



Corporate Governance Statement FY2023

This Corporate Governance Statement reflects Simonds Group Limited's (**Simonds** or the **Company**) corporate governance policies and practices as at 30 June 2023 and which were in place throughout the year.

This Statement is structured in order of the corporate governance principles set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 4th edition (**ASX CGPRs**). This Statement refers to the 2023 Report of Directors and the 2023 Remuneration Report which are available from the Simonds Group website, <http://simondsgroup.com.au/reports>.

The board of directors of the Company (**Board**) has approved this corporate governance statement.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Roles and responsibilities of the Board & delegation to management

A listed entity should have and disclose a board charter setting out:

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

The Board has adopted a written Board Charter to provide a framework for the effective operation of the Board. The Board Charter outlines the Board composition, its role and responsibilities, relationship with management and delegation of authority to Board committees and management. The Board Charter is available at <http://simondsgroup.com.au/corporateGovernance>.

The Board Charter outlines:

- the roles of the Board, the Chair, the Chief Executive Officer (**CEO**) and the Company Secretary;
- the guidelines for Board composition, including the processes around Director appointments and Board nominations;
- the general and specific responsibilities of the Board; and
- responsibility for the operation and administration of the Group is delegated by the Board to the CEO and the Executive Leadership Team (**ELT**). The Board ensures that the CEO and ELT are appropriately qualified and experienced to discharge their responsibilities.

While the Board retains full responsibility for guiding and monitoring the Company, to assist in discharging its responsibilities, it makes use of sub-committees. To this end the Board has established an Audit & Risk Management Committee and Nomination & Remuneration Committee. The roles of these committees are detailed throughout this Statement. Due to the small size of the Board, all Board members are currently members of all sub-committees.

Key functions reserved for the Board include:

- approval of the budget;
- approval of the strategic plan;
- approval of annual and half-yearly financial reports;
- approving and monitoring the progress of major acquisition and divestments;
- ensuring the Company's Code of Conduct and other policies are adhered to, to promote ethical and responsible decision making and compliance with applicable laws;
- ensuring any significant risks that arise are identified, assessed, and appropriately managed and monitored; and
- reporting to shareholders.



Recommendation 1.2 – Perform appropriate checks on Directors before appointment and provide all relevant information for election of Directors

A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and*
- (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.*

The Board Charter outlines the guidance for appointment of directors. Prior to appointing a director or putting forward a candidate for election as a director, the Board must:

- undertake appropriate checks; and
- provide shareholders with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a director.

In the relevant notice of meeting the Company provides shareholders with information to enable them to make an informed decision on all directors standing for election or re-election, including experience, qualifications, relevant memberships, and details of other material directorships held or other interest, position or relationship that might influence on their ability to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party. The notice of meeting also states whether the Board considers the Director to be independent, and the term of office currently served by the Director.

Recommendation 1.3 – Written contracts of appointment

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

As outlined in the Board Charter, each director and senior executive has been appointed by way of formal written agreement setting out the terms of their appointment, including role, responsibilities, and remuneration. A director must seek the agreement of the Board before accepting any new role that could impact upon the time commitment expected of the director or give rise to a conflict of interest.

Recommendation 1.4 – Company Secretary

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.

The Board Charter provides that the Company Secretary's role is:

- advising the Board and its committees on governance matters;
- monitoring that Board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of Board and committee papers;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

As stated in the Board Charter, each director can communicate directly with the Company Secretary and vice versa. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board and its committees.



Recommendation 1.5 - Diversity

A listed entity should:

- (a) have and disclose a diversity policy;*
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*
- (c) disclose in relation to each reporting period:*
 - (1) the measurable objectives set for that period to achieve gender diversity;*
 - (2) the entity's progress towards achieving those objectives; and*
 - (3) either:*
 - (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or*
 - (B) 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.*

The Company recognises that a diverse and talented workforce at all levels is a competitive advantage, and that the Company's success is the result of the quality and skills of its people. The Company has established and implemented a Diversity Policy which is overseen by the Board and may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

Under the Diversity Policy, the Board is responsible for:

- developing measurable objectives for achieving gender diversity and objectives of the Diversity Policy (**Measurable Objectives**); and
- monitoring the progress of the Measurable Objectives through mechanisms listed in the Diversity Policy.

The Company did not have Measurable Objectives for achieving gender diversity in place during the reporting period. However, during the period, the Company:

- Increased the number of women in the Simonds Leadership Team. Three of the 7 members are women; and
- Conducted a survey of the gender pay gap in the organisation.

