



## ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 29th March 2018

# CORPORATE GOVERNANCE STATEMENT YEAR ENDED 31 DECEMBER 2017

Brand Protection and Customer Engagement solutions company YPB Group Limited (ASX: YPB) is pleased to lodge the following Corporate Governance Statement (“CGS”) for the year ended 31 December 2018

## CORPORATE GOVERNANCE STATEMENT

### Introduction

The Board of Directors of YPB Group is responsible for the Corporate Governance of YPB Group and its controlled entities. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The YPB Group Corporate Governance Statement and the governance practices adopted by the Company are structured with reference to the ASX Corporate Governance Council Principles and Recommendations, 3rd Edition issued in March 2014 (“ASX Recommendations”).

The Company’s practices are largely consistent with the ASX Recommendations. The Board considers that the implementation of a small number of ASX Recommendations is not appropriate, for the reasons set out below in relation to the items concerned. The Board uses its best endeavours to ensure that exceptions to the ASX Recommendations do not have a negative impact on the Company and the best interests of shareholders as a whole.

As required by the ASX Listing Rules, this CGS discloses the extent to which the Company has followed the ASX Recommendations during the year ended 31 December 2017 (“Reporting Period”) as summarized below

### Principle 1: Lay solid foundations for management and oversight.

The Board is responsible to ensure the Company is structured such that there are clearly defined roles, segregation of duties and responsibilities and approved levels of authority between the management and the governance of the Company. The Board sets the overall corporate governance policy for the Company including determining the strategic direction, establishing policies and goals for management and monitoring the achievement of them. The Board delegates responsibility for the day-to-day management of the Company to the Chief Executive Officer and the senior executive team.

The key responsibilities of the Board include:

- setting the long-term strategy and annual business plan including objectives and milestones to be achieved;
- evaluating capital, cash and operating risk budgets and making appropriate recommendations on an annual basis;
- reviewing and approving the Company's financial, strategic and operational goals and assessing key business developments as formulated by management in line with the objectives and goals set by the Board;
- monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies;
- assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists;
- appointing, removing and determining the terms of engagement of the Chief Executive Officer, Company Secretary and other senior employees;
- overseeing the delegation of authority for the day to day management of the Company;
- ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance;
- reviewing major contracts, goods or services on credit terms, acceptance of counter-party risks and issuing guarantees on behalf of the Company;
- approving the capital structure and major funding requirements of the Company;
- making recommendations as to the terms of engagement, independence and the appointment and removal of the external auditors;
- setting the Code of Conduct for the Company and ensuring that appropriate standards of corporate governance and ethics are effectively communicated throughout the Company and complied with;
- reviewing the adherence by each director to the Directors' Code of Ethics;
- establishing policies to ensure that the Company complies with the ASX Continuous Disclosure Policy;
- approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and
- ensuring compliance with policies and procedures that relate to recruitment, retention, termination, remuneration, performance review and succession planning.
- The Company has written agreements with its Directors and senior executives setting out the terms and conditions of their appointment.

## **Principle 2: Structure the Board to add value**

The Board is structured to maximise value to the Company and the shareholders. The Board is of a size and composition that is conducive to making decisions expediently, with the benefit of a variety of perspectives, experiences and skills.

### **Board composition**

The Board subsequent to the Annual General Meeting held on 31 May 2017 is composed of three directors. The skills, experience and expertise relevant to the position of each Director in office at the date of the annual report are included in the Directors Report included in the Annual Report.

It is noted that the Company's board composition is in keeping with the commentary and guidance to Best Practice Recommendations 2.1 as the majority of the Board is independent, the Executive Chairman is not independent. The Board is of the opinion that the current stage of its development requires the Company to have a board, which has more of a hands-on approach and technical experience in order to grow the Company. However, the board is committed to follow the guidance to Best Practice Recommendations 2.1 by appointing additional independent directors to the Board as appropriate in the future.

The Board has determined that there are sufficient appropriate alternative governance measures in place to ensure that any noncompliance with the recommendations does not give rise to undue risk or other material concerns relating to the management and oversight of the Company.

#### Term of office

The members of the Board are elected by the shareholders to ensure that the Board has the appropriate mix of expertise and experience.

