

nickskali

L I M I T E D



Corporate Governance Statement 2021

Corporate Governance Statement

As at 5 August 2021

Overview

The Board of Directors of Nick Scali Limited (the 'Board') is responsible for the direction and supervision of Nick Scali Limited'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 4th Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

The Board lays solid foundations for management and oversight

The Board

The Board operates under a charter, which is available at <http://www.nickscali.com.au/corporate-governance>. Under the charter, the Board maintains the following primary roles and responsibilities:

- formulating and approving the objectives, strategies and long-term plans for the Company's continued development and operation, in conjunction with management;
- monitoring the implementation of these objectives, strategies and long-term plans to ensure the Company, to the best of its ability, delivers value to Shareholders;
- approval of management recommendations on capital expenditure;

- monitoring the Company's overall performance and financial results, including adopting annual budgets and approving the Company's financial statements;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- selecting and reviewing the performance of the Managing Director;
- ensuring significant business risks are identified and appropriately managed;
- ensuring that the Company meets the statutory, regulatory and reporting requirements of ASX and requirements under the Corporations Act;
- ensuring that the Company, its Directors, officers, employees and Associates are aware of and comply with all relevant laws and regulations;
- reporting to shareholders on performance; and
- deciding the payment of dividends to shareholders.

The Board has delegated the day-to-day management of the Company to the Managing Director and other senior executives who are responsible for the following:

- implementing the strategic objectives set by the Board;
- management of the Company operating within the risk parameters set by the Board;
- managing the Company's reputation and operating performance in accordance with parameters set by the Board;
- running of the Company on a day-to-day basis;
- providing the Board with accurate and timely information to enable it to meet its responsibilities; and
- approving capital expenditure within delegated authority levels.

The number of meetings of the Board held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' Report.

Board appointments

Before appointing a director to the Board, 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').

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 AGM of the Company.

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 on their appointment or re-election. 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.

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.

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.

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:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and its Committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at the meetings of the Board and its Committees is accurately recorded in the meeting minutes; and

- assisting with the induction and development of directors.

Diversity

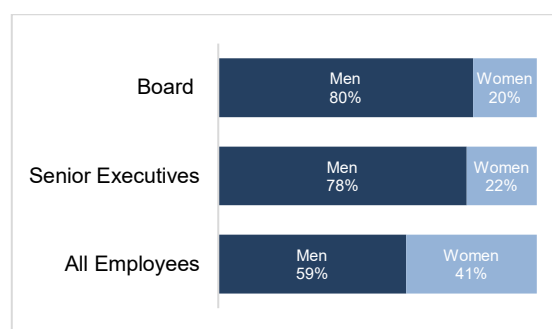
The Company has a diversity policy which requires the Board to set objectives to achieve a balanced representation of gender in Board, senior management and identified leadership roles.

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 greatest range of skills and abilities.

The Company's objectives in relation to gender diversity are:

- 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; and
- to achieve gender diversity in the composition of the Board within two years.

The respective proportions of women and men in the Company and its subsidiaries as at 30 June 2021 were as follows:



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.

The Company continues to progress toward achieving its objectives in relation to gender diversity, and currently, all employees have equal access to

opportunities regardless of gender and all employees receive equal pay for equal work.

The Company is compliant with the Equal Opportunity for Women in the Workplace Act 1999, and a copy of the Company's latest report to the Workplace Gender Equality Agency is available at <http://www.nickscali.com.au/corporate-governance>

Board performance

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.

A formal Board performance evaluation was completed during the year ended 30 June 2020.

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.

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 June 2021.

The Board is structured to add value

Skills and experience

The Board has not established a separate nomination committee, instead the responsibility for the activities of a nominations committee rests with all non-executive directors as named in the Annual Report.

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.

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.

