

Corporate Governance Statement

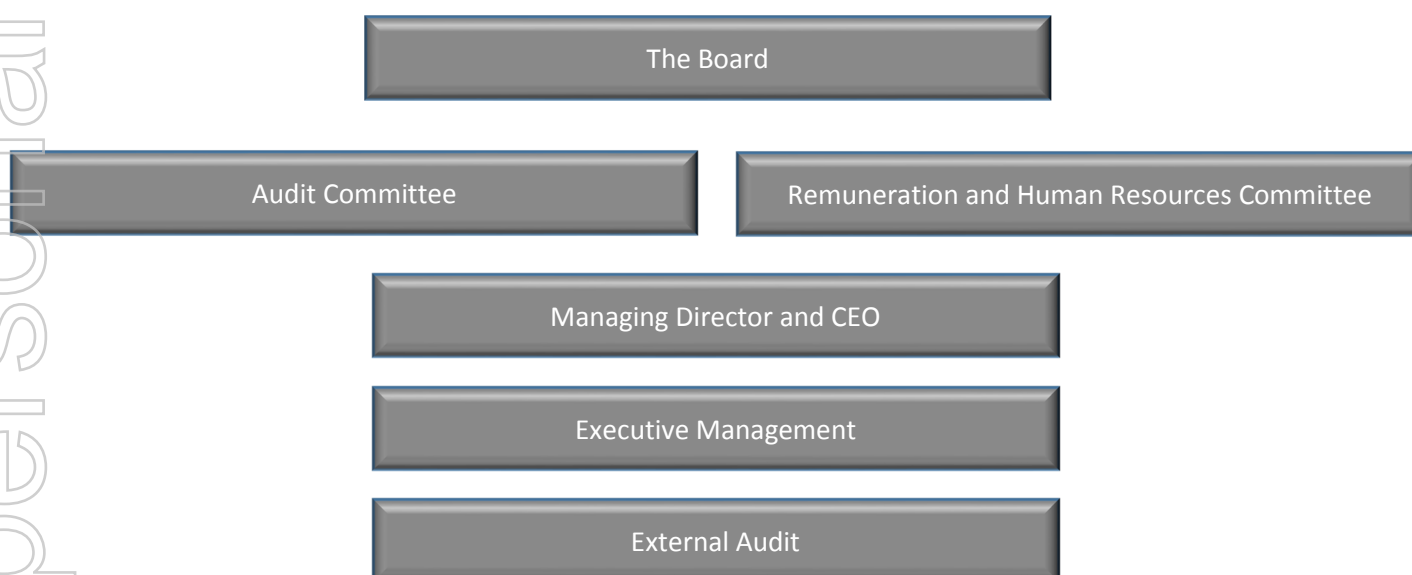
Nick Scali's Corporate Governance Framework

The Board of Nick Scali Limited is responsible for the direction and supervision of the Company's business and for its overall corporate governance. The Board recognises the need to maintain the highest standards of behaviour, ethics and accountability.

The Board is committed to effective corporate governance in order to ensure accountability and transparency to shareholders and other stakeholders, including customers, employees, staff and regulatory bodies. This includes ensuring that internal controls and reporting procedures are adequate and effective. Responsibility for the management of the day to day operations and administration of the Company is delegated to the Managing Director.

This Corporate Governance Statement of Nick Scali Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

An overview of the governance framework:



The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Contents

| | |
|--|----|
| Principle 1 – Lay solid foundations for management and oversight | 3 |
| Principle 2 – Structure the board to add value | 7 |
| Principle 3 – Act ethically and responsibly | 9 |
| Principle 4 – Safeguard integrity in corporate reporting | 10 |
| Principle 5 – Make timely and balanced disclosure | 12 |
| Principle 6 – Respect the rights of security holder | 13 |
| Principle 7 – Recognise and manage Risk | 14 |
| Principle 8 – Remunerate fairly and responsibly | 17 |

