



## Costa Group Holdings Ltd 2017 Corporate Governance Statement

The directors and management of Costa Group Holdings Ltd (**Costa** or the **Company**) are committed to achieving high corporate governance standards and support the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**).

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 that the ASX Corporate Governance Council believes underlie good corporate governance. This corporate governance statement relates to the 2017 financial year (**reporting period**), is current as at 2 October 2017 and has been approved by the Board of the Company.

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% of Non-executive Directors being female. As a result of the appointment of Janette Kendall on 11 October 2016, women now constitute over 30% of the Company's non-executive directors. 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 submitted an annual filing for the 12 month period ending 31st March 2017 disclosing its Gender Equality Indicators. This report 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 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 is accepting of, 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. The Company is gathering specific information regarding gender based career progression through the various levels of the Company and aims to report on this information by the end of the 2018 financial year.

#### 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 its 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.



**Costa Group Holdings Ltd**  
**2017 Corporate Governance Statement**

Board performance was monitored by way of an internal review during the reporting period. The Board uses surveys to be completed by each director for the purpose of its internal Board and Committee performance reviews and the Chairman provides aggregated survey results to the Board, together with any suggestions for improvement, to enable a detailed consideration and discussion of the Board’s performance. In addition to internal reviews, which will be conducted annually, the Board intends to conduct externally facilitated performance reviews on a periodic basis, with the aim to conduct such reviews in every third year.

**Executive responsibilities and reviews**

Each of Costa’s senior executives, including the CEO, has a 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. The performance of each of Costa’s senior executives was evaluated in this way during the reporting period. 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.

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 and its security holders. 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, Peter Margin, Tiffany Fuller and Janette Kendall 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.



## Costa Group Holdings Ltd 2017 Corporate Governance Statement

Frank Costa and Kevin Schwartz are not considered to be independent directors, due to their relationship with shareholders Costa AFR and P&P Cos Holdings BV, respectively. 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.

A Securities Trading Policy has been established to set out the Company's trading policy on 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.

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 Tiffany Fuller (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>.



## Costa Group Holdings Ltd 2017 Corporate Governance Statement

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 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.

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 information and background information on the Group. Shareholders have the option to receive communications from, and 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>.



## Costa Group Holdings Ltd 2017 Corporate Governance Statement

### 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.

The Audit & Risk Committee reviewed the risk management system during the reporting period and has since 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>. This requires a review of the Company's risk management system during each reporting period. The Company engaged external advisors during the reporting period to assist with the development of its risk management framework.

#### Evaluation and management of risk

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

- annual budgeting and monthly reporting systems to monitor performance against budget;
- external financial audits;
- 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 exposure to economic, environmental and social sustainability risks are set out on page 33 of Costa's 2017 Annual Report. Further information on the Company's commitment to environmental and social responsibility are set out in the Sustainability Report on pages 12 to 21 of Costa's 2017 Annual Report.



## Costa Group Holdings Ltd 2017 Corporate Governance Statement

### 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 2017 Annual Report 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.

#### 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.