The mix of skills and experience comprised in the current Board and that the Board would look to maintain, and the proportion of the Board possessing such skills and experience is as follows:

- retail management experience, including large format retail and general retail in Australia and New Zealand (80%);
- logistics and supply chain management (80%);
- technical financial expertise and strategic financial management, including mergers and acquisitions (80%);
- experience within fast moving consumer businesses, including brand management and senior human resources experience (80%); and
- listed company experience at board level (100%).

Details of the directors, their term of office and their qualifications, skills and experiences are detailed in the Directors' Report (included within the Annual Report).

Independence

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.

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. Having regard to Recommendation 2.3, the majority of the Board at the reporting date were considered to be independent.

John Ingram is Chairman of the Board and is considered to be an independent director of the Company.

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.

The Company promotes ethical and responsible behaviour

Values and Code of Conduct

The Company promotes ethical and responsible behavior through its values and Code of Conduct. The Company's values of supportiveness, confidence, achievement, leadership and integrity are supported through the Company's Code of Conduct which is available at <http://www.nickscali.com.au/corporate-governance>.

The Code of Conduct is applicable to all directors, senior executives and employees of the Company, and, in summary, requires the following of each director, senior executive and employee:

- act respectfully, honestly and with dignity towards customers, visitors, suppliers and other Employees;
- act in good faith and in the best interests of the Company and not make disparaging or untruthful comments about Nick Scali;
- act with integrity and professionalism and make truthful statements, promises or commitments in all business dealings;
- act with competence and in a safe manner with regard to themselves and others in the course of doing business and in the delivery of performance to expected standards in their role;
- act in accordance to all Company policies, processes and procedures respective of terms and conditions of employment and any changes as amended from time to time;
- act, in accordance with the Nick Scali Diversity and Inclusion Policy, without unlawful discrimination, harassment, victimization or bullying towards anyone with whom they interact in the course of doing business;
- act with respect in protecting and safeguarding Company property and assets;
- maintain the confidentiality of Company and customer information as required by Company policy and or relevant legislation;
- only use, or permit the use of, Company property, information, intellectual property, resources or funds for authorised purposes;
- act in a manner so as not to cause a conflict with a personal, business or financial interest with their duties to the Company and not enter into any arrangement or participate in any activity that would conflict with the Company's best interests or would be likely to negatively impact the Company's reputation;
- not take advantage of their position in the Company or the opportunities arising from it for personal gain, act in accordance with the Company Securities Trading Policy when dealing with Nick Scali Limited securities and, report potential breaches of this policy to the Chief Financial Officer;
- uphold all laws and regulations that apply to their employment and the Company; and
- act ethically and not deliberately participate in illegal activities

The Board is informed of any material breach of the Company's Code of Conduct.

The Board safeguards the integrity of corporate reporting

The Audit & Risk Committee

The Board maintains an Audit & Risk Committee, the members of which are named in the Annual Report.

The majority of the members of the Audit & Risk Committee, including the Chairman, are considered to be independent.

Details of the qualifications and experience of the members of the Audit & Risk Committee are included in the 'Information of directors' section of the Directors' Report.

Audit & Risk Committee meetings are held regularly throughout the year and operates under a charter approved by the Board. The Audit & Risk Committee's charter is available at <http://www.nickscali.com.au/corporate-governance>, and in summary, its responsibilities under the charter are to support the Board in the areas of:

- financial reporting;
- external audit;
- risk management, internal control and internal audit; and
- compliance.

The number of Audit & Risk Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' Report.

In addition to these meetings the Chairman of the Audit & Risk Committee met periodically throughout the year with both management and the external auditors.

Financial statements

The Company prepares a Half Year Report for the six months to 31 December, and an Annual Report for the twelve months to 30 June.

In relation to the financial statements for both the half-year ended 31 December 2020 and the financial year ended 30 June 2021, the Company's Managing Director and Chief Financial Officer provided the Board with declarations, that in their opinion:

- 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.

