

# Zoono Group Limited

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## 2019 CORPORATE GOVERNANCE STATEMENT

### 1. Background:

Zoono Group Limited is committed to adopting best practice in corporate governance where these practices are appropriate to the business.

The corporate governance arrangements for Zoono Group Limited are set by the Board having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition), the governance standards adopted generally by companies of a similar size to Zoono and the best interests of shareholders. The principal features of the Group's governance framework are set out in this Corporate Governance Statement together the extent to which the Company has followed the recommendations set by the ASX Corporate Governance Council.

This Statement reports the Group's compliance with the ASX Principles and Recommendations during the period ended 30 June 2019.

The information in this statement is current as at 19 August 2019 and has been approved by the Board.

### 2. Compliance with Recommendation

Zoono complied with 24 out of a total of 29 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations during the period. Given the nature and scale of the Company, the Board believes its compliance with the Recommendations to be acceptable at this time.

The five Recommendations the Company did not comply with are:

- Recommendation 1.5. As the Company grows, it will develop a Diversity Policy which requires the Board to set measureable objectives for achieving gender diversity which it will assess annually including the Company's progress in achieving those objectives;
- Recommendation 2.4. Half the Board during the year was independent, rather than the recommend majority. The Board believes this was appropriate at this time given the size of the Board and development phase of the Company however the Board currently has a majority of independent directors;
- Recommendation 2.5. While the Chairman during the period is not the same person as the CEO, he was an executive chairman and therefor deemed non-independent. Following Chairman's resignation in July 2019, the Board currently does not have a Chairman. The Board believes this is appropriate for the time being however will continue to review its composition and make the appropriate changes as required;
- Recommendations 4.1 and 7.1. Whist the Audit and Risk Committee was chaired by an independent director during the period, all members were not independent during the period. All members are currently independent; and
- Recommendation 8.1. It is the Company's intention to establish a Remuneration Committee at the appropriate time.



### **3. Board of Directors**

During the period, the Board comprised four directors, two of whom (half) were independent:

Mr. Jon Lamb; Executive Chairman, appointed 26 April 2017, age 71 (resigned 9 July 2019)

Mr. Paul Hyslop; Managing Director, appointed 26 April 2017, age 61

Mr. Don Clarke; Non-executive, independent director, appointed 26 April 2017, age 65

Ms. Elissa Hansen; Non-executive, independent director, appointed 9 October 2015, age 46

Further information on the directors, including their period in office, qualifications, experience, special responsibilities and other listed company directorships can be found in the Annual Report and <https://zono.com/pages/board-of-directors>.

#### ***Independence***

Whilst during the period the half the Board was independent, rather than the majority as recommended by ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Board now has a majority of independent directors

As the Company grows, the Board will continue to assess its composition however believes it is currently appropriate given the Company's size and stage of development.

#### ***Director Appointment, election and re-election***

The Company undertook appropriate checks before appointing and/or putting forward each director as a candidate for election as a director and provided security holders with all material information in its possession relevant to the election (or re-election) of each director.

The Company has a written agreement with each director setting out the terms of their appointment. The Company also has a written agreement with each senior executive setting out the terms of their appointment.

Under Zono's Constitution, with the exception of the Managing Director, Directors may not hold office without election beyond their third Annual General Meeting (AGM) following their election or most recent re-election. Any director appointed to fill a casual vacancy since the previous AGM, must submit themselves for election at the next AGM.

#### ***Role and Responsibilities of the Board***

The Board's role is to act in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company and the Group.

The Board Charter sets out the Board's role and responsibilities and describes those matters expressly reserved for the Board and those matters delegated to management (principally the Managing Director).

The Managing Director is responsible for the day to day management of the Company, supported by the Company's senior executives however the ultimate responsibility for governance and strategy resides with the Board.



### **Structure and Composition of the Board**

Zoono is committed to ensuring the composition of the Board includes directors who bring the appropriate mix of skills, experience and expertise and diversity to Board decision making. It considers that having a diversity of skills background, knowledge and gender are important to effectively govern the Company.

The Board considers that its Directors and Senior Management have the combined skills and experience to discharge its responsibilities.