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| Recommendation | Principle 1 – Lay solid foundations for management and oversight |
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| <p>1.1 A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> | <p>The company's Board maintains the following roles and responsibilities:</p> <ul style="list-style-type: none"> • being accountable for the performance of the company; • providing leadership and setting the strategic objectives of the company; • appointing the Chair and, if the company has one, the Deputy Chair and/or the "senior independent director"; • appointing, and when necessary replacing, the Chief Executive Officer ('CEO') and other senior executives including the Company Secretary; • assessing the performance of the Managing Director and overseeing succession plans for senior executives; • overseeing management's implementation of the company's strategic objectives; • approving operating budgets and major capital expenditure; • overseeing the integrity of the company's accounting and corporate reporting systems, including the external audit; • overseeing the company's process for market disclosure of all material information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities; • ensuring that the company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate; • approving the company's remuneration framework; • monitoring the effectiveness of the company's governance practices; and reporting to and communications with shareholders. <p>Senior executives have their roles and responsibilities defined in specific position descriptions.</p> |
| <p>(b) those matters expressly reserved to the board and those delegated to management.</p> | <p>The Board has delegated the day-to-day management of the company to the Managing Director and other senior executives ('management'). The company's management is responsible for the following:</p> <ul style="list-style-type: none"> • implementing the strategic objectives set by the Board; • operating within the risk parameters set by the Board; • operational and business management of the company; • managing the company's reputation and operating performance in accordance parameters set by the Board; • day-to-day running of the company; • providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and • approving capital expenditure (except acquisitions) within delegated authority levels. |
| <p>1.2 A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> | <p>Before appointing a director, or putting forward to shareholders a director for appointment, the company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission ('ASIC').</p> <p>An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). At least one-third of directors, other than the Managing Director, must retire and seek re-election at each annual general meeting of the Company.</p> |

| Recommendation | Principle 1 – Lay solid foundations for management and oversight (Continued) |
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| <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p> | <p>The company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.</p> |
| <p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> | <p>The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.</p> <p>Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.</p> |
| <p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p> | <p>The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:</p> <ul style="list-style-type: none"> • advising the Board and its Committees on governance matters; • monitoring compliance of the Board and associated committees with policies and procedures; • coordinating all Board business; • retaining independent professional advisors; • ensuring that the business at Board and committee meetings is accurately minuted; and • assisting with the induction and development of directors. |
| <p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> | <p>The company has a diversity policy which requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the company's progress towards achieving them on an annual basis.</p> <p>The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the company to attract and retain employees with the best skills and abilities.</p> <p>The Company's objectives in relation to gender diversity are:</p> <ul style="list-style-type: none"> • To recruit from a diverse range of people. • To ensure all employees have equal access to opportunities in the workplace. • To ensure there is equal pay for equal work. • To continue to build an environment that is accepting of a diverse range of backgrounds and views. |

