly and responsibly

## **The Roles of the Board and Management**

The Board has a Charter which establishes the relationship between the Board and Management and describes their functions and responsibilities in a manner which is consistent with ASX Principle 1.

The role of the Board is to oversee and guide the Management of K&S Corporation Limited and its businesses with the aim of protecting and enhancing the interests of Shareholders while taking into account the interests of employees, customers, suppliers and the community at large.

The Board is responsible for setting and approving the strategic direction of the Company, establishing goals for Management and monitoring the achievement of those goals. The Board is also responsible for appointing, overseeing and evaluating the performance of, and ultimately for the removal of, the Managing Director.

The Managing Director is responsible to the Board for the day to day management of the Company. Matters delegated to the Managing Director by the Board include:

- developing business plans, budgets and strategies for consideration by the Board and (where approved by the Board) the implementation of such business plans, budgets and strategies;
- identifying and managing operational risks that could have a material impact on the Company and its operations and implementing internal controls and procedures to ensure that the Company's business operates within legislative requirements and the risk parameters approved by the Board from time to time; and
- ensuring that transactions, commitments and arrangements that exceed thresholds set by the Board from time to time are approved by the Board.

The Company's Board Charter which sets out the full roles and responsibilities of the Board and Management respectively is available on the Company's website ([www.ksgroup.com.au](http://www.ksgroup.com.au)).

Non-Executive Directors have written agreements with the Company setting out the terms of their appointment.

The Company Secretary is accountable directly to the Board, through the Chairman, for the proper administration and functioning of the Board.

All Management, including the Managing Director, have clear statements of roles and responsibilities. The performance of Key Executives is reviewed not less than annually by the Managing Director.

The review involves an open exchange of ideas between the Managing Director and Key Executives. The performance of Key Executives is reviewed against matters including financial targets (eg, budget), HS&E management, and achievement of specific strategic and business objectives.

## **Structure of the Board**

The Board currently comprises of three Non-Executive Directors, including the Chairman, and one Executive Director, namely, the Managing Director.

The qualifications, experience and periods of service of each of the Directors is set out on page 14 and 15 of the Annual Report.

Directors are expected to bring independent views and judgment to the Board's deliberations. Consistent with the ASX Principles, the Board Charter requires the Board include a majority of Non-Executive Directors, a Non-Executive Chairman and to have a different person filling the roles of Chairman and Managing Director. The Chairman of the Audit Committee cannot be Chairman of the Board.

Directors of the Company are considered to be independent when 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 independent judgment.

Materiality of business and other relationships held by a Director is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements.

Quantitative factors relate to the financial value of the business or other relationship. Qualitative factors considered include whether a relationship is strategically important, the competitive context of the relationship, the nature of the relationship and the contractual or other arrangements governing it or other factors which point to the actual ability of the Director in question to influence the direction of the Company other than in the best interests of the Company as a whole.

The Board has reviewed the position of each of the Directors in office at the date of this report and considers the following Directors of the Company to be independent:

<b>Name</b>	<b>Position</b>
R Smith	Non-Executive Director

The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

The Board considers the following Directors as not independent:

**P Sarant** Managing Director

**T Johnson** Non-Executive Director (Chairman)

Mr Johnson is a Director of AA Scott Pty Ltd, the largest Shareholder of K&S Corporation Limited.

**L Winser** Non-Executive Director

Mr Winser was appointed as a Director of the Company on 23 August 2013. Mr Winser formerly occupied the position of Managing Director of the Company until his retirement on 25 May 2012. Mr Winser is also an alternate director of several companies with the Scott Group of Companies.

The date of appointment of each Director of the Company is set out on page 14 and 15 of the Company's 2016 annual report.

The Board structure is consistent with ASX Principle 2, with the exception of:

- Recommendation 2.4 which requires that the majority of the Board be independent Directors. The Board considers that the mix of skills and experience of and the contributions by the non-independent Non-Executive Director offsets the benefits to the Company of having a majority of independent Non-Executive Directors. However, as part of the review of Board Performance (refer page 34), Directors have regard to the balance of independent and non-independent Non-Executive Directors.

