

# Corporate Governance Statement

As at 15 November 2017

**As a Board, we believe that a strong corporate governance framework and culture translates to a strong company that delivers for its shareholders.**

At DuluxGroup, we help our consumers to imagine and create better places and spaces in which to live and work. We do this by manufacturing and marketing a wide range of products that enhance, protect and maintain those places and spaces. We recognise that the way we do business is critical in order for us to earn and maintain the respect and trust of all stakeholders including our consumers, customers, suppliers, employees, shareholders and the community.

DuluxGroup's directors and management are committed to conducting business in an ethical, fair and transparent manner in accordance with high standards of corporate governance. The Board, together with the management team, leads by example. We have a robust corporate governance framework in place and we are committed to fostering a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

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#### Our corporate governance framework includes:

- An engaged Board of directors with a diverse range of skills and experience supported by an effective Board Committee structure.
  - Clear and transparent communication with our shareholders.
  - Strong risk management and assurance processes and culture.
  - Our Values and Behaviours and supporting policies that underpin the way we behave and meet our strategic objectives.
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DuluxGroup's corporate governance framework complies with the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**).

## 1. Our Board

### 1.1 The role and responsibilities of the Board and management

#### The Board

The Board's primary role is to ensure the protection and enhancement of long term shareholder value taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community. The Board is accountable to shareholders for the performance of the company. It directs and monitors the business and affairs of the company on behalf of shareholders and is responsible for the company's overall corporate governance.

In particular, the Board's responsibilities include:

- approving the strategic objectives and direction of the company and overseeing management's implementation of those strategic objectives;
- monitoring the company's operational performance generally including its financial state and the effectiveness of the company's safety and sustainability strategy;
- approving major expenditures, transactions, budgets, funding plans and capital management initiatives;
- monitoring the integrity, effectiveness and consistency of the company's risk management framework, controls and systems;

- setting the overall remuneration framework for the company and overseeing executive succession planning;
- appointing, assessing the performance and setting the remuneration of the CEO, as well as approving the appointment and remuneration of senior management and overseeing their performance;
- influencing the corporate culture, ethical standards and reputation of the company; and
- monitoring the effectiveness of the company's governance practices including overseeing shareholder reporting and engagement as well as compliance with the company's continuous disclosure obligations.

The Board has adopted a Board Charter, which details its role and responsibilities. The Board Charter can be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

#### Management

The CEO, together with the DuluxGroup executive team, is responsible for the development and implementation of strategy and the overall day-to-day running of the company. Consistent with the company's primary objective to enhance long term shareholder value, this includes operational, financial and strategic delivery, risk management and compliance, leadership and organisational culture, and the provision of accurate, timely and clear information to enable the Board to perform its responsibilities. A formal delegation of authority is in place that sets out the powers that are reserved to the Board and those that are delegated to the CEO. This can be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au). There is also a formal structure setting out the delegations from the CEO to management and other employees. DuluxGroup has employment contracts in place with senior executives which set out the terms of their employment.

### 1.2 Board composition and succession

DuluxGroup is committed to ensuring that the composition of the Board continues to comprise directors who, as a whole, possess the diversity of skills and experience required to fulfil the role and responsibilities of the Board.

The Board currently comprises 7 directors, including 5 non-executive directors.

Non-executive directors	Appointed
Mr Peter Kirby, Chairman	July 2010
Mr Garry Hounsell	July 2010
Mr Andrew Larke	October 2010
Mr Graeme Liebelt	June 2016
Ms Judith Swales	April 2011

Executive directors	Appointed
Mr Patrick Houlihan, CEO	July 2010
Mr Stuart Boxer, CFO	July 2010

Details of the qualifications and experience of our directors are set out on pages 60 and 61 of DuluxGroup's 2017 Annual Report.

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## Skills and Diversity

In considering the composition of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company.

The Board believes that having a range of different skills, backgrounds, experience and diversity ensures a broad range of viewpoints which facilitates effective governance and decision making.

