



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

This corporate governance statement relates to the six month financial period ending on 30 December 2018 (**reporting period**), is current as at 15 April 2019 and has been approved by the Board of the Company.

The directors and management of Costa Group Holdings Ltd (**Costa** or the **Company**) are committed to achieving high corporate governance standards and instilling and reinforcing a culture that supports good governance.

This statement outlines the key aspects of Costa's corporate governance framework and main governance practices. In addition, the Board has adopted corporate governance policies and practices which can be found in the Corporate Governance section of the Investor Centre on the Costa website at <http://investors.costagroup.com.au/investor-centre>.

Costa's main corporate governance policies are summarised below under the eight principles set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations that applied during the reporting period (**ASX Recommendations**).

During the reporting period, the Company complied with all of the ASX Recommendations.

Principle 1 – Lay solid foundations for management and oversight

Board responsibilities

The Company has established a Board charter which sets out the responsibilities of the Board and the responsibilities of senior management. The schedule of matters reserved for the Board for approval includes:

- providing leadership and setting the strategic objectives of the Company;
- overseeing management's implementation of the Company's strategic objectives and its performance generally;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit; and
- ensuring that the Company has in place an appropriate risk management framework.

The Board delegates authority to the Managing Director and CEO, and through the CEO to other senior executives, for the day to day operations of the Company, its subsidiaries and their respective operations. The scope of, and limitations to, these delegations are clearly documented. The delegations balance effective oversight with appropriate empowerment and accountability of senior executives.

Diversity

The Company has a Diversity Policy which includes a requirement that the Board set measurable objectives relating to diversity, including gender diversity, and to assess annually both the objectives and progress in achieving them. The Board has set a long term objective of achieving and maintaining at least 30% female representation of Non-executive Directors and this objective is currently being met. The Board will continue to monitor and report on outcomes in relation to this target.

As a 'relevant employer' under the *Workplace Gender Equality Act 2012*, the Company will be preparing an annual filing for the 12 month period ending 31st March 2019 disclosing its Gender Equality Indicators. This report will be uploaded in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre> once available.

In addition to setting gender diversity targets and reporting on gender diversity, the Company is continuing its commitment to be a workplace that realises the benefits of, and values, ethnic and cultural diversity. Costa has individuals from over 60 different countries working throughout the business and undertakes cultural inclusion activities at numerous Costa sites throughout Australia each year. The Company is continuing to gather information on cultural diversity at different levels of the organisation.

During the reporting period, specific information regarding gender based career progression through the various levels of the Company was gathered and then considered by the Remuneration and Human Resources Committee.

Costa undertakes a capability review of critical and key roles across the organisation led by the CEO three times each year. The cohort reviewed includes leadership roles and the pipeline of potential leaders. Following the last review during the reporting period, female representation of this group was 24%, an increase of 2% from the previous reporting period. Through the implementation of gender balanced short listing of potential candidates as well as other employment policies such as flexible work arrangements, it is expected to increase the female representation in those critical and key roles. Costa is targeting to reach 30% female representation of the people in these roles by the end of 2022.



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

Critical to the success of Costa and its operations is ensuring inclusive approaches to the attraction and retention of high calibre technical experts in the horticultural, agronomy and grower professions. This area of focus has greatly benefited our recruitment activities leading, for example, to 50% of new hires in the technical field of horticulture being women during calendar 2018 recruitment. This is particularly important as career development in the technical field can lead to further career progression, including as horticultural subject matter experts and progress into leadership roles in farm operations.

Costa has established extensive relationships across multiple tertiary institutions in Australia and China, including University of Tasmania, University of Central Queensland, New England University, University of Adelaide, University of Queensland, Melbourne Polytechnic and Kangan TAFE in Australia and Pu'er University, College of Tropical Crop Science, Yunnan Agricultural University and Yunnan Normal University. Scholarships, internships, guest lecturing, career events and work experience programs are offered by Costa to support connection of academics and students (undergraduate and graduate) to the Costa operations. Through these connections Costa has successfully made merit-based decisions recruiting female graduate and post graduate horticulture professionals.