Director skills/experience matrix during the period:

<b>Skill/Experience</b>	<b>Board</b>
<b>Total Number of Directors</b>	4
<b>Financial Acumen</b> Experience in financial accounting and reporting, corporate finance and internal financial controls	3
<b>Commercial Capability</b> Broad range of commercial skills and experience	4
<b>Strategy</b> Experience in developing and implementing a successful strategy over the long-term	3
<b>FMCG Experience</b> Experience working with fast moving consumer goods	2
<b>Global Experience</b> Experience in a global business exposed to a range of cultural, political and regulatory environments	3
<b>Sales and Marketing Experience</b> Sales and Marketing Experience	2
<b>Corporate Governance and Compliance</b> Committed to a high level of governance, business ethics and regulatory compliance	3
<b>Investor Relations</b> Understanding of investor relations and the steps required to develop long-term value for shareholders	3

In addition to the skills and experience set out above, the Board considers that each Director has the ability to:

- Act with honesty and integrity
- Focus on the material issues
- Think strategically and take an organisation-wide perspective
- Understand the external environment and deal with pressure from external sources
- Influence effectively at the board table
- Respect alternative viewpoints
- Hold management accountable

### **Board Performance Evaluation**

Zoono is committed to transparency in determining Board membership and in assessing the performance of the Board, Board Committees and individual Directors.



The Board expects to conduct regular evaluations of its performance, the performance of its Committees, the Chairman and individual Directors. This would include assessment, review and analysis of how the Board, Committees and Directors function, time spent considering matters and whether the Board has complied with its Charter and the Committees with their Charters. The balance of skills, experience, independence and knowledge will be taken into consideration as well as how the Board works together as a unit.

A performance evaluation of the Board, Committees and individual Directors was not undertaken this year. Given the stage of the Company and relatively new Board, the Board believes this entirely appropriate at this time.

### ***Professional Development***

The Board intends to regularly review whether the directors have the skills, knowledge and familiarity with the entity and its operating environment required to fulfil their role on the Board and committees effectively and, where gaps are identified, consider what training or development could be undertaken to fulfil those gaps.

It is noted that the directors during the period were also required to undertake their own Continuing Professional Development under their respective memberships. Mr. Lamb for the Institute of Directors New Zealand (IOD) and Australian Institute of Directors (AICD), Mr. Clarke for the Law Institute of Victoria and Ms. Hansen for AICD and the Governance Institute of Australia.

### ***Nomination***

Zoono does not have a nomination committee. The Board as a whole is responsible for Board succession issues and to ensure the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to discharge its duties and responsibilities effectively.

Given the size and development stage of the Company the Board believes this is appropriate at this time.

### ***Induction***

The Board will provide a program to induct any new directors.

## **4. Board Committees**

To assist the Board in discharging its duties efficiently and effectively, it has established an Audit and Risk Committee and will establish a Remuneration Committee when appropriate for the Company. Each committee will operate within its Board approved Charter which sets out the roles, responsibilities, membership requirements and meeting procedures for each committee.

Each established committee will meet as required and no less than twice a year. Two Audit and Risk Committee meetings were held during the period.

### ***Audit and Risk Committee***

Zoono has established an Audit and Risk Committee. It had three members during the period, one of whom is an executive, the majority of which were independent. The committee is chaired by an independent director who is not the chairman of the Board. The Committee is currently comprised of the two independent directors.

Members of the Audit and Risk Committee during the period were:

Mr. Don Clarke, independent Non-Executive Director, Chair

Mr. Jon Lamb, Executive Chairman (resigned 9 July 2019)



Ms. Elissa Hansen, independent Non-Executive Director

The Audit and Risk Committee Charter is available at <https://zoono.com/pages/corporate-governance>

The Board undertook a review of the Company's risk management framework during the period and will continue to review the Company's risk management framework at least annually.

Should the Company determine it has any material exposure to economic, environmental or social sustainability risks, it will disclose how it will manage those risks.

### **Remuneration Committee**

The Board intends to establish a Remuneration Committee when appropriate for the Company and has adopted a Remuneration Committee Charter in anticipation of forming the committee. Given the size and stage of development of the Company, it believes this is appropriate at this time.

In the meantime, the Board is responsible for setting the level and composition of remuneration for directors and senior executives and ensuring remuneration is appropriate and not excessive. Further information on directors and senior executive remuneration is provided in the Remuneration Report. A copy of the Remuneration Committee Charter is available at <https://zoono.com/pages/corporate-governance>

## **5. Company Secretary**

Ms. Elissa Hansen was appointed 12 August 2015 as the Company Secretary. She is accountable directly to the Board, through the Chair, on all matters to do with the proper function of the Board.

The role of the Company Secretary is set out in more detail in the Board Charter.

## **6. Senior Executives**

Senior executives manage the day to day task of the Company under the guidance and direction of the Managing Director. Zoono recognises the importance of its senior executives to the Company's growth and performance. Accordingly, it is imperative that the Company undertake regular evaluations of its senior executives to review their effectiveness and performance on an ongoing basis.

The Managing Director reviews the performance of senior executives annually. These evaluations assess the completeness and effectiveness of each senior executive meeting their KPIs, whether the executive has the appropriate mix of skills and experience to allow the Company to meet its corporate goals and whether the executive provides a safe, secure, productive, harmonious and inclusive environment for their employees to perform at their best.