| Recommendation | Principle 1 – Lay solid foundations for management and oversight (Continued) | | | | | | | | | | | | |
|---|--|-------------------|------------------|-------------------|--------------|-----|-----|-------------------------------|-----|-----|-------------------------------|-----|-----|
| <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <ol style="list-style-type: none"> the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | <p>The respective proportion of women and men in the company including its subsidiaries ('consolidated entity') as at 30 June 2017 are as follows:</p> <table border="1" data-bbox="606 470 1532 638"> <thead> <tr> <th></th> <th>Portion of women</th> <th>Proportion of men</th> </tr> </thead> <tbody> <tr> <td>On the Board</td> <td>20%</td> <td>80%</td> </tr> <tr> <td>In senior executive positions</td> <td>22%</td> <td>78%</td> </tr> <tr> <td>Across the whole organisation</td> <td>41%</td> <td>59%</td> </tr> </tbody> </table> <p>For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.</p> <p>The Company is compliant with the Equal Opportunity for Women in the Workplace Act 1999.</p> <p>A copy of Nick Scali Limited 2016-17 report to the Workplace Gender Equality Agency is available at: http://www.nickscali.com.au/corporate-governance</p> | | Portion of women | Proportion of men | On the Board | 20% | 80% | In senior executive positions | 22% | 78% | Across the whole organisation | 41% | 59% |
| | Portion of women | Proportion of men | | | | | | | | | | | |
| On the Board | 20% | 80% | | | | | | | | | | | |
| In senior executive positions | 22% | 78% | | | | | | | | | | | |
| Across the whole organisation | 41% | 59% | | | | | | | | | | | |
| <p>1.6 A listed entity should:</p> <ol style="list-style-type: none"> have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | <p>The Board reviews its performance regularly, as well as the performance of individual committees and directors. The process of evaluation consists of assessing the relative strengths and weaknesses of the directors and the committees they are members of and identifying areas that can be improved. This is achieved by way of collective Board discussions and individual interviews. The use of an external facilitator may be utilised periodically to assist in the review process.</p> <p>A formal Board performance evaluation was completed during this reporting period.</p> | | | | | | | | | | | | |

| Recommendation | | Principle 1 – Lay solid foundations for management and oversight (Continued) |
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| 1.7 | <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | <p>The Board conducts an annual performance assessment of the Managing Director against agreed performance measures determined at the start of the year. The Managing Director undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive’s function, individual targets, group targets, and the overall performance of the company.</p> <p>The Managing Director provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Remuneration and Human Resources Committee. The last review of senior executives in accordance with this process was undertaken during May 2017.</p> |

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| Recommendation | Principle 2 – Structure the board to add value | | | | | | | | |
|---|---|-----------------|------------------|--------------------------|------------------------|---------------|------------------------|-------------------|------------------------|
| <p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ol style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>The Board has not established a separate nomination committee; instead the responsibility for these practices rests with all non-executive directors, who are:</p> <table border="1" data-bbox="606 425 1356 593"> <thead> <tr> <th>Director's Name</th> <th>Executive Status</th> </tr> </thead> <tbody> <tr> <td>John W Ingram - Chairman</td> <td>Non-Executive Director</td> </tr> <tr> <td>Greg R Laurie</td> <td>Non-Executive Director</td> </tr> <tr> <td>Carole A Molyneux</td> <td>Non-Executive Director</td> </tr> </tbody> </table> <p>The majority of the Board members and the Chair are independent.</p> <p>The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.</p> <p>The Board is responsible for addressing board succession issues and for ensuring that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to discharge its duties.</p> | Director's Name | Executive Status | John W Ingram - Chairman | Non-Executive Director | Greg R Laurie | Non-Executive Director | Carole A Molyneux | Non-Executive Director |
| Director's Name | Executive Status | | | | | | | | |
| John W Ingram - Chairman | Non-Executive Director | | | | | | | | |
| Greg R Laurie | Non-Executive Director | | | | | | | | |
| Carole A Molyneux | Non-Executive Director | | | | | | | | |
| <p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | <p>The Board currently believes that its membership adequately provides the appropriate mix of skills and experience. External consultants may be brought in with specialist knowledge to address areas where applicable.</p> <p>The mix of skills comprised in the current Board, and that the Board would look to maintain, and to build on, includes:</p> <ul style="list-style-type: none"> • technical expertise (including finance); • ability to think strategically; • ability to assess senior executives and set key performance hurdles. <p>Details of the directors, their term of office and their qualifications, skills and experiences are detailed in the Directors' Report.</p> | | | | | | | | |