During the reporting period, a review of salaries was conducted as part of the normal salary review process, with gender pay equity being a key element of this review. Costa is striving for pay equity and will continue to address this through the annual salary review process in coming years. The focus of pay equity review in this reporting period has been on job families and specific roles targeting any gender variability in salary increases as well as total remuneration benefits.

Board appointments and reviews

The Company has written agreements in place with its directors setting out the terms of their appointment. Prior to the appointment of a new director, the Company undertakes appropriate checks and security holders are provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director.

The Board acknowledges the importance of regular reviews of its effectiveness and performance, including the effectiveness and performance of its individual directors and Committees. In accordance with the Board Charter, the Board periodically reviews its performance with the aim of ensuring that individual directors and the Board as a whole work effectively in meeting their responsibilities.

An externally facilitated review of the Board's performance occurred during the 2018 financial year. The results of this review enabled a detailed consideration and discussion of the Board's performance during the reporting period and actions were taken to address key findings. The Board intends to conduct further externally facilitated performance reviews on a periodic basis, with the aim to conduct such reviews in every third year. In intervening years, the Board will monitor its performance by way of internal reviews.

Executive responsibilities and reviews

Each of Costa's senior executives, including the CEO, has a written service agreement that clearly sets out his or her role and responsibilities and Costa's expectations in terms of their performance. Quantifiable goals and objectives are set at the beginning of each financial year and the executive is measured against those goals and objectives at the end of the year, together with an assessment of the individual performance of the executive. This assessment directly impacts on the executive's short term incentive for that year. In addition, the performance of the CEO is reviewed by the Board and the Chairman meets annually with the CEO to discuss individual performance.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

Principle 2 – Structure the Board to add value

Board structure, skills and experience

The role of Chairman and the role of Managing Director and CEO are exercised by different individuals, being Neil Chatfield (an independent director) and Harry Debney, respectively.

As disclosed in the Board Charter, the Company seeks to have directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of and competence to deal with current and emerging issues of the business. These matters are regularly assessed to enable the identification of particular competencies and perspectives that will best increase the Board's effectiveness.



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

The Company has established a skills matrix against which existing non-executive directors are reviewed and potential non-executive directors are assessed, to ensure that the skills and experience of the Board reflect the various areas relevant to Costa's core capabilities and strategic objectives. The following table summarises the key skills of the existing non-executive directors:

Skills /Experience	
ASX listed company non-executive experience	Experience in FMCG and dealing with major retail organisations
Financial, accounting and tax experience	Experience in developing and managing international operations
Knowledge of risk management practices	Technology and e-commerce knowledge
Government and government relations experience	Agriculture industry experience
Senior executive listed company experience	Strategic planning experience
Mergers and Acquisitions experience	Marketing and brand management experience

Independence of directors

The Board considers an independent director to be a non-executive director who is not a member of the Company's management and who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than an individual security holder or other party. The Board will consider the materiality of any given interest, position, association or relationship on a case-by-case basis. The Company's Board charter sets out guidelines and thresholds of materiality for the purpose of determining independence of directors in accordance with the ASX Recommendations, and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board reviews the independence of each director in light of interests disclosed to the Board from time to time.

The Board considers that each of Neil Chatfield, Tim Goldsmith, Janette Kendall, Peter Margin, and Jane Wilson are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the director's judgement and is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

Frank Costa is not considered to be an independent director, due to his longstanding relationship with the Company. Due to his position as CEO, Harry Debney is also not considered to be an independent director.

Accordingly, the Board consists of a majority of independent non-executive directors, in accordance with the ASX Recommendations.

Nomination Committee and Board education and succession

The Board has established a Nomination Committee which is comprised of all of the Company's non-executive directors and accordingly comprises a majority of independent directors. The Chairman of the Nomination Committee is the Chairman of the Board, Neil Chatfield (who is an independent director).

The roles, responsibilities, composition and structure of the Nomination Committee are set out in the Nomination Committee Charter, a copy of which can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>.

The Company has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to effectively perform their role as directors. In addition to the site visits conducted by new directors as part of their induction, the directors regularly visit Costa's operations during the year.