A performance review of senior executives was undertaken by the Managing Director this year.

## **7. Diversity**

Zoono is committed to a policy of diversity and inclusion and is in the process of developing a formal Diversity Policy. Once adopted, this will be made available on the Company's website. Given the size and development stage of the Company, the Board believes it is acceptable that a formal policy has not been adopted to date.

Proportions of men and women on the board and senior executives during the period was as follows:



Board: 75% male, 25% female

Senior Executives: 100% male

## **8. Ethical and Responsible Behaviour**

Zoono is committed to acting ethically and responsibly including acting with honesty and integrity. To support this, the Company has developed various policies that set out the values and expectations as to how the Company and its employees will work and behave.

### ***Code of Conduct***

Zoono's Code of Conduct represents a commitment by the Board and executives to uphold the highest standards of honesty, integrity and ethical and law-abiding behavior and to foster a culture of honesty, integrity and ethical and law-abiding behaviour among other officers and employees.

Failure to comply with the Code is viewed as a serious matter which may lead to disciplinary action including dismissal and/or legal action.

A copy of the Code can be found at <https://zoono.com/pages/corporate-governance>

### ***Conflicts of Interest***

Zoono's Code of Conduct also includes guidelines in managing conflicts of interest.

In accordance with the requirements of the Corporations Act 2001 (*Cth*) Directors who have a material personal interest in a matter must not be present whilst the matter is being considered. The other Directors, however, may allow such Director/s to participate and vote in relation to the issue if they are satisfied that the interest should not disqualify the Director/s from voting or being present.

### ***Anti-corruption and Fraud***

Zoono has zero tolerance for unfair or unethical conduct in business. It believes acting fairly and ethically will protect the Company's assets and create value for our business partners, customers and shareholders.

The Company recognises that compliance with local and international bribery and anti-corruption laws is essential to protect its reputation and preserve its ability to continue to develop its business.

Zoono has adopted a Fraud and Corruption Policy which reinforces the Board, senior management and employees' commitment to refraining from corrupt and fraudulent conduct and its responsibility for identifying fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities. A copy of the policy is available at <https://zoono.com/pages/corporate-governance>

### ***Dealing in Zoono Securities***

Zoono has adopted a Share Trading Policy applicable to Directors, employees and associates which prohibits a person from trading or dealing in the Company's securities if they are privy to insider information. Further, a Director or their associates, may only deal in the Company's securities when they do not have any inside information and during a trading window.

A copy of the Policy is available at <https://zoono.com/pages/corporate-governance>



### ***Internal Audit***

The Company does not have an internal audit function, and due to its size and current activities the Board does not believe that one is warranted at this time. The Board evaluates and monitors internal control processes to continually improve the effectiveness of its risk management and will re-evaluate the Company's requirement for an internal audit function as the Company grows.

### ***CEO and CFO Declaration***

The Board received a declaration from both the CEO (Managing Director) and CFO, that, in their opinion, the financial records 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 Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively before the Board approved the Company's financial statements for the 2019 financial period and will continue to ensure such declarations are received in the future.

## **9. Market Disclosure and Shareholder Communications**

Zono believes effective communication with its shareholders, potential shareholders and other market participants is of utmost importance for any listed company and is committed to promoting the highest standards of disclosure to ensure a fully informed market.

Zono has established a Shareholder Communication Policy to promote effective communication with shareholders and encourage effective participation at general meetings. Included in this is the requirement for the Company to provide information about itself and its governance to investors via its website. A copy of the Shareholder Communication Policy is available at <https://zono.com/pages/corporate-governance>

Zono has also provided shareholders with the opportunity to elect to receive communications from the Company electronically and can send communications to the Company and the share registry electronically.

### ***Continuous Disclosure***

Zono has continuous disclosure obligations arising from legislation and the ASX Listing Rules. To safeguard the effective dissemination of information and to ensure the Directors and employees are aware of their obligations, the Company has adopted a written Market Disclosure Protocol to establish the procedure to ensure the Company immediately discloses all price-sensitive information to ASX in accordance with the ASX Listing Rules and the Corporations Act 2001 (*Cth*).

A copy of the Protocol is available at <https://zono.com/pages/corporate-governance>

### ***Annual General Meeting***

The Annual General Meeting (AGM) is an important occasion for updating shareholders on the Company's performance. The AGM provides the opportunity for shareholders to ask questions of and hear from the Board. It also allows the Board to listen and respond to shareholder feedback.

The Company ensures that its external auditor attends all AGMs and is available to answer queries from shareholders relating to the audit.