



ABN 87 602 638 531

2018 CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of the Company and is committed to the principles underpinning best practices in corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations for Australian listed entities ("ASX Recommendations") in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptive, but guidelines.

This Corporate Governance Statement ("Statement") sets out a brief summary of BauMart's main corporate governance policies and practices and provides details of the Company's compliance with the ASX Recommendations in Section 11 below, or where appropriate, indicates a departure from the ASX Recommendations with an explanation. It should be read in conjunction with the policies and the charters which have been adopted and are available on the Company's website: baumart.com.au/corporate-governance/

This Statement is current as at 30 August 2018 and has been approved by the Board of Directors of BauMart Holdings Limited.

1. Board of Directors

The Board of Directors comprises two Executive Directors, Mr Berthus Budiman (appointed 31 October 2014) and Mr Matthew Logan (appointed 8 August 2016) and two Non-Executive Directors, Mr Anson Gan (appointed 19 March 2015) and Mr Michael Crichton (appointed 19 March 2015). The Company presently does not have a chairman.

Details of their skills, experience and the period of office held by each have been included in the 2018 Directors' Report. The number of Board meetings held and the attendance of the directors at those meetings are also set out in the 2018 Directors' Report.

The Board considers Mr Crichton to be an Independent Director for the purpose of the ASX Recommendations as he is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement. Mr Budiman and Mr Logan are Executive Directors of the Company and therefore not independent. Mr Gan is a substantial shareholder of the Company and therefore not considered to be independent.

In making this determination, regard was given to the independence criteria set out in the ASX Recommendations, and other facts, information and circumstances that the Board considered relevant. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for **Recommendation 1.3**, Executive directors are employed pursuant to employment agreements.

The Board considers that both of the Non-Executive Directors bring objective and independent judgement to the Board's deliberations and both make a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

However, a formal Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership has not been established, and therefore the Company does not comply with **Recommendation 2.2**. The Board will periodically give consideration to the establishment of such a matrix.

2. Board Charter

The Board considers that strong and effective corporate governance can add to the Company's performance, create value for Shareholders, and engender investor confidence. To that end, the Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and Management; and
- the authority delegated by the Board to Management and Board committees (if established).

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- oversee the Company, including its control and accountability systems;
- oversee the nomination and appointment, and monitor the performance of, Management;
- conduct succession planning for Management;

- review performance, operations and compliance reports from the Executive Director, including reports and updates on strategic issues and risk management matters;
- review, ratify and monitor systems of risk management, internal compliance and control, codes of conduct and legal compliance;
- monitor Management's performance, implementing strategy and seeking to ensure appropriate resources are available;
- approve and monitor the progress of major capital expenditure, capital management and acquisitions and divestments;
- approve budgets;
- monitor the Company's financial performance and liaise with the Company's external auditor; and
- adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure the financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements.

Matters which are specifically reserved for the Board or its committees include:

- appointment of the Chairman (if appointed);
- appointment and removal of the CEO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and their delegated authorities (if established);
- review of corporate codes of conduct;
- approval of major capital expenditure, acquisitions and divestments in excess of authority levels delegated to Management;
- calling of meetings of Directors or Shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the Executive Directors as directed by the Board (and by officers to whom the management function is properly delegated by the Executive Directors). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to access Management and to request additional information at any time they consider it appropriate. The Board collectively, and individual Directors, may seek independent professional advice at the Company's reasonable expense, and the advice received being made available to the Board as a whole.

3. Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has not established any committees at the present time. Committees may be established by the Board at any time as considered appropriate. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

The Company does not comply with **Recommendations 2.1, 4.1, 7.1 and 8.1**, as it has not established a nomination and remuneration committee or an audit and risk committee. The Board considers that the current size and level of activities of the Company are not of a sufficient level to justify having these committees. The whole Board conducts the functions of the committees and is guided by the charter for the Nomination and Remuneration Committee and the charter for the Audit and Risk Committee which is available on the Company's website.

As the operations of the Company develop, the Board will reassess the requirement for the Committees.

4. Performance Evaluations

The performance of the Board, its committees (if established) and individual directors are evaluated in accordance with the Performance Evaluation Process. A performance evaluation of the Board, individual directors and senior executives was undertaken in August 2017 with the result that the Board, individual directors and senior executives are operating efficiently and effectively in all material aspects.

The Performance Evaluation Process is available on the Company's website.

5. Risk Management Policy

The identification and proper management of the Company's risks is an important function of the Board. The Company has adopted a risk management policy appropriate for its business. The policy highlights the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies, including reviewing and ratifying the risk management structure, process and guidelines which are to be developed, maintained and implemented by Management. The responsibilities include overseeing the establishment and implementation of risk management and internal compliance and control systems and reviewing the Company's financial risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO and CFO (or equivalents) to provide declarations required under section 295A of the Corporations Act. A review of the Company's risk management framework was undertaken during the reporting period.

6. Continuous Disclosure Policy

The Company is required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exception contained in the ASX Listing Rules, the Company is required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a Continuous Disclosure Policy which establishes procedures aimed at ensuring that Directors and Management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

Under the Policy, the Board is responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements are also available on the Company's website, www.baumart.com.au.