The Board's Nominations Committee has primary responsibility for conducting assessments of the current mix of skills and experience of directors, taking into account the business and strategic needs of the company, as well as broader succession planning issues for both the Board and management.

During the 2017 financial year, the Board's Nominations Committee reviewed the general and specialist skills, knowledge and experience necessary for the Board to properly perform its role and to achieve the company's strategy and growth agenda. As a result of this process, the following Board skills matrix was confirmed.

### Board Skills Matrix

#### General Experience

##### Leadership

Successful leadership at a senior executive level in a large business

##### Strategy and Growth

Senior executive experience in developing and delivering successful strategies and meaningful business growth outcomes in a large business

##### Financial Acumen

Senior executive experience and understanding of accounting, financial reporting, corporate finance and financial controls in a large business

##### Governance and Risk Management

Senior executive experience in a large business that is subject to rigorous governance and risk management standards

### Board Skills Matrix

#### Specialist Experience

##### Industry Experience

Senior executive experience in a large paints and coatings business

##### Marketing and Innovation

Senior executive experience in consumer and customer marketing and delivering growth through commercialising innovative products and services

##### Manufacturing and Supply Chain

Senior executive experience in manufacturing, supply chain or quality operations within a large business

##### International Experience

Senior executive experience to a range of geographic, political, cultural, regulatory and business environments

##### Mergers and Acquisitions

Successful track record of delivering strategically sound and value adding mergers and acquisitions as an enabler of corporate strategy

##### Safety and Sustainability

Board safety committee membership or senior executive experience in a large business related to work safety, environmental and social responsibility