The Company is a 'relevant employer' under the *Workplace Gender Equality Act* and lodged its report on 15 June 2023. This report contains the most recent 'Gender Equality Indicators' and the public version of this report can be found in the Media section of the company's website at simondsgroup.com.au.

Recommendation 1.6 – Board performance evaluation

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

The Board is responsible for the evaluation of its performance and the performance of individual directors. Under the Board Charter, this internal review is to be conducted on an annual basis, and if deemed necessary, this internal review will be facilitated by an independent third party.

A review of the performance of the Board, its role, the adequacy and effectiveness of the Boards' practices and procedures, and the behaviours of the Board was conducted during FY23.



Recommendation 1.7 – Management reviews

A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and*
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

The Company is developing a formalised performance review process for all employees but did not comply with this Recommendation during FY23. As outlined in the Board Charter, the CEO is responsible for the performance evaluation of senior executives. The Nomination & Remuneration Committee is responsible for reviewing the performance targets for senior management. An executive performance evaluation program will be in place for the majority of FY24.

PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE
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Recommendation 2.1 – Nomination committee

The board of a listed entity should:

- (a) have a nomination committee which:*
 - (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*
- (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.*

The Board has a Nomination and Remuneration Committee and has adopted a written Nomination and Remuneration Charter that sets out the role and objectives, responsibilities, and functions of the Committee. The Nomination and Remuneration Charter is available at <http://simondsgroup.com.au/corporateGovernance>.

All directors are members of the Nomination and Remuneration Committee. Due to the current make-up of the Board, the Company does not comply with Recommendation 2.1(a)(1) that a majority of members of the Committee are independent, or Recommendation 2.1(a)(2), that the Nomination and Remuneration Committee be chaired by an independent director.



Recommendation 2.2 – Board skills

A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The experience and expertise relevant to the position of director held by each Director in office at the date of the Annual Report is included in the Directors' Report. The Board skills matrix set out below describes the skills and experience currently represented on the Board.

Listed company / industry knowledge

- Previous listed company director experience
- Public company executive experience
- Volume housing industry/sector experience
- RTO (including compliance)
- Broad Public Policy knowledge (housing/building industry)

Technical skills / experience

- Strategy
- Accounting/finance
- Capital management
- Legal/corporate law
- Investor Relations
- Risk Management
- Human Resources
- CEO/Senior Management Experience
- M&A

Governance competencies

- Knowledge of applicable legislation
- Financial Literacy
- Strategic thinking from Governance perspective
- Executive Performance
- Management – CEO Management
- Governance related risk management
- Compliance Focus

Behavioural competencies

- Team player/collaborative
- Ability and willingness to question
- Common sense and sound judgment
- Integrity and high ethical standards
- Mentoring abilities
- Interpersonal relations



Recommendation 2.3 – Board structure and term in office

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, affiliation 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 or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

In accordance with the Board Charter and the ASX CGPRs, the Board regularly assesses the independence of each of the Non-Executive Directors based on the interests and associations disclosed by them. The term in office held by each Director as at 30 June 2023 and independence status is as follows:

Name	Independence	Term as at 30 June 2023
<i>Current directors at 30 June 2023</i>		
Richard Grellman – Non-Executive Director (appointed 9 May 2023)	Independent	2 months
David Denny – Non-Executive Director (appointed 3 November 2021)	Independent	1 year, 8 months
Andrew Bloore – Non-Executive Director (appointed 27 July 2021)	Non-independent	1 year, 10 months
Mark Simonds – Executive Director (appointed 20 September 2017)	Non-independent	5 years, 9 months
Rhett Simonds – CEO and Executive Chair* (appointed 20 April 2016)	Non-independent	7 years, 2 months
Piers O'Brien – Non-Executive Director (appointed 20 September 2017)	Non-independent	5 years, 2 months
<i>Former Directors (resigned during FY2023)</i>		
Iain Kirkwood – Non-Executive Director (appointed 20 September 2017 and resigned 9 May 2023)	Independent	5 years, 8 months

*On 27 July 2021 Simonds Rhett Simonds became Executive Chair of the Company's Board while retaining his role as CEO and Managing Director.

A Director must advise the Board if there is any change in the Director's interests, positions, associations, or relationships that could bear upon their independence at the earliest opportunity.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.



Recommendation 2.4 – Director independence

A majority of the board of a listed entity should be independent directors.