- Recommendation 2.5 which requires that the Chairman of the Board be an independent Director. Mr Johnson is Chairman of the Board and is not considered by Directors to be independent. Mr Johnson however is a non-executive Chairman and does not also share the role of CEO. The Board considers that the skills and experience that Mr Johnson brings as Chairman add value to the deliberations and functioning of the Board.

The Company has a Diversity Policy which is consistent with ASX Principle 1. The objective of the Diversity Policy is to promote a corporate culture within the Company where the diverse experiences, perspectives and backgrounds of people are valued and embraced and which is conducive to the recruitment of well qualified and diverse employees, senior management and Board members.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The Board meets formally eleven times a year and on other occasions as required. During the course of the year, the Board's sub-committees meet on a number of occasions to deal with their specific responsibilities in relation to the Company's business. Senior Management attend and are a vital ingredient to the sub-committees, making presentations, providing information and responding to questions of the Directors. All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Company records and information held by employees and external advisers.

The Board receives regular financial and operational reports from Senior Management to enable it to carry out its duties and responsibilities.

## **Retirement and re-election of Directors**

The Company's Constitution requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been newly appointed by the Board during the year are also required to stand for re-election at the next Annual General Meeting, but are not taken into account in determining the number of Directors retiring at that Annual General Meeting. Retiring Directors are eligible for re-election by Shareholders.

The Company will disclose all material information in its possession relevant to the decision of Shareholders whether to re-elect Directors in the explanatory notes to the Company's notice of annual general meeting. In particular, the Company will provide details of Directors' relevant experience and qualifications, tenure, other material directorships, independence, shareholding, and any associations with and/or interests in the Company.

The Company will also include a recommendation to Shareholders from the Board (excluding always the relevant Director standing for re-election) on whether to vote in favour of the re-election of Directors.

## **Review of Board Performance**

The Board has implemented a process for the regular review of its overall performance, consistent with ASX Recommendation 1.6. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors.

The Board's performance review departs from Recommendation 1.6 as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only four Directors, the Board considers this the most effective way to address its own performance.

## **Committees of the Board**

Three standing Board Committees assist the Board in the discharge of its responsibilities.

These committees are:

- **The Audit Committee**
- **The Nomination and Remuneration Committee**
- **The Environmental Committee**

### **Audit Committee**

The Board has an established Audit Committee, which operates under a Charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information.

The Board has delegated to the Audit Committee the responsibility overseeing the financial reporting process of the consolidated entity and ensuring the competency and independence of the Company's external auditors, consistent with ASX Principle 4.

The Audit Committee provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports. All members of the Audit Committee are Non-Executive Directors.

Among the specific responsibilities set out in the Audit Committee Charter, the Audit Committee reviews all published accounts of the Group, reviews the scope and independence of external audits, reviews any comments and recommendations by the external auditors in relation to the company's systems for internal compliance and control, and risk management, advises on the appointment, performance and remuneration of the external auditors, and reviews the work program for and reports and recommendations of the internal audit function.

The members of the Audit Committee during the year were:

**Mr Smith** (Chairman)

**Mr Boulton\***

**Mr Johnson\***

- Mr Boulton ceased to be a Director on 31 August 2015 and was replaced on the Audit Committee by Mr Johnson.

Mr Smith is Chairman of the Audit Committee. The Board considers Mr Smith to be independent using the ASX Council's definition of independence.

The Board also considered Mr Boulton to be independent using the ASX Council's definition of independence.

The Board does not consider Mr Johnson to be independent.

The ASX Council Recommendation 4.1 recommends that the Audit Committee consist of at least three members who are all Non-Executive and the majority independent.