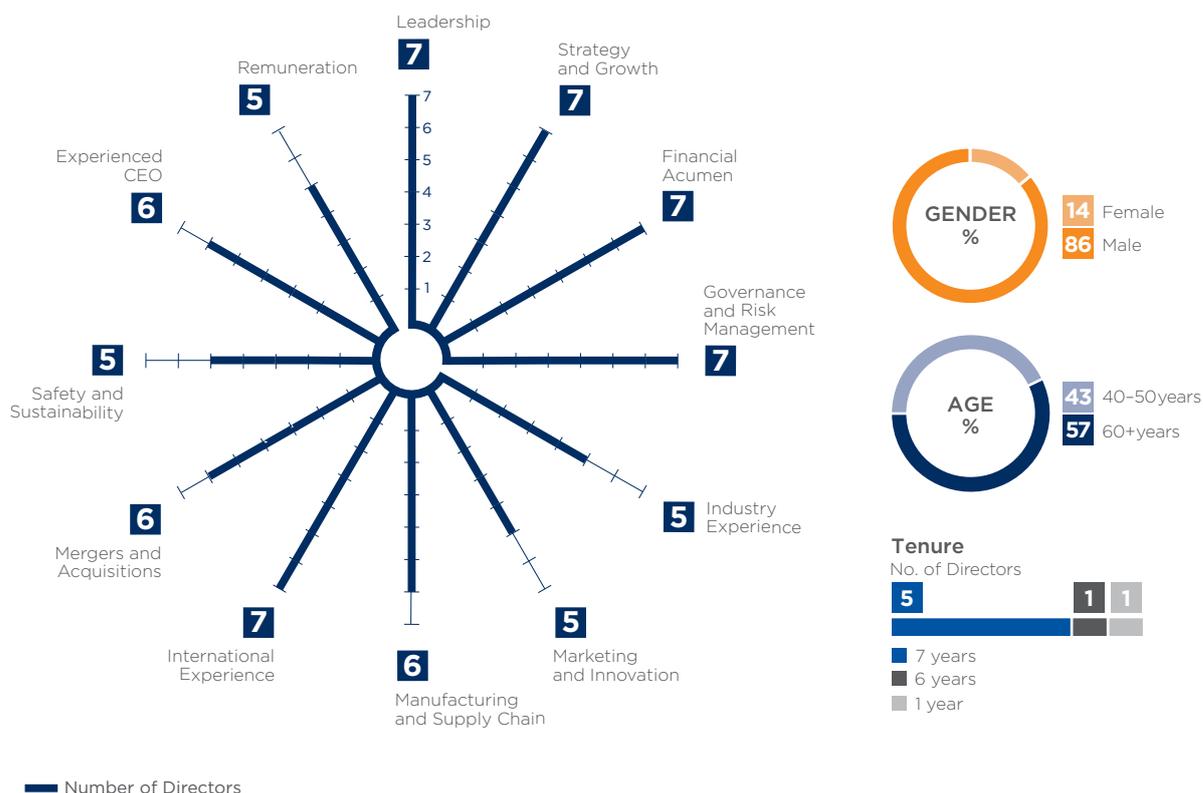
##### Experienced CEO

Successful track record as a Chief Executive Office of a listed entity or an equivalent large business enterprise

##### Remuneration

Board remuneration committee membership or senior executive remuneration experience in a large business enterprise

The Board also considers that additional skills, including science and technology, information technology and digital, legal and strategic human resources, are valuable to its decision making. To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisers.



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Further information on the company's diversity policy and progress against the company's diversity objectives is provided in the company's 2017 Corporate Sustainability Report, a copy of which can be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

## Our Chairman

Our Chairman, Mr Peter Kirby, is an independent non-executive director. He has been an independent non-executive director and Chairman of DuluxGroup since July 2010. The Chairman's overarching responsibilities include providing leadership for the Board, facilitating the effective contribution of all directors, managing the dynamics of Board discussion, setting the Board agenda and ensuring adequate time is available for discussion on all agenda items, in particular, on strategic issues. The Chairman is also responsible for fostering constructive relations between directors and between Board and management, and promoting the interests of the company with shareholders and other key external stakeholders. Importantly, the roles of Chairman and CEO of DuluxGroup are not fulfilled by the same person.

Details of the qualifications and experience of our Chairman are set out on page 60 of DuluxGroup's 2017 Annual Report.

## Our Company Secretary

Our Company Secretary, Mr Simon Black, reports directly to the Board through the Chairman, and all directors have access to the Company Secretary. The Company Secretary's role in respect of matters relating to the proper functioning of the Board includes: (a) advising the Board and its Committees on governance matters, (b) monitoring that Board and Committee policies and procedures are followed, (c) coordinating all Board business including the timely despatch of Board and Committee papers, (d) acting as a point of reference for dealings between the Board and management, (e) retaining independent professional advisors as required, (f) helping to organise and facilitate the induction and professional development of directors, and (g) ensuring proper compliance with relevant statutory requirements relating to DuluxGroup's registered office, annual returns and lodgement of other documents with ASIC and ASX.

Details of the qualifications and experience of our Company Secretary are set out on page 61 of DuluxGroup's 2017 Annual Report.

## Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board recognises the special responsibility of non-executive directors for monitoring executive management and providing independent views.

Under the Board Charter, the Board must maintain a majority of non-executive directors and have a non-executive independent Chairman (with different persons filling the roles of Chairman and Managing Director / CEO).

**The Board has determined that, in respect of the 2017 financial year, the Chairman and all non-executive directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or compromise their ability to act in the best interests of the company.**

The Board has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a director. The independence of each director is considered on a case by case basis from the perspective of both the company and the director. Materiality is assessed by reference to each director's individual circumstances, rather than by applying general materiality thresholds. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a director's judgement is based on the nature of the relationship and the circumstances of that director. The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles. However, in such a case, the Board will disclose why it is of the opinion that the interest, position, association or relationship does not compromise the independence of the director.

The Board assesses the independence of its new directors upon appointment and otherwise on an annual basis. Each director is obliged to immediately inform the company of any fact or circumstance which may affect the director's independence.