The Company's succession plans are designed to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board. The Board continues to review its composition with a view to enhancing its base of skills and experience.

Principle 3 – Act ethically and responsibly

The Company is committed to and strives to act honestly and with integrity in all its dealings and to act ethically and responsibly. It has adopted a Code of Conduct that sets out the Company's values, commitments, ethical standards and policies and outlines the standards of conduct expected of Costa's business and people, taking into account the Company's legal and other obligations to its stakeholders. The Code of Conduct is supplemented by a Whistleblower Policy and an Anti-Bribery and Anti-Corruption Policy, both of which have been approved by the Board.



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

A Securities Trading Policy has been established to set out the Company's policy on employees and directors buying and selling securities of the Company including shares, options, derivatives and other financial products of the Company that are able to be traded on a financial market.

A Human Rights Policy and Supplier Code of Conduct have been approved by the Board, to outline the Company's commitment to respecting the rights of others and to demonstrate the standards of conduct that the Company expects of organisations from which it sources goods and services.

The Company has adopted a Diversity Policy that sets out Costa's commitment to diversity and inclusion in the workplace at all levels and provides a framework to achieve its diversity goals. The Company is committed to creating and ensuring a diverse work environment in which everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of the company. The directors and management believe that the Company's commitment to that policy contributes to achieving the company's corporate objectives and embeds the importance and value of diversity within the culture of the company.

Copies of the Code of Conduct and the abovementioned policies can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>.

Principle 4 – Safeguard integrity in corporate reporting

Audit & Risk Committee

The Board has established an Audit & Risk Committee to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- the integrity of the Company's external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of the Company's external auditors;
- the performance of the external audit functions and review of their audits;
- the effectiveness of the Company's system of risk management and internal controls; and
- the Company's systems and procedures for compliance with applicable legal and regulatory requirements, including tax laws relevant to the Group.

The Audit & Risk Committee is comprised of 3 non-executive directors, all of whom are independent, being Tim Goldsmith (Chair), Janette Kendall and Peter Margin. The Company has adopted a charter for the Audit & Risk Committee, which can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>.

The CEO, the CFO and the external auditor must attend Committee meetings if requested. The Committee has unrestricted access to management and the auditors and has rights to seek explanations and additional information. The Committee meets on a regular basis with the external auditor, including meetings without management present.

CEO and CFO certifications

For the results for the reporting period, the CEO and CFO have provided a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External audit

Costa's external auditor is KPMG. The Company ensures that the lead audit engagement partner from its external auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit and the preparation and content of the auditor's report.

Principle 5 – Make timely and balanced disclosure

The Company has established a Disclosure & Communication Policy for the purposes of complying with its continuous disclosure obligations imposed by law and ensuring that the Company's announcements are presented in a factual, clear and balanced way.



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

Subject to limited exceptions, the Company is required to immediately disclose to the ASX any information concerning the Company which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Disclosure & Communication Policy outlines the processes that the Company implements to ensure compliance with its continuous disclosure obligations, including the establishment of a Disclosure Committee which currently comprises the CEO, CFO, Company Secretary and Corporate Affairs Manager.

The Disclosure & Communication Policy can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>.

Principle 6 – Respect the rights of securityholders

Communication with shareholders

The Company acknowledges that respecting shareholders' rights is of fundamental importance and that communication with shareholders is a key element of this. The Company is committed to ensuring that shareholders are informed of all major developments affecting the Company through effective communication materials and processes. Shareholder communications include half yearly and annual reports, market announcements and media releases, all of which are available in the investor section of the Company website in addition to governance and background information on the Group. Shareholders have the option to receive communications from, and send communications to, the Company and its security registry electronically, to ensure that information is received in a timely manner.

Shareholders are encouraged to attend general meetings for the opportunity to meet the Board and senior management. Shareholders who are unable to attend will be able to vote on the motions proposed by appointing a proxy or using any other means included in the notice of meeting. The Company conducts its general meetings in accordance with the Company's constitution, the Corporations Act and the Listing Rules. The Board will consider the use of technology and other means to facilitate shareholder participation as appropriate.