The Board is of the view that the current composition of the Audit Committee is appropriate given the size of the business, the extensive financial skills, and industry knowledge of the current members of the Audit Committee.

The Managing Director, the Chief Financial Officer, the Company Secretary, the Group Accountant, the Internal Audit Manager, the external Auditors and any other persons considered appropriate attend meetings of the Audit Committee by invitation.

The Committee also meets from time to time with the external Auditors independent of management.

The Audit Committee met on four occasions during the course of the year. Mr Smith attended all four meetings. Mr Johnson attended three meetings. Mr Boulton attended one meeting.

## **Nomination and Remuneration Committee**

Consistent with ASX Principles 2 and 8, the Board has a Nomination and Remuneration Committee with a formal Charter. The role of the Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Senior Executives, Salaried Staff and Directors themselves.

The Nomination and Remuneration Committee does not comply with Recommendations 2.1 and 8.1 as only Mr Smith was considered by Directors to be independent. However, as the only Director on the Nomination and Remuneration Committee considered to be independent, Mr Smith was Chairman of that committee.

The Nomination and Remuneration Committee does not make recommendations to the Board as to the nomination and appointment of new Directors. As the Board of K&S Corporation Limited is comprised of only four Directors, Directors are of the view that the nomination and appointment of new Directors is most efficiently discharged by the Board.

For this reason, Directors are of the view that the presence of a majority of Directors considered not to be independent did not compromise the effectiveness of the Nomination and Remuneration Committee or the integrity of the decision making process by the Board as a whole on matters relating to nomination and remuneration.

When appointing new Directors, the Board has regard to the spread of skills and qualifications, experience, and independence of both the potential appointee and the existing members of the Board. The Board does not have a formalised skills matrix that it uses when considering Board composition and the appointment of new Directors. However, the Board is of the view that a good depth of transport industry exposure and expertise is an integral element of the skills to be represented on the Board. The Board also views accounting and legal expertise as important elements to allow it to effectively discharge its duties and responsibilities. The Board also has regard to whether a potential director has contacts or networks that may enable the Company to access new markets or industry sectors and/or to generate new business opportunities. The Board recognises that a diversity of backgrounds and experience in its members will contribute to the Board functioning at its optimum.

Where considered appropriate, prior to appointing new Directors, the Board will arrange for appropriate background and reference checks to be undertaken. These checks may include the proposed Director's character (via reference checks), education and qualifications, and any criminal convictions, bankruptcy or insolvency that may preclude the proposed Director from appointment.

The Company currently does not have a formal induction program for new Directors. The most recently appointed Non-Executive Director, Mr Winsler, already had a wealth of knowledge about the business and operations of the Company by virtue of his previous role as Managing Director. The Company does however make available to new Directors past board papers and board minutes as well as the Company's constitution and key policies and codes of practice. When new appointments of Non-Executive Directors are contemplated, the Company will review the desirability of a more structured induction program.

In the case of ongoing development, the Company schedules some monthly board meetings at different operational sites to enable Non-Executive Directors to familiarise themselves with the Company's business and activities. The Board also receives regular presentations from members of the Executive Team on the Company's various business units.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

The Nomination and Remuneration Committee periodically obtains independent advice on the appropriateness of remuneration packages, as well as benchmarking comparable company remuneration data. No external advice was sought in relation to remuneration in the course of the 2015/16 financial year.

The Nomination and Remuneration Committee also plays a role in evaluation of the performance of the Managing Director and management succession planning. This role includes the responsibility for incentive performance packages, superannuation entitlements, and retirement and termination entitlements.

The members of the Nomination and Remuneration Committee during the year were:

**Mr Smith** (Chairman)

**Mr Johnson**

**Mr Winser**

The Nomination and Remuneration Committee meets as required. The Committee met formally once in 2015/16, but also informally on several other occasions during the year. Messrs Winser, Smith and Johnson all attended the formal meeting of the Committee.

The Company's Non-Executive Directors receive only fees and superannuation for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of, those Directors.