## Succession

As part of its annual review, the Board continues to consider Board succession. The Board's succession plan is focused on continually identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, to ensure that Board remains proactive and renewal occurs in an orderly manner over time.

Where a need is identified or arises, the Nominations Committee considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The Committee, with the assistance of professional consultants if necessary, will undertake a search process and shortlisted candidates will be interviewed by the Chairman and other directors before being recommended to the full Board for appointment. Nominations for appointment to the Board are considered by the Nominations Committee and approved by the Board as a whole.

Appropriate checks are undertaken on any potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a director.

## 1.3 Director appointment, induction and professional development

Directors (other than the Managing Director / CEO) appointed by the Board must stand for election at the Annual General Meeting (AGM) following their appointment and are subject to shareholder re-election by rotation at least every three years. Further, endorsement for re-election of non-executive directors to the Board at the conclusion of their three year term is not automatic. Prior to the Board endorsing a director for re-election, the individual's performance as a director is reviewed in accordance with processes agreed by the Board from time to time. The company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Board Committee work. New directors also participate in a formal induction program which includes site visits, one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials.

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**During the 2017 financial year, the Board's professional development program included, among other things:**

- **focussed sessions at each Board meeting addressing topical issues facing one or more of the business units or functions;**
- **a visit to Dulux Australia's new \$165m paint manufacturing facility in Merrifield, Melbourne;**
- **tours of the USA, the United Kingdom and broader Europe to give the Board insight into growth opportunities, DuluxGroup's operations and the relevant markets; and**
- **presentations from key customers as well as subject matter experts on issues including marketing, technology, remuneration, capital markets and accounting developments.**

An active professional development program is also in place for directors and is incorporated as part of the annual Board cycle. This varies each year and may include internal presentations, discussions with key external subject matter experts, customers and/or suppliers as well as visits to DuluxGroup sites and other places of interest. The purpose of this program is to provide appropriate opportunities for directors to develop and maintain their skills and knowledge needed to perform their role as directors.

## 1.4 Board meetings

The Board typically holds at least eight meetings per year, unless the business of the company requires additional meetings. In addition, the Board sets aside a two day meeting annually to comprehensively review company strategy.

Directors receive comprehensive papers in advance of the Board meetings. Directors also receive regular updates in relation to key issues facing DuluxGroup's businesses from time to time including management reports during the months when a Board meeting is not scheduled. The Board calendar also includes site visits to DuluxGroup operations to meet with employees, customers and other stakeholders.

The Board recognises the importance of the non-executive directors meeting without the presence of management to discuss company matters and it is the Board's practice that the non-executive directors meet separately in conjunction with the scheduled Board meetings.

## 1.5 Conflicts of Interest

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interest that may result in a conflict. The Board has adopted the use of formal declarations of interests that are tabled at Board meetings where directors disclose any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest. This includes a director's appointment or retirement from boards of other companies.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter unless all of the directors have passed a resolution to enable that director to do so or the matter comes within a statutory exception.

## 1.6 Access to management, information and professional advice

All directors have unrestricted access to the senior executives and other employees of DuluxGroup through the Chairman, CEO or the Company Secretary. Directors may seek briefings from senior executives outside the regular presentations made by senior executives at Board meetings.

Subject to prior consultation with the Chairman, each director may seek independent professional advice at the company's expense to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board Committee.

Pursuant to a deed executed by the company and each director, a director also has the right to have access to all documents which have been presented to meetings or made available to the Board or any Board Committee whilst in office, including materials referred to in those documents.

## 1.7 Board and executive performance and remuneration

The Board is committed to a performance culture and to ensuring that a range of formal processes are in place to evaluate the performance of the Board, Board Committees, each director and senior executives.

### Board review

**The Board evaluated the performance of Mr Peter Kirby and Ms Judith Swales who are standing for re-election at the Company's 2017 AGM, prior to the Board endorsing their nomination for re-election.**

The Board has a formal Board Evaluation Policy, under which it carries out an evaluation of its performance each year. This process is overseen by the Chairman. It is the Board's general practice that this is externally facilitated every third year.

