

CORPORATE GOVERNANCE STATEMENT

Contents

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	1
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE	4
PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING	5
PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTIING.....	6
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE.....	7
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS.....	7
PRINCIPLE 7: RECOGNISE AND MANAGE RISK	8
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY	9

This statement reflects SECOS Group Limited's ("SECOS or the Company") corporate governance policies and practices as at 30 June 2017 and which were in place throughout the year.

The Board's philosophy is to adopt practices that are consistent with the best practice recommendations of the ASX Corporate Governance Council and in the best interests of the Company. The governance practices are reviewed regularly.

A description of the Company's main corporate governance practices is set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board of Directors-Role and Responsibilities

The Board's role is to govern the Company rather than to manage it. In governing the Company; the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- ensuring the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market
- the establishment and maintenance of appropriate ethical standards and
- corporate Governance

Senior Management-Role and Responsibilities

The Board has delegated the responsibility for the day to day management of the Group, to the Managing Director and senior management, which includes

- management of the Group's operations and finances;
- reporting to the Board on matters including the Group's safety performance, operations and financial performance;
- recommending corporate strategic initiatives, budgets, plans and policies to the Board;
- maintaining an effective risk management framework and keeping the Board fully informed about material risks;
- determining Group policies, other than those reserved for the Board.

The Board constantly monitors the performance of the Managing Director and senior management in their undertaking of these duties.

Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time, having regard to the skills and experience required by the Company and procedures outlined in the Company's Constitution and the Corporations Act 2001 (Cth).

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company gives shareholders all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director, either in the notice of the meeting at which the election of the Director is to be held, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found.

Terms of Appointment-Directors and Senior Executives

SECOS ensures that all Directors and senior executives enter into written agreements setting out the terms of their appointment to ensure that they have a clear understanding of their roles and responsibilities and of the Company's expectations of them. Material terms of contracts of employment are included in the remuneration report which is published in the Annual Report.

The Company Secretary

The Company Secretary is appointed by the Board and is responsible for advising the Board on all governance matters, ensuring Board policies and procedures are followed. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The Company Secretary is Edmond Tern (appointed on 6 March 2017), whose qualifications and experience are stated in the Company's latest Annual Report.

Diversity

The Board, Senior management and workforce of the Group comprise individuals who, whilst culturally diverse, collectively possess an appropriate blend of qualifications, skills and experience. The Company recognizes the positive advantages of a diverse workplace and is committed to:

- creating a working environment conducive to the appointment of well qualified employees,
- identifying ways to promote a corporate culture which embraces diversity.

At this stage, due to nature and scale of its current activities, the Group has not established formal diversity policy. The Board will give consider adopting a formal diversity policy from financial year 2017 and will give further consideration to the establishment of objectives for achieving gender diversity in respect of the Board Composition and Senior Executives parameters as the Company develops and its circumstances change.

The composition of men and women on the Board, in senior executive positions and across the whole organization is set out in the following table. "Senior executive" for these purposes means the persons designated as senior executives by the Board.

As at 30 June 2017	Proportion of women
Board	0 out of 5 (0%)
Senior Executives	0 out of 8 (0%)
Senior Management	1 out of 4 (25%)
Whole Organization	52 out of 130 (40%)

Performance Review and Evaluation

During the reporting period, the Board has adopted an on-going, self-evaluation process to measure its own performance, that of individual directors and the performance of its committee functions.

The Chairman meets periodically with the individual directors regarding their role and performance as a Director. The Chairman's performance is also evaluated by the Board. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of all the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

The overall outcomes are discussed by the Board with measures taken to improve the effectiveness and efficiency of individual directors and the Board collectively. A Board performance evaluation was conducted during the Reporting period.

The Managing Director's performance is evaluated by the Chairman.

The Managing Director is responsible for evaluating the performance of senior executives.

During the reporting period, the Chairman did conduct evaluation of the Managing Director's performance. The Managing Director undertook an informal performance review of the senior executives.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Board of Directors-Composition, Structure and Process

The Board has been formed so that it has an effective mix of personnel who are committed to discharging their responsibilities and duties, and being of value to the Company. The Board comprised of 4 directors. The Directors periodically review whether the size and composition of the Board remains appropriate to the Company's activities and operating environment.