The advice of independent remuneration consultants is taken periodically, as well as benchmarking against external remuneration data for comparable companies to establish that the Directors' fees are in line with market standards. Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

An increase in the Directors' fee pool limit of \$100,000 to a total of \$600,000 for Non-Executive Directors was approved by Shareholders at the Annual General Meeting on 20 November 2012. This fee pool is only available to Non-Executive Directors. The Non-Executive Directors received \$72,100 each and the Chairman was paid \$121,540 in 2015/16. There was no increase in fees payable to Non-Executive Directors in 2015/16. Committee membership does not entitle a Director to additional fees.

The Board has again decided not to increase the fees payable to Non-Executive Directors from 1 July 2016.

Details of the employment contract of Mr Sarant can be found on page 25 of the Remuneration Report.

The Non-Executive Directors' retirement benefits scheme entitlements were frozen in years of service as at 30 June 2004 and will be paid on retirement.

Under the terms of the Non-Executive Directors' retirement benefit scheme, participating Directors are entitled to receive up to the total remuneration paid to them in the last three years upon their retirement in accordance with the following formula:

$$RB = TR \times (Y \div 15)$$

where

RB = retirement benefit payable to the Director on retirement

TR = the total remuneration paid to the Director in the last three years

Y = the years of service of the Director prior to 30 June 2004, provided that Y shall not exceed 15

Non-Executive Directors appointed after 30 June 2004 are not eligible to participate in the retirement benefits scheme. Mr Johnson is the only remaining Director eligible to participate in the retirement benefit scheme.

The structure and disclosure of the Company's remuneration of Non-Executive Directors is consistent with ASX Principle 8.



Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report on pages 28 to 29.

## ***Diversity***

The measurable objectives for achieving gender diversity set by the Board and progress towards achieving those objectives are:

- The Nomination and Remuneration Committee must review participation rates for women across all levels of the workforce not less than annually. That review was undertaken by the Committee in 2015/16. The Company saw participation rates for women remain static at all levels of the organisation.
- The Nomination and Remuneration Committee is to review pay parity data for women and men across all levels of the workforce not less than annually to determine whether there is any unconscious bias. To the extent that the review suggests that unconscious bias may exist, Management is to investigate and report to the Committee the causes of that bias, as well as to develop recommendations to address any bias.
- The Committee reviewed pay parity data in 2015/16 and Management has investigated whether unconscious bias exists. As women are over-represented in some areas of the Company's workforce (eg, administration) and under-represented in other areas of the work-force (eg, operational), the data requires careful analysis.
- Management is required to report to the Nomination and Remuneration Committee not less than annually participation rates for women compared to men in externally provided training programs. A particular area of focus is management training programs (eg, Australian Institute of Management and equivalent) as it is through these training programs that the pool of future senior managers will be developed. Management has reported to the Committee on training participation rates in 2015/16. Participation rates in management training do not reveal any bias.
- The Nomination and Remuneration Committee is to review data re tenure and turnover levels for women compared to men across all levels of the Company's workforce not less than annually as part of seeking to understand the reasons for differing participation rates for women and men. Tenure and turnover data was reviewed by the Committee in 2015/16. Turnover rates for men and women were equivalent across different levels of the organisation.

The Company's Workplace Gender Equality Act "Gender Equality Indicators" report can be accessed via the website of the Workplace Gender Equality Agency ([www.wgea.gov.au/public-reports](http://www.wgea.gov.au/public-reports)). A summary of the Company's "Gender Equality Indicators" report is also available on the Company's website ([www.ksgroup.com.au](http://www.ksgroup.com.au)).

The Company notes that the transport and logistics industry continues to have a stereotyped male dominated environment, with a substantial proportion of the Company's workforce required to perform labour intensive/manual handling tasks as well as significant overtime in the course of their employment duties. While the Company is committed to diversity, the nature of the work undertaken by many employees has made it challenging to attract women to these roles.