According to Recommendation 2.4, the Board should comprise a majority of directors who are independent. During the reporting period, the Board did not comply with Recommendation 2.4. The Board comprises a blend of experienced, independent directors and strong, hands-on directors with deep industry knowledge and expertise.

Notwithstanding the current majority non-independence of the Board, the Board has carefully considered and documented the roles and responsibilities of its Chair and nominated chairs of its Committees to ensure strong governance.

Directors are not involved in decisions where they have, or could be perceived to have, a conflict of interest or material personal interest. Any Director who considers that there may be a conflict of interest or a material personal interest in any matter concerning the Company must declare it immediately.

Recommendation 2.5 – Chair of the Board

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.

Rhett Simonds is the Executive Chair and CEO of the Company. Mr Simonds is not independent. The Board has taken the view that it is in the best interests of the Company and its shareholders that Mr Simonds serves as both Executive Chair and Chief Executive Officer.

Recommendation 2.6 – Director development

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

The Nomination and Remuneration Committee requires an induction and the ongoing training and education of the Board to ensure the Directors develop and maintain the skills and knowledge needed to perform their role as directors effectively. During the reporting period the Directors participated in training sessions and are informed about developments within the Company, the building industry more generally and material developments in law, regulations, and accounting standards, to maintain the currency of knowledge, skills and experience necessary to perform their roles.



PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Recommendation 3.1 – Values

A listed entity should articulate and disclose its values.

Simonds Group's core values are:

- **Customer centric** – our customers are the most important visitors to our home. Our focus is to make each and every one of them feel welcome and special.
- **Honesty and Accountability** – we are responsible and accountable for the choices we make, the actions we take and the outcomes we deliver.
- **Teamwork** – we always work as a team and acknowledge that our goals can only be achieved when every team member plays their role.
- **Great Communication** – candid and constructive communication is vital in keeping us informed, aligned and connected.
- **Innovation** – innovation is key to our success. If there's a better way, we need to know about it and work together to make it happen.
- **Financial Responsibility** – we are smart with what we have and always try to accomplish more with less.
- **Safety** – safety is part of everything we do. The physical and mental wellbeing of all our people is vitally important and is infused into all elements of our business.

The Simonds Group Values are set out in the 2023 Annual Report and are available at <http://simondsgroup.com.au/aboutUs>.

Recommendation 3.2 – Code of conduct

A listed entity should:

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and*
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.*

The Company has adopted a written Code of Conduct which applies to all staff members of the Company, including directors, executives, and employees. The objective of this Code of Conduct is to ensure that all staff at Company observe the highest standards of ethics, integrity, and behaviour. The Code of Conduct may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

Recommendation 3.3 – Whistleblower Policy

A listed entity should:

- (a) have and disclose a whistleblower policy; and*
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Company has adopted a written Whistleblower Policy which applies to all staff members of the Company, including directors, executives, and employees. The Whistleblower Policy may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.



Recommendation 3.4 – Anti-bribery & corruption policy

A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and*
- (b) ensure that the board or committee of the board is informed of any material breaches of that policy.*

The Company has adopted a written Anti-bribery, Fraud & Corruption Policy which applies to all staff members of the Company, including directors, executives, and employees. The Anti-bribery, Fraud & Corruption Policy may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Recommendation 4.1 – Audit and Risk Management Committee

The board of a listed entity should:

(a) have an audit committee which:

(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

(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.

The Board has an Audit and Risk Management Committee and has adopted a written Audit & Risk Committee Charter that sets out the role and objectives, responsibilities, and functions of the Audit & Risk Committee. The Audit & Risk Committee Charter may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

All directors are members of the Audit and Risk Management Committee. The Company does not comply with Recommendation 4.1(a)(1), that a majority of members of the Committee are independent, due to the current make-up of the Board. However, the Company does comply with Recommendation 4.1(a)(2), that the Audit and Risk Management Committee be chaired by an independent director.

Recommendation 4.2 – CEO and CFO assurance

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.



In accordance with Recommendation 4.2, before the Board approved of the Company's financial statements for the financial period ending 30 June 2023 the Board received a declaration from the CEO and Chief Financial officer (**CFO**) in accordance with section 295A of the *Corporations Act 2001* (Cth) (**Corporations Act**) as well as assurance from those officers that the declaration was founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects.