The Company's policies on communicating with its shareholders can be found in the Disclosure & Communication Policy, which can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>.

Investor relations and stakeholder engagement

In addition to the above Shareholder communications, the Company's investor relations program includes scheduled and ad hoc interactions and briefings with institutional investors, analysts and the financial media. This activity also provides an opportunity for two way communication, where the parties involved can provide their views and feedback on matters of particular interest to them relating to the Company and its performance. In conjunction with the investor relations program the Company also operates a broader stakeholder engagement program involving interactions with politicians, bureaucrats, regulators and community groups. This activity is aimed at ensuring Costa's stakeholders are sufficiently aware of the Company's views and concerns relating to matters including public policy, and for the Company to be proactively informed on matters relevant to its stakeholders involving the activities of the Company.

Principle 7 – Recognise and manage risk

Audit & Risk Committee

The Company's Audit & Risk Committee is responsible for overseeing, implementing and periodically reviewing the Company's risk management system, including:

- reviewing the risk profile which describes the material risks facing the Company including financial and non-financial matters;
- regularly reviewing and updating the risk profile;
- ensuring that the Company has an effective risk management system and reviewing the risk management system at least annually to ensure that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure those risks remain within the risk appetite set by the Board; and
- assessing and ensuring that there are internal controls for determining and managing key risk areas, including tax risks.



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

The Company has adopted a Risk Management Policy, which can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>. In accordance with that policy, during the reporting period the Board reviewed aspects of the Company's risk management framework, including updating the risk appetite within which management is required to operate.

Evaluation and management of risk

The Company does not currently have a dedicated internal audit function. The Board and the Audit & Risk Committee monitor and evaluate internal risks through a variety of systems, programs and policies including:

- annual budgeting and monthly reporting systems to monitor performance against budget;
- external financial audits;
- external reviews of key risks identified by the Audit & Risk Committee;
- an annual insurance program;
- workplace health and safety reviews, including overseeing an annual cross-functional review of each site by the Company's executive team;
- approval limits for matters requiring Board approval; and
- annual identification and assessment of strategic risks facing the Company.

The Company's management is responsible for managing operational risk and implementing risk mitigation measures, within parameters set by the Board. As a result, management has incorporated risk management into strategic planning and decision making to understand and prioritise the management of material business risks.

Comments on the Company's material exposure to economic, environmental and social sustainability risks are set out on page 23 of Costa's Annual Report for the reporting period. Further information on the Company's commitment to environmental and social responsibility is regularly provided in a separate Sustainability Report. The most recent Sustainability Report can be found in the Corporate Governance section of the Investor Centre on the Company's website.

Principle 8 – Remunerate fairly and responsibly

Remuneration and Human Resources Committee

The Company's Remuneration and Human Resources Committee assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company, together with assisting and advising the Board in relation to management programs to optimise the Company's human resources.

The Remuneration Committee is comprised of 3 non-executive directors, the majority of whom are independent including the Chair. The directors currently serving on the Remuneration Committee are Peter Margin (Chair), Frank Costa and Neil Chatfield. The roles, responsibilities, composition and structure of the Remuneration Committee are set out in the Remuneration and Human Resources Committee Charter, a copy of which can be found in the Corporate Governance section of the Investor Centre on Costa's website at <http://investors.costagroup.com.au/investor-centre>.

Director and executive remuneration

The Remuneration Report in Costa's Annual Report for the reporting period sets out details of the Company's policies and practices for remunerating directors and executives. The Company distinguishes the remuneration of executive directors and executives from that of non-executive directors by offering the Managing Director and CEO and other executives a mix of fixed and incentive remuneration in certain circumstances (e.g. under the Company's short term incentive plan and long term incentive plan). Remuneration of non-executive directors is fixed.

The Company does not have in place any schemes for retirement benefits, other than superannuation, for non-executive directors.



Costa Group Holdings Ltd

Corporate Governance Statement for the Six Month Financial Period Ending on 30 December 2018

Securities Trading Policy

The Company's Securities Trading Policy provides that the CEO and other Company executives (each being 'Designated Persons' under the policy) are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that has not vested or is held subject to escrow restrictions.