The Company will review on an ongoing basis the opportunities to overcome these impediments to higher participation rates by women.

Other diversity initiatives pursued by the Company include:

- The Company is a participant in the indigenous employment program overseen by the Commonwealth Department of Education, Employment and Workplace Relations, as well as a participant in the Australian Employment Covenant which is also designed to secure indigenous employment opportunities. In support of these programs, the Company has an Indigenous Recognition Policy which outlines the Company's commitment to build relationships with local and land-connected indigenous persons to achieve mutually beneficial outcomes.
- A number of strategic and tactical initiatives aimed at attracting, developing and retaining female employees. As part of that strategy, the Company is reviewing a range of more flexible employment practices.

### **Environmental Committee**

The Board has an Environmental Committee, which operates under a Charter approved by the Board. The role of the Committee is to monitor environmental incidents, exposures and compliance with environmental regulations.

The members of the Environmental Committee during the year were:

**Mr Johnson** (Chairman)  
**Mr Winser**  
**Mr Sarant\***

- \* The Board considers it appropriate that the Managing Director be a member of the Environmental Committee.

The Company Secretary acts as Secretary to the Environmental Committee.

The Environmental Committee is responsible for:

- reviewing and recommending, as appropriate, changes to the Company's environmental policies;
- ensuring the adequacy of environmental procedures and controls implemented by Management;
- reporting to the Board on Company compliance with environmental procedures and controls;
- reviewing the adequacy and effectiveness of resources devoted to informing employees of their environmental obligations and to training employees to operate within Company guidelines and legal requirements;
- monitoring conformance by the Company with mandatory environmental reporting and improvement regimes;

- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis; and
- reviewing any environmental incidents that have occurred and monitoring actions taken or to be taken.

To enable it to meet its responsibilities, the Committee has established a regular internal reporting process.

The Environmental Committee met four times during the year. Messrs Johnson, Winser and Sarant attended all four meetings of the Committee.

## **Financial Reporting**

Consistent with the ASX Recommendation 4.2, the Company's financial report preparation and approval process for the financial year ended 30 June 2016, involved both the Managing Director and Chief Financial Officer certifying that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In accordance with Recommendation 4.2, this sign off also includes assurances as to the Company's risk management processes and internal compliance and control procedures.

## **Audit Governance and Independence**

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company has implemented a review process to monitor the independence and competence of the Company's external Auditor.

The Company's current external Auditors are Ernst & Young. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee at least annually. The format of that review includes discussing the performance of the External Auditors with Management while the Auditors are not present.

The Audit Committee also met with senior members of Ernst & Young to review the performance of the lead audit partner.

Ernst & Young has a policy for the rotation of the lead audit partner for their clients. Under that policy, the lead audit partner and the audit review partner for the Company were most recently rotated following completion of the audit for the year ended 30 June 2012.

The Audit Committee's Charter requires the provision of non-audit services to the Company or its business units by the external audit firm to be approved by the Audit Committee.

In accordance with sections 249V and 250T of the Corporations Act 2001 (Cth), the Company's current auditor, Ernst & Young, attends and is available to answer questions at the Company's Annual General Meeting.

## Risk Management

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of material risks in the business. Those material risks include a full spectrum of financial, strategic, compliance, and operational risks.

While not wishing to stifle the entrepreneurial endeavours of Senior Executives, the Board takes a relatively conservative approach to risk.