In accordance with the Corporations Act 2001, if a person is appointed as Director during the year, the Company must confirm appointment by resolution at the Company's next Annual General Meeting.

One-third of the Board retires and makes themselves available for re-election at the following AGM, with the exception of the Executive Chairman. No Director, with the exception of the Executive Chairman, is allowed to retain office for more than 3 years without submitting himself or herself for re-election.

When a vacancy exists on the Board, the Board appoints the most suitable candidate from a panel of candidates, who then must stand for election at the next Annual General Meeting if he or she wishes to continue as a member of the Board.

Initial appointment and last re-election dates of each current Director:

<b>Director</b>	<b>Type of Director</b>	<b>First appointed</b>	<b>AGM last Re-elected</b>
John Houston	Executive Chairman	31 July 2014	N.A.
Gerard Eakin	Non-executive	4 March 2016	13 May 2016
Su (George) Su	Non-executive	31 July 2014	27 April 2015

#### Personal interests & conflicts

Directors must not take advantage of their position as Directors and must not allow their personal interests, or the interests of any associated person to interfere or exert undue influence on their conduct or decisions as a Director.

Directors also have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Conflicts of interest can be either actual or potential. If a conflict of interest arises, Directors must disclose their interests to the Board immediately. The Directors concerned must not be present at the meeting while the matter is being considered and must not be allowed to vote on the matter either.

#### Independent professional advice

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.

#### Board Standing Committees

For the year under review the responsibilities and duties of such Committees were undertaken by the Board. The small size and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as having a separate Committees for Audit and Risk Management and Nomination and Remuneration.

Consequently, the Company did not comply with Best Practice Recommendations.

Board skills matrix:

SKILLS AND EXPERIENCE	RATING*
Financial acumen	4/5
Risk management	3.5/5
Governance	3.5/5
Compliance	4/5
Capital raising	4.5/5

- \*The Board has assessed its rating considering the combined skills, competency and experience of each Board member in each key area deemed relevant.

### Summary

In summary, the Company does meet the requirements of Principle 2 of the Corporate Governance Guidelines in that:

- (i) The Board does comprise a majority of independent Directors; The Executive Chairman however is not an Independent Director.

### Principle 3: Act Ethically and Responsibly

#### Code of Conduct & Ethics

The Company has a Code of Conduct, which sets the standards in accordance with which each director, manager and employee of the Company is expected to act. The code is communicated to all levels of the Company and deals with areas such as professional conduct, customers/consumers, suppliers, advisers/regulators, competitors, the community and the employees.

#### Share trading policy

The constitution permits Directors, Key Management Personnel and other officers of the Company to trade in Company shares as long as they comply with the Company's Share Trading Policy. The Share Trading Policy is a code that is designed to minimise the potential for insider trading.

The Policy provides that Directors, employees and consultants must not deal in the Company's securities when they are in possession of Price Sensitive Information.

Directors must notify the Chairman of the Board and the Company Secretary, before they buy or sell shares in the Company. If the Chairman of the Board intends to trade in the Company shares, the Chairman of the Board must give prior notice to the Chairman of the Audit & Risk Management Committee or the whole Board if there is no Audit & Risk Management Committee. The details of the share trading must also be given to the Company Secretary who must lodge such details of such changes in with the ASX.

Key management Personnel must give prior notice to the Chief Executive Officer and the Company Secretary, while other officers must notify the Company Secretary, before trading in the Company shares and details of all such transactions must be given, in writing, to the Company Secretary within 7 business days.

Any changes in substantial shareholding of the Directors, Key management Personnel or other officers must be reported to the ASX within 2 business days of such trading. The policy also directs that trading in the Company securities must not only occur during the following Restricted Periods:

- from the balance date until the second trading day after The Company's annual or half-yearly results have been released to the ASX and
- any other period designated by the Board.

#### **Principle 4: Safeguard Integrity in Corporate Reporting**

It is the Board's responsibility to ensure an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators.

##### **Executive Certification**

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are required to and have provided assurance to the Board stating that the financial statements and reports of the Company:

- Present a true and fair view, in all material respects, of the operating results and financial condition in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001;
- Are founded on a system of risk management and internal compliance and control, and these are operating efficiently and effectively in all material aspects.

The Company requires assurances from the CEO and the CFO in relation to the financial statements, systems of risk management and internal controls.