| Recommendation | Principle 2: Structure the board to add value (Continued) | | | | | | | | | | | | | | | |
|---|---|---------------------|-------------------------------------|---------------------|--------------|----------|-------------|--------------|----------|-------------|--------------|---------|-------------|--------------|----------|-----------------|
| <p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>Director's name</p> <p>John W Ingram Greg R Laurie Carole A Molyneux Anthony J Scali</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p> | <p>Details of the Board of directors, their appointment date, length of service and independence status is as follows:</p> <table border="1"> <thead> <tr> <th>Appointment date</th> <th>Length of service at reporting date</th> <th>Independence status</th> </tr> </thead> <tbody> <tr> <td>7 April 2004</td> <td>13 years</td> <td>Independent</td> </tr> <tr> <td>7 April 2004</td> <td>13 years</td> <td>Independent</td> </tr> <tr> <td>26 June 2014</td> <td>3 years</td> <td>Independent</td> </tr> <tr> <td>25 July 1983</td> <td>33 years</td> <td>Not-independent</td> </tr> </tbody> </table> <p>The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their 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 generally.</p> <p>The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.</p> <p>See above in 2.3 (a)</p> | Appointment date | Length of service at reporting date | Independence status | 7 April 2004 | 13 years | Independent | 7 April 2004 | 13 years | Independent | 26 June 2014 | 3 years | Independent | 25 July 1983 | 33 years | Not-independent |
| Appointment date | Length of service at reporting date | Independence status | | | | | | | | | | | | | | |
| 7 April 2004 | 13 years | Independent | | | | | | | | | | | | | | |
| 7 April 2004 | 13 years | Independent | | | | | | | | | | | | | | |
| 26 June 2014 | 3 years | Independent | | | | | | | | | | | | | | |
| 25 July 1983 | 33 years | Not-independent | | | | | | | | | | | | | | |
| <p>2.4 A majority of the board of a listed entity should be independent directors.</p> | <p>Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date were independent.</p> | | | | | | | | | | | | | | | |
| <p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p> | <p>John W Ingram is Chair of the Board and is considered to be an independent director of the company. Anthony J Scali is the Managing Director and Chief Executive Officer.</p> | | | | | | | | | | | | | | | |
| <p>2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p> | <p>New directors undertake an induction program coordinated by the Company Secretary on behalf of the Remuneration and Human Resources Committee. The program includes strategy briefings, explanations of company policies and procedures, governance frameworks, cultures and values, company history, director and executive profiles and other pertinent company information. Where appropriate, a director development program is also available which is coordinated by the Company Secretary to ensure that directors can enhance their skills and remain abreast of important developments to enable them to discharge their director obligations as effectively as possible.</p> | | | | | | | | | | | | | | | |

| Recommendation | | Principle 3 – Act ethically and responsibly |
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| <p>3.1</p> | <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> | <p>The company maintains a code of conduct for its directors, senior executives and employees. In summary, the code requires the following of each relevant person:</p> <ul style="list-style-type: none"> • act honestly, in good faith and in the best interests of the company as a whole; • exercise a duty to use care and diligence in fulfilling the functions of office or position and exercising the powers attached to that office or position; • use the powers of office for a proper purpose and in the best interests of the company as a whole; • recognise that the primary responsibility is to the company as a whole but may, where appropriate, have regard for the interest of other stakeholders of the company; • not to make improper use of information acquired as a director or employee; • not take improper advantage of their position as a member of the Board or employee; • properly manage and declare any conflict of interest with the company; • directors to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board; • confidential information received in the course of the exercise of their duties remains the property of the company and, unless appropriate authority granted, it is improper to disclose it, or allow it to be disclosed; • not to engage in conduct likely to affect the reputation of company; and • to comply with the spirit, as well as the letter, of the law and with the principles of this Code. |