The Board requires that Management have in place a system to identify, monitor, and manage the material business risks faced by the Company. The management systems in place as part of the risk management controls include:

- Capital expenditure commitments above set limits obtain prior Board approval.
- Financial exposures are controlled and the use of derivatives is limited to interest rate swaps.
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations.
- Business transactions are properly authorised and executed.
- A comprehensive annual insurance programme, including external risk management survey and action plans.
- Annual budgeting and monthly reporting systems for all business units, which enable the monitoring of progress against performance targets and the evaluation of trends.
- Appropriate due diligence procedures for acquisitions and divestments, with post-acquisition reviews also provided to the Board.
- Disaster management systems for key IT systems and recovery plans.
- Documentation and regular review of business wide risk identification and mitigation strategies.
- The completion by executive managers and divisional managers of 'representation letters' in connection with the certification by the Managing Director and Chief Financial Officer that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results.
- Review by the Audit Committee in conjunction with Management of all findings and recommendations in the Closing Report provided by the Company's external auditors, Ernst & Young, as part of the full year audit and also half year review of the Company's accounts.

The Company has a risk management policy consistent with ASX Principle 7. The Company also has a number of policies and internal documents that are central to the management of risk. Those documents include:

- The Risk Review Statement that is designed to comprehensively document and rate all material business risks to which the Company is exposed, as well as setting out the actions being undertaken by Management to mitigate those risks.
- The Company's Levels of Authority Statement which sets out the different levels of authority delegated to the Managing Director, General Managers, and Branch Managers in relation to financial and business matters such as capital expenditure, acquisitions, entering into contracts, treasury issues, and employment related issues.
- The Company's Administration Manual which sets out the financial and administrative protocols for all staff.
- The Company's HS&E Manual and supporting documented policies and procedures which are designed to minimise the risk of harm to employees engaged in operational tasks.
- The Company's Quality Management System coupled with its extensive documented operating and compliance focused policies and procedures which are designed to ensure that the Company's operations are conducted using industry best practice and in accordance with the numerous legislative regimes that apply.
- The Company's Disaster Recovery Manual which sets out all of the protocols associated with the Company's externally hosted disaster recovery plan (DRP).

Management is responsible to the Board for the Group's system of internal control and risk management. The Audit Committee through its Charter assists the Board in monitoring this role.

The Risk Review Statement is designed to be a 'living' document and is regularly updated to address the emergence of new risks and changes to the priority of existing material business risks. The Risk Review Statement is provided to both the Audit Committee and the Board on a quarterly basis. In addition, a summary of the status of key risk items identified in the Risk Review Statement is provided to the Board at its monthly meetings.

The Managing Director and the Chief Financial Officer also certify on an annual basis that the Company has a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

The Company is of the view that risk management is a key governance function. As the Board is comprised of only four Directors (including the Managing Director), the Board is of the view that the setting of risk parameters and the oversight of risk management is best discharged by the Board as a whole. Consequently, the Company does not have a stand alone risk committee.

The Company has an internal audit function. The Internal Audit Manager is independent of Management of the Company and reports to both the Managing Director and also the Chairman of the Audit Committee. A copy of the Internal Audit Charter is available on the Company's external website ([www.ksgroup.com.au](http://www.ksgroup.com.au)).

A detailed draft internal audit work program was developed by the Internal Audit Manager in conjunction with the Managing Director, Company Secretary, and Chief Financial Officer. That detailed internal audit work program was then submitted to the Audit Committee for review and approval. The Company has adopted a risk based approach in identifying and prioritising internal audit activities.

In light of the fraud detected in 2014/15, an immediate priority for the internal audit function was to review any potential internal control weaknesses that may have been exploited in that fraud to minimise the possibility of the Company being the victim of another fraud. An external review of potential internal control weaknesses exploited in that fraud was also conducted by McGrathNicol in 2015/16.

The Company operates in a highly competitive industry and has a material exposure to a range of economic factors including competitive forces, the decline of the domestic manufacturing sector, falling commodity prices, and key customer contract exposure. The Company seeks to mitigate these risks by differentiating itself from its competitors, diversifying the nature and scope of its activities across a number of sectors, geographic regions, and customer groups, as well as staggering the expiry dates of key customer contracts.

The Company also faces material exposures around compliance with legislative obligations (including transport laws) and the potential that a serious incident or accident could result in death, serious injury and/or environmental harm, as well as major reputational damage and the loss of key customer contracts. The Company seeks to mitigate this exposure via policies, procedures and training, as well as a crisis response plan.