During the 2017 financial year, the Board undertook a comprehensive review of its performance and the performance of individual directors. This review was facilitated by the Chairman and included feedback from directors and senior management. This review concluded that the Board continues to operate effectively in the discharge of its duties and oversight of DuluxGroup. The review also concluded that the Board comprises directors with an effective mix of skills and experience whilst acknowledging the importance of addressing Board succession among other matters.

The Board also reviewed its specific performance against its annual objectives during its meeting in October 2017.

### Board Committee review

The Board's Audit and Risk Committee, Remuneration and Human Resources Committee and Safety and Sustainability Committee undertook a review of their performance against their annual objectives during the 2017 financial year. As appropriate, the Board may also provide feedback from time to time as to the effectiveness with which it considers the Board Committees assist the Board in the discharge of its functions. The first review of the performance of the Nominations Committee, which was established during the 2017 financial year, will be held in 2018.

### Director review

The Board undertakes performance evaluations of individual directors prior to the Board endorsing them for re-election. The Board considers the skills, knowledge and experience of the individual director, their overall performance, their attendances and participation at Board and Committee meetings, and their contributions to matters discussed.

### Management review

The non-executive directors are responsible for regularly evaluating the performance of the CEO based on specific criteria including the company's business performance, short and long term strategic objectives and the achievement of personal objectives that are approved annually.

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All DuluxGroup executives are subject to an annual performance review. These reviews, which were conducted in the 2017 financial year, involve an executive being evaluated by their immediate superior by reference to their specific performance objectives for the year, including the completion of key performance indicators and contribution to specific business and company plans. This review is aligned to the company's remuneration framework and is considered for, among other things, the purposes of determining any increases to fixed remuneration and outcomes under the company's short term incentive plan.

The Remuneration Report contained in the DuluxGroup 2017 Annual Report sets out details regarding the company's remuneration policy, fees paid to directors and specific details of executive remuneration.

## 2. Our Board Committees

**The Board has four standing Committees that play an important role in assisting the Board perform its role and discharge its responsibilities.**

As at the date of this statement, the following Committees assist the Board by focussing in more detail on specific areas of DuluxGroup's operations and governance framework:

- Audit and Risk Committee;
- Remuneration and Human Resources Committee;
- Safety and Sustainability Committee; and
- Nominations Committee.

The Committee structure for the first 3 months of the 2017 financial year comprised the Audit and Risk Committee, the Safety and Sustainability Committee and the Remuneration and Nominations Committee. In December 2016, the Board resolved to amend the Committee structure with effect from 1 January 2017 by effectively 'splitting' the Remuneration and Nominations Committee into 2 separate committees; a Remuneration and Human Resources Committee and a separate Nominations Committee. Separate charters were approved for each Committee. The new 4 Committee structure then remained in place for the remainder of the 2017 financial year and remains current as at the date of this statement.

The Board Committees, generally, review matters on behalf of the Board and refer matters to the Board for decision with a recommendation from the Committee. The Committee papers, including minutes of meetings, are circulated to the Board members. Additionally, any director is welcome to attend any Committee meeting.

An overview of the membership, composition and responsibilities of each standing Committee as at the date of this statement is as follows:

	<b>Audit &amp; Risk</b>	<b>Remuneration &amp; Human Resources</b>	<b>Safety &amp; Sustainability</b>	<b>Nominations</b>
<b>Membership</b>	Mr Garry Hounsell (Chair) Mr Peter Kirby Mr Andrew Larke Ms Judith Swales	Mr Peter Kirby (Chair) Mr Garry Hounsell Mr Andrew Larke Mr Graeme Liebelt	Mr Graeme Liebelt (Chair) Mr Patrick Houlihan Ms Judith Swales	Mr Peter Kirby (Chair) Mr Garry Hounsell Mr Andrew Larke Ms Judith Swales Mr Graeme Liebelt Mr Patrick Houlihan Mr Stuart Boxer
<b>Composition</b>	The committee is to comprise of at least three non-executive directors, all of whom satisfy the criteria for independence and who, between them, have relevant financial, commercial and risk management experience. The committee is to be chaired by an independent director who is not chair of the Board.	The committee is to comprise of at least three non-executive directors, the majority of whom satisfy the criteria for independence. The committee is to be chaired by an independent director.	The committee is to comprise at least two directors including at least one non-executive director and the Chief Executive Officer.	The committee is to comprise of at least 3 directors, be chaired by the chairman of the Board who is also an independent director, and consist of a majority of independent directors.

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	Audit & Risk	Remuneration & Human Resources	Safety & Sustainability	Nominations
<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>Review the full year and half year financial reports of the group, including the accounting policies and practices of the group.</li> <li>Monitor and assess the adequacy of the internal systems for financial and operating controls, risk management and legal compliance.</li> <li>Oversee the scope, conduct and outcomes of internal and external audits (including audit programs, external audit independence and auditor performance).</li> <li>Make recommendations to the Board on the appointment, performance and remuneration of the company's auditors.</li> <li>Review and assess non-audit services provided by the external auditor.</li> </ul>	<ul style="list-style-type: none"> <li>Review and make recommendations to the Board on the remuneration of directors and senior executives, including fixed annual remuneration, short term and long term incentive arrangements and performance targets.</li> <li>Monitor and review the company's organisational strategy including employee relations, performance evaluation, talent management and senior leadership succession.</li> <li>Oversee the effectiveness of the company's diversity policy including monitoring performance against agreed diversity objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Review the effectiveness of the company's safety and sustainability strategies, objectives and targets.</li> <li>Monitor and review safety and sustainability issues that have strategic, financial and/or reputational implications for the company, including significant safety incident reports.</li> <li>Oversee compliance with legal and regulatory safety and sustainability requirements.</li> <li>Monitor best practice safety standards, procedures and management approaches and assess implications for the company.</li> <li>Foster appropriate safety and sustainability leadership and culture.</li> </ul>	<ul style="list-style-type: none"> <li>Review the size and composition of the Board including the skills, experience and expertise required on the Board.</li> <li>Review succession plans for the Board and Board committees.</li> <li>Document the selection criteria, terms of appointment and review nominations for candidates of non-executive directors.</li> <li>Establish the methodology and procedures for evaluating the performance of the Board, its Committees and each director.</li> <li>Design and ensure implementation of induction and professional development programs for the Board.</li> </ul>

Details of the qualifications, experience and meeting attendances of each Committee member, as well as the number of Committee meetings held during the 2017 financial year, are set out in the Directors' Report contained in the DuluxGroup 2017 Annual Report. Full details of the role and responsibilities of each Committee are set out in the relevant Committee's Charter which can be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

In addition to the standing committees, the Board may also establish special or ad hoc committees to oversee or implement significant projects as they arise.

## 3. Our Shareholders

**DuluxGroup is committed to open, clear and timely communications with its shareholders.**

The company has a Shareholder Communications Policy and investor relations program in place that encompasses the company's commitment to providing transparent two-way communications with all shareholders through a number of channels. These include:

- the company's website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au);
- the company's AGM;
- the company's Annual Report, which is available in hard copy or on the company's website;
- disclosures and other major announcements released to the Australian Securities Exchange (ASX); and
- communications with analysts, investors and governance bodies as well as media briefings.

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The Shareholder Communications Policy can be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

The company values effective two-way communication with shareholders and recognises that it is important not only to provide relevant information as quickly and efficiently as possible, but to listen, understand and respond to the perspectives of those shareholders. To promote this two way dialogue, shareholders are encouraged to attend and ask questions at the AGM to ensure accountability and identification with DuluxGroup's strategy and goals. For those shareholders who are unable to attend in person, the company webcasts its AGM on its website and provides a full transcript of the Chairman's and the CEO's speeches on its website.