##### **Audit & Risk Management Committee – audit responsibilities**

The Company did not during the year under review have an audit committee. The small size of the company and the hands on approach of the Board enabled it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as an audit committee.

The board is committed to following the Best Practice Recommendation 4.3, and when the Board is of appropriate size will establish an independent Audit & Risk Management Committee.

The Board also requires the Company's external auditor, to be present at the Annual General Meeting to answer questions that shareholders might have about the scope and conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

#### **Principle 5: Make timely and balanced disclosure**

The Company's market disclosure policy is to ensure that shareholders and the market are fully informed of the Company's strategy, performance and details of any information or events that could be material to the value of the Company's securities. The Company is committed to ensuring that all information that may have a material impact on the Company's share value is disclosed to the market in a timely and balanced manner.

The Chief Executive Officer and the Company Secretary, in consultation with the Board, are responsible, for the review, authorisation and disclosure of information to the ASX and for overseeing and coordinating information disclosures to the ASX, shareholders, brokers, analysts, the media and the public.

The Company ensures that it also complies with the requirements of the Listing Rules of the Australian Stock Exchange ("ASX") and the Corporations Act in providing information to shareholders through:

The half-yearly report to the ASX;

- The annual Report which is distributed to the ASX and to shareholders prior to the AGM;
- The AGM and other meetings called to obtain approval from shareholders where appropriate;

— Ad-hoc releases to the ASX as required under the ASX Listing Rules.

## **Principle 6: Respect the rights of security holders**

### Communication to shareholders

It is Company policy to maintain full and informative communications with all shareholders. This is achieved by way of detailed reports to shareholders on the half and full year, regular ASX releases and the Executive Chairman's addresses at General Meetings. All such reports and releases are available on both the ASX and the Company's websites. Copies of documents covering Corporate Governance matters such as Board and Committee Charters, risk management policy, communications, code of conduct, continuous disclosure policy etc are available to shareholders on the Company's website [www.ypbsystems.com](http://www.ypbsystems.com)

Shareholders can contact the Company or its share registry, Boardroom Pty Limited, by mail, telephone or email.

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary are primarily responsible of ensuring communications with shareholders are delivered in accordance with this strategy and with our policy of continuous disclosure.

The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.

### Annual General Meeting

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

## **Principle 7: Recognise and manage risk**

### Risk management responsibilities

The Company's risk management framework is designed to identify, assess, monitor and manage material business risks, both financial and non-financial, to minimise their impact on the achievement of organisational goals.

As a separate Audit & Risk Management Committee was not appointed for the year under review the Board as a whole was responsible for reviewing and ratifying the system of risk management, internal compliance and control, codes of conduct and legal compliance.

The Board delegates to the Chief Executive Officer and the Chief Financial Officer the responsibilities for the establishment, implementation and maintenance of the system of risk management including measures of its effectiveness.

## **Principle 8: Remunerate fairly and responsibly**

### Remuneration responsibilities

The Company's remuneration policy is disclosed in the Directors' Report included in the Annual Report. The policy has been set out to ensure that the performance of Directors, key executives and staff

reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice.

The Company has in place a Performance Rights Plan ("the Plan") which was first approved by shareholders on 14 November 2014 and further approved as required on 27 November 2017. Recipients of Rights under the Plan are prohibited from entering into schemes or arrangements that protect the value of the Rights granted under the Plan prior to them becoming a Vested Right.

The Board determines and reviews compensation arrangements for the Directors and the executive team on an annual basis.

For further information please contact;

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#### **ABOUT YPB (ASX: YPB)**

In a rapidly changing world, brands need to do more than make great products, they need to **PROTECT** their consumer by allowing them to verify that their purchase is real and as a result buy with confidence. This is a proven initiative to trigger the consumer to **CONNECT** with brands.

YPB provides real protection for quality brands with a focus on product authenticity. Simultaneously, we provide a gateway for brands to connect with their consumers and engender trust in authenticity by utilising the power of the smartphone.

In an evolving marketplace and with the rapid growth of cross border commerce, YPB leverages serialisation and patented authentication solutions so that insightful data can flow between brands and their consumers.

YPB is the obvious choice to **PROTECT, DETECT** and **CONNECT**.