The Company's comprehensive internal Risk Review Statement catalogues key economic, environmental and social sustainability risks in respect of which the Company has identified a material exposure. The internal Risk Review Statement documents risk mitigation strategies employed by the Company.

## **Continuous Disclosure**

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange.

The Company Secretary has the responsibility for overseeing and co-ordinating disclosure of information to the Australian Securities Exchange. The Company Secretary also liaises with the Managing Director, Chairman and Chief Financial Officer in relation to continuous disclosure matters.

The Board approves all price sensitive releases to the Australian Securities Exchange prior to release.

The Company posts all price sensitive releases to the Australian Securities Exchange and media on the Company's website.

The Company's Continuous Disclosure Policy is consistent with ASX Principle 5.

## **Conflict of Interest**

In accordance with the Corporations Act 2001 (Cth) and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Details of Director related entity transactions with the Company and consolidated entity are set out in Note 26.

## **Director Dealing in Company Shares**

The Constitution permits Directors and Officers to acquire shares in the Company, subject to very limited exceptions contemplated in the Listing Rules. Company policy prohibits Directors, Associates and Officers from dealing in Company shares or Executive options:

- In the period of 60 days prior to the release of the Company's half year and annual results to the Australian Securities Exchange.
- Whilst in possession of price sensitive information.

In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, the Company advises the Exchange of any transactions conducted by Directors in shares in the Company.

## **Ethical Standards**

In accordance with Principle 3, the Board has adopted the Code of Conduct produced by the Australian Institute of Company Directors to guide the Directors and promote high ethical and professional standards.

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance practice and the ethical conduct by all Directors and employees of the Company and has approved the following policies:

### **Code of Conduct**

The Company has a Code of Conduct for its employees to act within the law, avoid conflicts of interest, protect Company property, keep information confidential and act honestly and ethically in all business activities. The Code of Conduct is complemented by a Whistle Blower Policy which provides protection to employees who report instances of malpractice, impropriety, misconduct, or other unethical or illegal conduct involving the Company or its employees.

### **Trade Practices**

The Company has a Trade Practices Policy advising employees on the legislative prohibitions on price fixing and anti-competitive arrangements, as well as other prohibited conduct.

## **Other Policies**

Amongst other policies endorsed by the Board in previous years are the Occupational Health and Safety, Environment Protection, Electronic Communications policies and the Transport Law Compliance Policy.

The Group's ethical standards are consistent with the requirements of ASX Principle 3.

## **International Quality Standard ISO 9001**

The consolidated entity strives to ensure that its services are of the highest standard. Towards this aim, it has achieved ISO 9001 accreditation for its core business segment and is well advanced in the implementation of Occupational Health & Safety systems to meet the AS4801 Standard.

## **Communication with Shareholders**

The Company places considerable importance on communication with Shareholders.

The Company's communication strategy promotes the communication of information to Shareholders through the distribution of the Annual Report, announcements through the Australian Securities Exchange and subsequently the media regarding changes to the business, the Chairman's and Managing Director's addresses at the Annual General Meeting, and actively engaging the investment community.

The Company actively invites, and responds to, questions from Shareholders at the Annual General Meeting. As the Company's Annual General Meetings have a comparatively small number of attendees, Shareholders have a good opportunity to put any questions to Directors. Shareholders also have good access to Directors and the Executive Team following the formal business of the meeting.

Shareholders have the ability to receive communications from the Company (eg, annual reports) and the Company's Share Registry, Computershare, (eg, dividend statements) electronically.

K&S Corporation Limited posts all price sensitive reports, Australian Securities Exchange releases and media releases on the Company's website.

The communication strategy is consistent with ASX Principle 6.

The Company's Communication Policy is available on the Company's website: [www.ksgroup.com.au](http://www.ksgroup.com.au).