Recommendation 4.3 – Process for verifying periodic reports

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Company has established processes to verify the integrity of periodic corporate reports, such as the Annual Directors Report, which are related to the market and are not audited by the external auditor. The Continuous Disclosure Policy & Communications Strategy sets out the process by which ASX announcements are written, reviewed, and authorised for release. The Continuous Disclosure Policy & Communications Strategy may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 – Disclosure policy

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company has established a Continuous Disclosure Policy & Communications Strategy, which establishes policies and procedures designed to ensure compliance with its continuous disclosure requirements under the Listing Rules and the Corporations Act.

The Policy sets out the standards, protocols and the detailed requirements expected of all directors, officers, senior management, and employees of the Company for ensuring the Company immediately discloses all price-sensitive information in compliance with the Listing rules and Corporations Act relating to continuous disclosure.

The Policy may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

Recommendation 5.2 – Material Market Announcements

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Company provides Directors with access to and / or copies of ASX announcements promptly after they have been released to the market.

Recommendation 5.3 – Investor Presentations released to ASX

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.



The Company releases copies of the slides for any new or substantive investor and analyst presentations to the ASX before the presentations are given.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 – Information on website

A listed entity should provide information about itself and its governance to investors via its website.

The Company has a website, simondsgroup.com.au, which includes a 'Board of Directors', 'Annual Reports' and 'Corporate Governance' section where information about the Company, including its financial and corporate governance information can be accessed.

Recommendation 6.2 – Investor relations program

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company has adopted a Continuous Disclosure Policy and Communications Strategy governing its approach to communicating with its shareholders, market participants and other stakeholders.

This policy specifically includes:

- The approach to briefing media, investors, and analysts; and
- The approach to communicating with shareholders about the Company's financial performance and business strategy via shareholder meetings.

The Company conducts regular briefings to facilitate effective two-way communication with investors and other market participants. The Company provides a copy of the annual report to all shareholders who have requested to receive a hard copy and encourages investors to access the annual report online. The annual report contains relevant information about the Company's operations during the year, changes in the state of affairs and other disclosures required by the Corporations Act. The half year report contains summarised financial information and a review of Simonds Group operations during the period. The Company's corporate website provides all shareholders and the public access to our announcements to the ASX, and general information about the Company and our business.

Recommendation 6.3 – Facilitating participation at meetings of security holders

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Company views the Annual General Meeting (**AGM**) as an important forum for two-way communication between the Company and its shareholders. The AGM is an opportunity for shareholders to hear from and put questions to the Board, management, and the external auditor. Shareholders who are unable to attend the AGM to exercise their right to ask questions about, or make comments on, the management of the Company, are encouraged to provide questions or comments ahead of the AGM. The Board is committed to monitoring ongoing developments that may enhance communication with shareholders, including technology developments.



Recommendation 6.4 – Resolutions determined by poll

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

All substantive resolutions at general meetings are determined by way of poll.

Recommendation 6.5 – Electronic communications

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 provides (and encourages) shareholders with the option to receive communications from, and send communications to, the Company and the Share Registry electronically, for reasons of speed, convenience, cost, and environmental considerations.

Annual reports are provided electronically via the Company's website, under the 'ASX Announcements' section, unless a Shareholder elects to receive a printed copy (simondsgroup.com.au/announcements).

Announcements made by the Company to the ASX are made available on the Company's website, under the ASX Announcements section and on the ASX website.

Shareholders can access information relevant to their holding via the Share Registry website boardroomlimited.com.au.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1 – Risk management framework

The board of a listed entity should:

- (a) *have a committee or committees to oversee risk, each of which:*
 - (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*
- (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.*

The Company views effective risk management as a key component to achieving and maintaining its operational and strategic objectives. The identification and management of Simonds Group's risks are an important priority of the Board.

The Company's risk management is assessed and managed by the Audit and Risk Management Committee and governed by the Audit and Risk Management Committee Charter, which may be viewed at simondsgroup.com.au. Refer also to Recommendation 4.1. All directors are members of the Audit and Risk Management Committee. The Company does not comply with Recommendation 7.1(a)(1), that a majority of members of the Committee be independent, due to the current make-up of the Board. However, the Company does comply with Recommendation 7.1(a)(2), that the Audit and Risk Management Committee be chaired by an independent director.



Simonds Group

The Company has in place a Risk Management Framework whereby management is responsible for active identification of risks and implementation of mitigation measures and may be required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

Management reports regularly on risk management to the Board and the Audit and Risk Management Committee, identifying the Group's material risks and the extent to which the Company's ongoing risk management program effectively identifies, manages, tests and addresses risk management issues.