The Constitution requires a minimum number of three Directors. The maximum number of Directors is fixed by the Board but may not be more than 8, unless the members of the Company, in a general meeting, resolve otherwise. The names of the Directors, and their qualifications and experience are stated in the Company's latest annual report along with the term of office held by each.

Nomination Committee

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that further division of the Board for the purposes of establishing a formal committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process. Accordingly, the Board has performed the role of the Nomination Committee to consider directors competencies, selection and nomination practices in the context of duly constituted meetings of the Board and as a part of its self-evaluation process.

Skills, Knowledge and Experience

During the Reporting Period, the Company did not have or disclose a formal skill matrix. However, as an on-going process, the Board seeks to ensure that its members have an appropriate mix of skills, knowledge and experience to enable it to properly perform its responsibilities and be well equipped to navigate the Company through the many opportunities and challenges it faces. The qualifications, skills, experience and expertise relevant to the position of director held at the date of Annual Report is set out in the Company's latest Annual Report. It is expected that as the Company grows, a formal skill matrix will be developed and disclosed.

Independence

The Board considers the independence of directors having regard to the relationship listed in Corporate Governance Principles and Recommendations.

The length of service of each director is set out in the Directors' Report of the Company's latest Annual Report.

Composition of the Board

The Board does not have a majority of directors who are independent.

However, where any Director has a material personal interest in a matter, in accordance with the *Corporations Act 2001*, the Director will not be permitted to be present during discussion of that matter or to vote on it. The enforcement of this requirement aims to ensure that the interest of shareholders as a whole, is pursued and that neither their interest nor the Director's independence is adversely affected.

Chairman

The non-independent Chair of the Board is Richard Tegoni. Mr Tegoni is not independent because he has direct and indirect interest in the Company and because of his experience and skills he has continued on an executive role guiding the Company through early stage of post-merger period. This is considered to be in the best interest of the Company.

Induction and Professional Development

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in board decision making at the earliest opportunity.

All Directors, upon appointment, are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the Board. This program consists of written background material on the Company, its products, services and operations, scheduled meetings with the Chairman and the Managing Director of the Company.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman; to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

The Board holds regular meetings, generally monthly and holds additional meetings whenever necessary to deal with specific matters requiring attention. Each member of the Board have agreed to keep confidential all information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorized or legally mandated.

All Directors have access to company records and information and receive regular detailed financial and operational reports from senior management.

The Company Secretary is available to all Directors and may be consulted on on-going issues of corporate governance, the SECOS constitution and the law. Management is available to discuss reports, and any issue arising from management of the Company's operations, with the Board as required.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company has established a Code of Conduct for its Directors, senior executives and employees which is disclosed on the Company's website.

The Company has a Securities Trading Policy that regulates the dealings by Directors, officers and employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that directors, officers, employees and consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Company has established an Audit and Compliance Committee.

The members of the Committee at the date of this report are Richard Tegoni (Executive Chairman) and Edmond Tern (Company Secretary). The Audit and Compliance Committee was established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements. The members of the Committee meet formally twice a year and on an adhoc basis as required.

Due to the current size and structure of the Board, the Company selected the members of the Audit and Compliance Committee on the basis that they are considered to have the most expertise in the area and are therefore not necessarily independent or non-executive directors.

The Audit Committee has not adopted any formal charter but remains responsible for:

- review of the annual and half year financial reporting carried out by SECOS;
- review of the accounting policies of SECOS;
- review of the scope and audit programs of the external auditors and any material issues arising from these audits;
- oversight of the independence of external auditors and determining procedures for the rotation of audit partners; and
- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with law and external regulations.

Managing Director and CFO Declarations

The Managing Director and Chief Financial Officer have provided written declarations to the Board confirming that the Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with the relevant accounting standards and that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively.

External Auditor

The Company ensures that its external auditor is invited to, and attends, the Annual General Meeting. The auditor's presence is made known to shareholders during the meeting, and Shareholders are provided with an opportunity to address questions to the Auditors.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the Australian Securities Exchange (“ASX”) as well as communicating with the ASX. In accordance with the ASX’s ‘Listing Rules’ the Company immediately notifies the ASX of information concerning the Company:

- That a reasonable person would or may expect to have a material effect on the price or value of the Company’s securities; and
- That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company’s securities.