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| Recommendation | Principle 4 – Safeguard integrity in corporate reporting | | | | | | | | |
|--|--|-----------------|------------------|--------------------------|------------------------|---------------|------------------------|-------------------|------------------------|
| <p>4.1 The board of a listed entity should: (a) have an audit committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, and disclose: 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | <p>The Board maintains an Audit Committee, the members of which are:</p> <table border="1" data-bbox="606 436 1260 604"> <thead> <tr> <th>Director's Name</th> <th>Executive Status</th> </tr> </thead> <tbody> <tr> <td>Greg R Laurie - Chairman</td> <td>Non-Executive Director</td> </tr> <tr> <td>John W Ingram</td> <td>Non-Executive Director</td> </tr> <tr> <td>Carole A Molyneux</td> <td>Non-Executive Director</td> </tr> </tbody> </table> <p>The Majority of the Committee members and the Chair are independent, thereby satisfying this Recommendation.</p> <p>Details of the qualifications and experience of the members of the Committee are included in the 'Information of directors' section of the Directors' Report.</p> <p>Audit Committee meetings are held regularly throughout the year and operates under a Charter approved by the Board. The Audit Committee's responsibilities under the Charter are to:</p> <ul style="list-style-type: none"> • assist the Board to discharge fiduciary responsibilities with regard to the Company's accounting, control and reporting practices; by monitoring the internal control environment and management over corporate assets; • review and recommend to the Board the adoption of the Company's annual and half-yearly financial statements; • review internal controls and any changes thereto approved and submitted by the Company's Chief Financial Officer; • provide assurance regarding the quality and reliability of financial information used by the Board; • review the Company's risk management policies and internal control processes; • liaise with and review the performance of the external auditor, who is invited to attend Audit Committee meetings to report on audit findings and other financial and control matters; and • ensure that information systems, processes and technology are reviewed periodically for future sustainability and the adequacy of controls. <p>Four Audit Committee Meetings were held during the year with the Managing Director and Chief Financial Officer also attending. In addition to these meetings the Chairman of the Audit Committee met periodically with management and the external auditors.</p> <p>The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.</p> | Director's Name | Executive Status | Greg R Laurie - Chairman | Non-Executive Director | John W Ingram | Non-Executive Director | Carole A Molyneux | Non-Executive Director |
| Director's Name | Executive Status | | | | | | | | |
| Greg R Laurie - Chairman | Non-Executive Director | | | | | | | | |
| John W Ingram | Non-Executive Director | | | | | | | | |
| Carole A Molyneux | Non-Executive Director | | | | | | | | |

| Recommendation | Principle 4 – Safeguard integrity in corporate reporting (Continued) |
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| <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>Not applicable</p> |
| <p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO 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.</p> | <p>In relation to the financial statements for the financial year ended 30 June 2017, the company's Managing Director and CFO have provided the Board with declarations, that in their opinion:</p> <ul style="list-style-type: none"> • the financial records of the company have been properly maintained; • the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company; and • has been formed on the basis of a sound system of risk management and internal control which is operating effectively. |
| <p>4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | <p>The engagement partner for the company's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.</p> |

| Recommendation | Principle 5 – Make timely and balanced disclosure |
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| <p>5.1 A listed entity should:</p> <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. | <p>Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the Corporations Act 2001.</p> <p>The company maintains a policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company’s disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought from the company’s external counsel.</p> <p>The Company Secretary is required to consult with the Managing Director in relation to matters brought to his or her attention for potential announcement. Where the matter is urgent and the Managing Director is not contactable, the Chairman is contacted. Where the Chairman is not contactable, the Company Secretary may decide whether an announcement is made, or whether a trading halt is warranted.</p> <p>Generally, the Managing Director is ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the company such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.</p> <p>The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.</p> <p>No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.</p> |