DuluxGroup is committed to continually improving its online and electronic communications, including improving the functionality of its website. We encourage shareholders to communicate with us and our share registry, Computershare, electronically. Further details on how to do this can be found in the investor centre section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au). Shareholders are also encouraged to lodge direct votes or proxies for the company's AGMs electronically.

## 4. Our Risk Management Practices

**Effective assurance and risk management practices help DuluxGroup to achieve its strategic objectives, ensure compliance with its legal obligations and protect the best interests of the company and its shareholders.**

### 4.1 Integrity of Reporting

The Board and management have established controls that are designed to safeguard the company's interests and the integrity of its reporting. These include accounting, financial reporting, safety and sustainability and other internal control policies and procedures which are directed at monitoring whether the company complies with regulatory requirements and community standards.

In accordance with the company's system of internal sign offs prior to approval of its financial statement for a relevant period, both the CEO and the CFO provide declarations to the Board that, having made appropriate enquiries, in their opinion:

- the financial records of the Group have been properly maintained; and
- the financial statements of the Group comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group; and

that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively. These declarations were received by the CEO and the CFO in respect of DuluxGroup's half year ended 31 March 2017 and full year ended 30 September 2017.

These assurances are based on a financial letter of assurance process that cascades down through management and includes sign-off by business general managers, business finance managers and functional managers who are responsible for implementing, maintaining and reporting on the effectiveness of the systems.

In addition, comprehensive practices have been adopted to require that:

- capital expenditure, transaction and other commitments above a certain size obtain CEO and Board approval (as required under the company's formal delegation of authority);
- safety and sustainability standards and management systems achieve high standards of performance and compliance; and
- business transactions are properly authorised and executed.

The company's full year financial statements are subject to an external audit by an independent, professional auditor who also reviews the company's half-yearly financial statements. DuluxGroup currently engages KPMG as its independent external auditor. In accordance with statutory requirements, the lead partner on the company's audit is required to rotate at the completion of a five year term. The lead partner also attends the company's AGM and is available to answer questions from shareholders relevant to their audit of the company. The Audit and Risk Committee is responsible for overseeing the audit process on behalf of the Board.

### 4.2 Risk Identification and Management

The Board has established policies for the oversight and management of material business risks and internal controls. The Audit and Risk Committee oversees the policies, internal controls and procedures that the company uses to identify business risks and ensure compliance with relevant regulatory and legal requirements. The design and implementation of the risk management and internal control systems to manage the company's material business risks is the responsibility of management.

The Board has adopted the following key elements for the oversight and management of material business risks.

- The Audit and Risk Committee reviews DuluxGroup's risk management framework on an annual basis to ensure that it remains sound. Such a review took place in the 2017 financial year.
- Material financial and non-financial business risks are systematically and formally identified and assessed by the Board, the Audit and Risk Committee, the DuluxGroup Executive and each of the key business and functional units within the company on (at least) an annual basis. These assessments were conducted in the 2017 financial year.
- The key identified risks are then systematically reviewed by the DuluxGroup Executive during the year to ensure controls remain sound and improvement actions are progressed. The results of these risk reviews are then reported to the relevant Board Committee tasked with oversight of the relevant risk. The outcomes of these Committee reviews are then reported to the Audit and Risk Committee and the Board.
- Formal risk reporting is provided to the Board on an ongoing basis.
- Risk assessments are performed for individual material projects, capital expenditure, products and country risks as required.

The company's internal audit function comprises a Risk Manager who is supported by an independent external firm of accountants in designing and conducting a specific internal audit program. The role that the internal audit function performs is to bring a systematic and disciplined approach to managing risk. This includes reviewing and recommending improvements to controls, processes and procedures used by the company across its corporate and business activities.