The Company's Half-Year Report and Annual Report are audited or reviewed by the Company's auditor, and the Company does not release to the market any periodic corporate report that is not audited or reviewed by the Company's auditor.

The Company makes timely and balanced disclosure

Continuous disclosure

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.

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.

The Company Secretary is required to consult with the Managing Director in relation to matters brought to their 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.

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 potential transaction identified by the Chairman as being fundamentally significant.

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.

The Board receives copies of all material market announcements on the day they are made.

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.

Where the Company gives a presentation to either an existing or potential investor or to an analyst, a copy of the presentation materials are made available in advance on the ASX Markets Announcements Platform.

The Company respects the rights of security holders

Securities trading

The Company has a Securities Trading Policy for directors and employees. Subject at all times to not being in possession of inside information, directors and officers (and their related entities) may deal in Nick Scali Limited securities during the eight-week

period commencing on the second business day following:

- an announcement of Nick Scali Limited's full year financial results;
- an announcement of Nick Scali Limited's half year financial results;
- the Annual General Meeting of Nick Scali Limited; or
- 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 six-month financial reporting period (ie. half year or full year); in which case the window will instead close at the end of that reporting period.

Shareholder communication

The Company engages a share registry, Link Market Services Limited, 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 at www.linkmarketservices.com.au.

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.

These meetings and discussions must be approved by the Managing Director and are generally conducted by the Managing Director and the Chief Financial Officer. 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 period in advance of the release of either the Half-Year Report or the Annual Report.

As an accompaniment to both the Annual Report and Half Year Report, the Company prepares and releases to the market a results presentation which provides additional information for shareholders.

The Half Year Report, Annual Report and announcements to the ASX are made available on the Company's website.

Annual General Meeting

The Notice of Meeting for the Company's 2021 Annual General meeting (AGM) will be provided to

all shareholders and made available on the Company's website.

The Company encourages shareholders to attend the AGM and to send in questions prior to the meeting so that they may be addressed during the meeting.

The engagement partner of the Company's auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

All resolutions decided at the AGM, and any other meeting of shareholders, are decided by a poll of shareholders.

Written transcripts of the meeting and the results of any resolutions decided during the meeting will be made available on the Company's website.

The Board recognises and manages risk

Risk management

The Audit & Risk Committee recommends to the Board the policy and overall direction of risk management for the Company, whilst responsibility for day to day management of risk rests with Management. The Audit & Risk Committee, and through it the Board, receives a number of reports on the operation and effectiveness of the policies, processes and controls within the Company.

The charter of the Audit & Risk Committee 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. The Company does not have an internal audit function, however, internal control reviews are undertaken on a periodic basis and the results are reported to the Audit & Risk Committee.

The Audit & Risk 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.

The Audit & Risk 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. Such a review was completed during the year ended 30 June 2020.

Economic, environmental and sustainability risks

The Company is not subject to any significant environmental regulation under Australian commonwealth or state law, and does not have any material exposure to economic, environmental and social sustainability risks.

The Board ensure fair and responsible remuneration

The Remuneration & HR Committee

The Board maintains a Remuneration & HR Committee, the members of which are named in the Annual Report.

Details of the qualifications and experience of the members of the Remuneration & HR Committee is detailed in the 'Information of directors' section of the Directors' Report.

The Remuneration & HR Committee operates under a charter approved by the Board. The Remuneration & HR Committee charter is available at <http://www.nickscali.com.au/corporate-governance>, and in summary, its responsibilities under the charter are to monitor and advise the Board on the following matters:

- 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 executives;

- 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.

The number of Remuneration & HR Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' Report.

When considered necessary, the Remuneration & HR Committee may obtain external advice from independent consultants in determining the Company's remuneration practices including remuneration levels.

Remuneration policies and outcomes

The Remuneration & HR Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

Details of the Company's remuneration policies and the remuneration outcomes for directors and executives who are considered key management personnel are contained in the Remuneration Report, within the Directors' Report.