The Company has established written policies and procedures for complying with its continuous obligations under the ASX Listing Rules. A Summary of the Company’s Policy on Continuous Disclosure is disclosed on the Company’s website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Market and Shareholder Communication

The Company acknowledges that increasing shareholder value is the Company’s key mission and shareholders require an understanding of the Company’s operations and performance to enable them to be aware of how that mission is being fulfilled.

The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders through various means including:

1. The Company’s website (www.secosgroup.com.au) provides information on the Company including its background, objectives and contact details. Communicating effectively with shareholders through ongoing releases to the market via the ASX and the Company’s website, and the general meetings of the Company;
2. The annual report which is distributed to shareholders if they have elected to receive a printed version and is otherwise available for viewing and downloading from the Company’s or ASX’s website.
3. Half Yearly Financial Reports which are available for viewing and downloading from the Company’s or ASX’s website.
4. Quarterly Cashflow Reports which are available for viewing and downloading from the Company’s or ASX’s website.

The Managing Director and the Chairman have general responsibility to speak to the media, investors and analysts on the Company’s behalf.

Shareholders Meetings

The Board encourages active participation by security holders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of SECOS’ strategy, performance and goals.

Consistent with best practices, the Company has following processes in place:

1. Meetings are held in a locality, and at a readily accessible venue, conducive to maximising the number of security holder present, and able to participate, at the meeting.
2. Important issues are presented to security holders as single resolutions expressed in plain, unambiguous language.
3. Security holders are provided with opportunity to ask questions to Directors at the Annual General Meeting and at general meetings.

4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

Option to communicate electronically

The Company welcomes electronic communication from its Shareholders via its publicised email address (info@secosgroup.com.au). In addition, details of ASX announcements and Company reports are distributed to interested parties via email as well as being uploaded to the website-www.secosgroup.com.au.

The Company's share registry also engages with Shareholders electronically and makes available a range of relevant forms on its website. Shareholder can register with the Share Registry to access their personal information and shareholdings via the internet.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk and Audit Committee

The Board has a Risk and Audit Committee ("RAC") comprises all directors of the Board, chaired by Mr Donald Haller jr.

RAC monitors all key areas of the Company's risk management on an ongoing basis and keeps shareholders informed of any changes in the risk profile of the Company.

Risk Management

RAC has delegated the responsibility of designing risk management and internal control systems to the Managing Director and senior management who manage the Company's material business risks and report to RAC on the effectiveness of those systems.

RAC reviews the Company's risk management framework annually to satisfy itself that it continues to be sound and to ensure that the Company is operating within the risk appetite set by RAC.

The Company's risk management and control policy framework incorporates the maintenance of appropriate policies, procedures and guidelines designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks in respect of the Company's latest financial year.

Internal Audit

In 2017, Group Chief Financial Officer introduced internal audit procedure which is now adopted by RAC.

The Managing Director and senior management are charged with resourcing, operating and monitoring the system of internal control, incorporating risk responses in the form of controls into the Company's management systems, and reporting results on balanced assessments regarding the effectiveness of internal controls to RAC.

Material Exposure to Economic, Environmental and Social Sustainability Risks

The Company has considered its economic, environmental and social sustainability risks and has concluded that it does not have a material exposure to economic, environmental and/or social sustainability risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Establishment of Remuneration Committee

The Company does not have a remuneration committee. This function is now undertaken by the full Board. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate remuneration committee. However, the Board collectively has given due consideration to the overall remuneration policies and strategies and strategies of the Company during the conduct of its regular board meetings and by appropriate recourse to relevant market data and where, applicable to external remuneration consultants.

Executive Director and Non-Executive remuneration

The remuneration paid to executive directors and senior executives is distinguished from that paid to non-executive directors.

Non-Executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior shareholder approval.

A review of the remuneration arrangements for the Managing Director and Senior Executives is currently conducted by the full board at a duly constituted Directors' Meeting. The review is performed annually and is based upon criteria including individual performance, market rates paid for similar positions and the results of the Company during the relevant period.

The Board remuneration policy objective of SECOS is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest quality and standard to enable the organization to succeed.

Further details on the Company's remuneration policy and current remuneration details are disclosed in the Directors' Report.

Equity based remuneration scheme

The Company has loan share plan in place which was adopted with approval of shareholders at 2014 Annual General Meeting. The Company has not issued any shares to employees, senior executives and Directors under loan share plan with vesting conditions. The Company's Share Trading policy includes a clause of the Company's policy that all the employees including key management personnel are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.