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| Recommendation | | Principle 6 – Respect the rights of security holder |
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| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | The company maintains information in relation to privacy policy, diversity policy, annual reports, ASX announcements and contact details on the company's website. |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | <p>In order for investors to gain a greater understanding of the company's business, governance practices, financial performance and future prospects, the company schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media.</p> <p>These meetings and discussions must be approved by the Managing Director and are generally conducted by the Managing Director and/or the CFO. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information. These meetings are not held within a four week blackout period in advance of the release of interim or full-year results.</p> |
| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | <p>The company encourages shareholders to attend the company's AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to. Written transcripts of the meeting are made available on the company's website.</p> <p>The Company's auditor is invited to attend the Annual General Meeting in order to be available to answer shareholder queries.</p> <p>As an accompaniment to the Annual Report and Half Year Financial Report, the Company prepares and releases to the market a Results Presentation which provides additional information for shareholders.</p> <p>The Annual Report and announcements to the ASX Limited are included on the Company's website.</p> |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Link Market Services Limited at www.linkmarketservices.com.au . |

| Recommendation | Principle 7 – Recognise and manage Risk | | | | | | | | |
|--|---|-----------------|------------------|--------------------------|------------------------|---------------|------------------------|-------------------|------------------------|
| <p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | <p>The Audit Committee recommends to the Board the policy and overall direction of risk management for the Company. Responsibility for day to day management of risk rests with Management. The Audit Committee reports to the Board in relation to matters relevant to its responsibilities. During the reporting period, the Audit Committee, and through it the Board, received a number of reports on the operation and effectiveness of the policies, processes and controls within the Company.</p> <p>The Board maintains an Audit Committee, the members of which are:</p> <table border="1" data-bbox="614 645 1284 772"> <thead> <tr> <th>Director's Name</th> <th>Executive Status</th> </tr> </thead> <tbody> <tr> <td>Greg R Laurie - Chairman</td> <td>Non-Executive Director</td> </tr> <tr> <td>John W Ingram</td> <td>Non-Executive Director</td> </tr> <tr> <td>Carole A Molyneux</td> <td>Non-Executive Director</td> </tr> </tbody> </table> <p>The Majority of the Audit Committee members and the Chair are independent, thereby satisfying this Recommendation.</p> <p>The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.</p> <p>Not applicable</p> | Director's Name | Executive Status | Greg R Laurie - Chairman | Non-Executive Director | John W Ingram | Non-Executive Director | Carole A Molyneux | Non-Executive Director |
| Director's Name | Executive Status | | | | | | | | |
| Greg R Laurie - Chairman | Non-Executive Director | | | | | | | | |
| John W Ingram | Non-Executive Director | | | | | | | | |
| Carole A Molyneux | Non-Executive Director | | | | | | | | |
| <p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>The charter includes the committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities.</p> <p>The Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policy and monitoring corporate activity within the scope of its responsibility, making recommendations to the Board for resolution, and assisting the Board in identifying and managing risks.</p> <p>The Audit Committee reviews the company's risk management framework at least annually to ensure that it is still suitable to the company's operations and objectives and that the company is operating within the risk parameters set by the Board.</p> | | | | | | | | |

| Recommendation | Principle 7 – Recognise and manage Risk (Continued) |
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| <p>7.2</p> | <p>Share Trading Policy</p> <p>The Company also has a Share Trading Policy for directors and employees. Subject at all times to not being in possession of inside information, directors, officers (and their related entities) may deal in Nick Scali Limited securities during the eight (8) week period commencing on the second business day following:</p> <ul style="list-style-type: none"> • an announcement of Nick Scali Limited’s full year financial results, and • an announcement of Nick Scali Limited’s half year financial results, and • the Annual General Meeting of Nick Scali Limited, and • any announcement by the Company indicating expected results, provided that such a trading window does not extend beyond the end of a Nick Scali Limited financial reporting period (half year or full year); in which case the window will instead close at the end of that reporting period. <p>Approval to trade outside these windows will only be granted in exceptional personal circumstances, upon prior notice to and approval from:</p> <ul style="list-style-type: none"> • in the case of directors, the Chairman; • in the case of the Chairman, the Chairman of the Audit Committee; • in the case of officers, the Managing Director. <p>Directors and designated employees are encouraged to give prior notification to the Company Secretary of any proposed dealing in the Company’s securities and in any event must advise the Company Secretary as soon as possible after a trade has occurred.</p> <p>The Board recognises that it is the individual responsibility of each director and employee to ensure he or she complies with the spirit and the letter of insider trading laws and that notification to the Company Secretary in no way implies approval of any transaction.</p> <p>Work, Health and Safety (WHS)</p> <p>An important focus for the Board is to ensure the safety and wellbeing of all our employees.</p> <p>The Company has a WHS committee, made up of representatives from operations, stores, warehouse and Head Office.</p> <p>The WHS Committee meets regularly to oversee and manage the WHS risk for the Company. During these meetings the WHS Committee reports on, reviews and follows up any WHS issues or incidents that have occurred.</p> |
| <p>7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | <p>There is not a dedicated internal audit function, however, considerable importance is placed on maintaining a strong control environment in the company. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Internal control reviews are undertaken on a periodic basis and the results are reported to the Audit Committee.</p> <p>The external audit function is separate and independent of the above processes. From time to time, third party consultants are engaged to perform procedures to review internal controls.</p> |