Any material exposures to economic, environmental and social sustainability risks, and how the company manages those risks, are disclosed in the Operating and Financial Review and DuluxGroup's 2017 Corporate Sustainability Report located in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

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## 4.3 Corporate Sustainability

The Board and management are committed to ensuring that DuluxGroup's operations reflect sustainable business practices. The company has a strong heritage of continuous improvement in sustainability impacts and the Board acknowledges that proper management of DuluxGroup's financial, environmental and social impacts is fundamental to the success and well-being of the business and its stakeholders.

The Board has a process whereby the directors receive a report on current safety and sustainability issues and performance at each Board meeting. In addition, the Safety and Sustainability Committee is responsible for reviewing and monitoring safety and sustainability issues in more detail. This is supported by the Company's remuneration framework that links part of senior executives' short term incentive award opportunities to the achievement of appropriate safety and sustainability targets.

Further information can be found in the company's 2017 Corporate Sustainability Report including the actions being undertaken by DuluxGroup to continuously improve its safety and sustainability performance. This report is located in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

## 5. Our Code of Conduct

**DuluxGroup people are united by shared values which underpin the way we meet our strategic objectives and ultimately deliver our core purpose.**

These values are:

- Be consumer driven, customer focused
- Unleash your imagination
- Value people, work safely and respect the environment
- Run the business as your own

The Board acknowledges that these values are supported by our Code of Conduct and policy framework. It is expected that directors, executives, employees and contractors observe the highest ethical standards of corporate and business behaviour.

DuluxGroup's Code of Conduct and policy framework includes the following policies. These policies are consistent with the recommendations set out in the ASX Principles.

- **Code of Conduct**, which sets out the standards of business conduct required of all employees (including directors and senior management) and contractors of the company. A Speak Up line enables employees to report (on an anonymous and confidential basis) breaches of the Code of Conduct. Our Speak Up Line is available to all DuluxGroup employees around the world and can be reached any time, day or night. If a report is made, it is escalated as appropriate for investigation and action. We prohibit retaliatory action against any employee, officer or director who reports a possible violation. A management committee monitors and reviews the effectiveness of the Speak Up line on a periodic basis. A report is also prepared for review by the Remuneration and Human Resources Committee on a regular basis.

- **Share Trading Policy**, which reinforces the requirements of the Corporations Act 2001 in relation to the prohibition against insider trading. Outside of the trading windows set out in the Policy and as determined by the Board from time to time, directors and senior executives must obtain consent to trade in DuluxGroup shares. The policy also provides that, among other things, employees are not permitted to: (a) enter into or otherwise deal in securities via a margin loan arrangement; or (b) create a derivative or other transaction that limits the economic risk, in relation to securities which are unvested, held 'at risk' or held subject to restrictions under a DuluxGroup employee share plan.
- **Continuous Disclosure**, which establishes detailed procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act 2001 and the ASX Listing Rules. A program is in place whereby senior executives are provided training to ensure appropriate awareness of how the continuous disclosure obligations apply to DuluxGroup, including consideration of materiality guidelines relevant to the company. In addition, specific and targeted training is provided on a case by case basis as the need arises.

Additional information about our Code of Conduct and policy framework (including full details of these and other relevant policies) can be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).

## 6. Other Information

**This Corporate Governance Statement was approved by the Board of DuluxGroup on 15 November 2017 and the information contained in it is current as at that date, unless stated otherwise.**

**This statement, together with our 2017 ASX Appendix 4G (which is a checklist that cross-references the ASX Principles to the relevant disclosures in this statement and our website), have been lodged with the ASX and can also be found in the corporate governance section of our website at [www.duluxgroup.com.au](http://www.duluxgroup.com.au).**

**More information on governance at DuluxGroup, including Board and Executive member profiles, Board and Committee charters, DuluxGroup's constitution and key governance policies, can be found in the corporate governance section of our website.**