The Company's Risk Management Framework encompasses all facets of the business, including the following key risk categories: Governance, Financial, Operational, Compliance and Strategic.

Recommendation 7.2 – Risk review

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*
- (b) disclose, in relation to each reporting period, whether such a review has taken place.*

In accordance with the Audit and Risk Management Committee Charter, the Company's risk management framework is reviewed annually by the Audit and Risk Management Committee and was reviewed during the reporting period. The Audit and Risk Management Committee is satisfied that the risk management framework continues to be sound.

Recommendation 7.3 – Internal audit

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or*
- (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 governance, risk management and internal control processes.*

Simonds has an internal audit function which is outsourced to Protiviti. The internal audit function is managed by the Chief Financial Officer who acts as the head of internal audit and reports to the Audit and Risk Committee. The role of the internal audit function is to provide the Board and management with an independent assessment Company's processes are designed and operating efficiently and effectively to support the delivery of strategic objectives. This assurance is provided through an assessment of the design of business processes and testing the effectiveness of key controls. The Audit and Risk Committee has oversight of the internal audit function.

In performing the internal audit function, Protiviti complies with The International Professional Practices Framework provided by the Institute of Internal Auditors. The Audit and Risk Committee also monitors the internal auditor's performance, effectiveness, and independence.

Recommendation 7.4 – Sustainability risks

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.



As part of the Risk Management Framework, the Company has identified the key risk categories which include Strategic, Reputational, Work Health and Safety (WHS), Environmental, Financial, Operational, Compliance and Governance. Material business risks are then identified within each category.

A summary of key business risks is included in the Directors Report of the FY2023 Appendix 4E and Financial Report lodged at ASX on 28 August 2023.

In relation to the identification and management of environmental risks, Simonds currently holds Quality, Environment and Safety certifications under Australian Standard 9001, ISO 14001 and AS45001. ISO 14001:2015 specifies the requirements for an environmental management system that an organisation can use to enhance its environmental performance and is used by Simonds to assist it with managing its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. In respect of climate change, Simonds applies sustainable and liveable housing design principles and actively promotes energy efficiency to reduce the ongoing running costs of every Simonds home. This includes targeting 7-star NatHERS rated homes with designs pivoted to obtain maximum energy efficiency and solar access and working towards compliance with the NCC 2022 changes in accordance with the compliance dates in each state of operation.

Each year, as part of the Risk Management Framework, the Company undertakes a risk assessment to identify, address and prevent social and modern slavery risk. The Modern Slavery Statement risk assessment divided the Company's annual spend into 35 procurement categories. Each category was scanned for potential modern slavery risks in relation to the specific service, product, raw material, supplier and country of origin/manufacture. Based on the assessment, Simonds Group determined that it has a low risk of modern slavery within its operations. The Statement can be found at <http://simondsgroup.com.au/corporateGovernance>.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 – Remuneration committee

The board of a listed entity should:

(a) *have a remuneration committee which:*

- (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*

(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.*

Please refer to Recommendation 2.1 for details of the Nomination and Remuneration Committee.

Recommendation 8.2 – Remuneration policy

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.



Details of the Company's remuneration policies and practices are included in the Remuneration Report within the FY2023 Appendix 4E and Financial Report lodged with ASX on 28 August 2023.

Details of compensation for Non-Executive Directors, Executive Directors, and other senior executives, including the policies and practices regarding that compensation, are separately disclosed within the Remuneration Report.

Recommendation 8.3 – Policy on hedging equity incentive schemes

A listed entity which has an equity-based remuneration scheme should:

- (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.*

Simonds has an employee equity plan in place, which includes equity incentives. The rules of the plan prohibit participants from entering into transactions or arrangements, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested awards under that plan. Similar restrictions are contained in the Company's Securities Trading Policy and apply to Designated Persons (including Directors, Key Management Personnel, and certain designated senior executives). Under the Security's Trading Policy, Designated Persons are also prohibited from trading in any securities of the company (or engaging in other specified behaviour) at any time when they are in possession of unpublished sensitive information in relation to those securities.

The Securities Trading Policy may be viewed in full at <http://simondsgroup.com.au/corporateGovernance>.

As required by the ASX Listing Rules, the Company notifies ASX of any transaction conducted by Directors in securities of the Company.

Recommendations 9.1, 9.2 and 9.3

None of Recommendations 9.1, 9.2 and 9.3 apply to the Company.

Approved by the Board of Directors of Simonds Group Limited.