| Recommendation | | Principle 7 – Recognise and manage Risk (Continued) |
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| 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | The company is not subject to any significant environmental regulation under Australian Commonwealth or State law. |

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| Recommendation | Principle 8 – Remunerate fairly and responsibly | | | | | | | | |
|---|--|------------------------|-------------------------|---------------------------------|------------------------|---------------|------------------------|---------------|------------------------|
| <p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>The Board has a Remuneration and Human Resources Committee and , the members of which are:</p> <table border="0" data-bbox="606 425 1516 560"> <thead> <tr> <th style="text-align: left;">Director’s Name</th> <th style="text-align: left;">Executive Status</th> </tr> </thead> <tbody> <tr> <td>Carole A Molyneux - Chairperson</td> <td>Non-Executive Director</td> </tr> <tr> <td>Greg R Laurie</td> <td>Non-Executive Director</td> </tr> <tr> <td>John W Ingram</td> <td>Non-Executive Director</td> </tr> </tbody> </table> <p>Details of the qualifications and experience of the members of the Committee is detailed in the ‘Information of directors’ section of the Directors’ Report.</p> <p>The Remuneration and Human Resources Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.</p> <p>The Committee’s charter sets out the roles and responsibilities, composition and structure of the Committee. In summary, the charter provides for the committee to monitor and advise upon the following matters:</p> <ul style="list-style-type: none"> • the company’s remuneration structure including long term incentives and superannuation arrangements; • remuneration and incentives of the Board, Managing Director and Company Secretary; • performance and remuneration of senior management; • remuneration strategies, practices and disclosures generally; • The setting of overall guidelines for Human Resources policy, within which Senior Management determines specific policies; • employee share payment plans; • recruitment, retention and termination strategies; • management succession, capability and talent development; and • the Remuneration Report, contained within the Directors’ Report. <p>When considered necessary, the Committee may obtain external advice from independent consultants in determining the company’s remuneration practices including remuneration levels.</p> <p>The number of Committee meetings held and attended by each member is disclosed in the ‘Meetings of directors’ section of the Directors’ Report.</p> <p>Not applicable</p> | Director’s Name | Executive Status | Carole A Molyneux - Chairperson | Non-Executive Director | Greg R Laurie | Non-Executive Director | John W Ingram | Non-Executive Director |
| Director’s Name | Executive Status | | | | | | | | |
| Carole A Molyneux - Chairperson | Non-Executive Director | | | | | | | | |
| Greg R Laurie | Non-Executive Director | | | | | | | | |
| John W Ingram | Non-Executive Director | | | | | | | | |

| Recommendation | Principle 8 – Remunerate fairly and responsibly (Continued) |
|--|---|
| <p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | <p>Details in relation to the company’s remuneration policies are contained in the Remuneration Report, within the Directors’ Report.</p> |
| <p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it. | <p>The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.</p> |

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