7. Securities Trading Policy

The Company has adopted a Securities Trading Policy which applies to the Company and its Directors, officers and employees, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. The policy explains the prohibited type of conduct in relation to dealings in securities under the Corporations Act and the procedures established in relation to dealings in the Company's securities by Directors, Management or employees.

The policy defines certain closed periods during which trading in Shares by the Company's Directors and employees (and any associates of those people, including spouses and dependants under 18 years of age) is prohibited. The closed periods are currently defined as:

- the period commencing one month prior to the release of the Company's half-yearly results to ASX and ending 24 hours after such release;
- the period commencing one month prior to the release of the Company's full year results to ASX and ending 24 hours after such release;
- the period commencing two weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting; and
- any additional periods determined by the Board from time to time.

During closed periods, unless certain exceptions (set out in the Policy) apply, Directors, employees and other affected parties must receive clearance for any proposed dealing in Shares, which will only be provided in exceptional circumstances. In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information.

8. Code of Conduct

The Board recognises the need to observe high standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct to be followed by Directors, officers and employees.

The key aspects of this code are that Directors, officers and employees are to:

- act with honesty, integrity and fairness and in the best interests of the Company as a whole;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for reporting and investigating reports of unethical practices; and
- use the Company's resources and property properly.

The Code of Conduct sets out or refers to separate documents outlining the Company's policies on various matters including ethical conduct, fair dealing, compliance, privacy, confidentiality, integrity and conflicts of interest.

9. Shareholder Communications Policy

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and to inform them of major developments affecting the state of affairs of the Company in accordance with all applicable laws. Information is communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX as well as publishing information on the Company's website: www.baumart.com.au.

In particular, the Company's website contains information about the Company, including media releases, key policies and the terms of reference of its Board committees (if any). All relevant announcements made to the market and any other relevant information are posted on the Company's website after release to the ASX (subject to applicable securities laws).

10. Additional Information

The Company does not comply with **Recommendation 1.5** as it has not established a diversity policy that requires the Board to set measurable objectives for achieving gender diversity nor disclosed a policy or summary of that policy. The Company provides a workplace that is open to gender diversity and the Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal diversity policy. The adoption of a formal diversity policy will continue to be assessed periodically as the Company's circumstances change.

The Company does not comply with **Recommendation 6.2** as it has not developed a formal investor relations program, relying instead on the traditional lines of communication with shareholders. The Board will continue to monitor the demand for such a program from the Company's shareholders.

The Company does not presently have an **internal audit function**. However, the Board and Management continually monitor and endeavour to improve the effectiveness of the Company's risk management and internal control procedures. The Board's interaction with the Company's external auditor also provides additional oversight in this area. The Board does not consider the Company has any material exposure to economic, environmental or social sustainability risks at the present time.

The Company does not presently have a policy on determining whether participants are permitted to enter into transactions which limit the economic risk of participating in its **incentive option scheme**. At the date of this Statement, no grants have been made under the Company's incentive option scheme. The scheme's rules allow the Board discretion to apply restrictions over the options, and the Board will consider imposing restrictions on hedging arrangements by participants at the time of making offers under the scheme.

11. ASX Recommendations

Under ASX Listing Rules, the Company is required to disclose the extent to which it has followed the recommendations set by the ASX Corporate Governance Council. Where the Company has not followed a recommendation, it must separately identify that recommendation and state its reasons for not following it, and what (if any) alternative governance practices it adopted in lieu of the recommendation. The Company's compliance with the Recommendations is set out below.

Corporate Governance Recommendation		Followed
Principle 1: Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: <ul style="list-style-type: none"> (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. 	Yes
1.2	A listed entity should: <ul style="list-style-type: none"> (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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. 	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
1.4	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.	Yes

Corporate Governance Recommendation		Followed
1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: <ul style="list-style-type: none"> (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) 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 	No – see commentary in Section 10 above
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes
Principle 2: Structure the Board to add value		
2.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (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. 	No – see commentary in Section 3 above
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	No – see commentary in Section 1 above
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association 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, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	Yes

Corporate Governance Recommendation		Followed
2.4	A majority of the board of a listed entity should be independent directors.	No – see commentary in Section 1 above
2.5	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.	No – see commentary in Section 1 above
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes
Principle 3: Act ethically and responsibly		
3.1	A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	Yes
Principle 4: Safeguard integrity in corporate reporting		
4.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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. 	No – see commentary in Section 3 above
4.2	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.	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes
Principle 5: Make timely and balanced disclosure		
5.1	A listed entity should: <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. 	Yes
Principle 6: : Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes

Corporate Governance Recommendation		Followed
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	No – see commentary under Section 10 above
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes
Principle 7: Recognise and manage risk		
7.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (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. 	No – see commentary under Section 3 above
7.2	The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	Yes
7.3	A listed entity should disclose: <ul style="list-style-type: none"> (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 risk management and internal control processes. 	Yes – see commentary under Section 10 above
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes
Principle 8: Remunerate fairly and responsibly		
8.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (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. 	No – see commentary under Section 3 above
8.2	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.	Yes

Corporate Governance Recommendation		Followed
8.3	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.	No – see commentary under Section 10 above