

CORPORATE GOVERNANCE STATEMENT

1. Introduction

The Board is committed to conducting the business of Pepper Group Limited (**Pepper or the Company**) in accordance with high standards of corporate governance and with a view to creating and delivering value for Pepper's shareholders. To this end, the Board has adopted a system of internal controls, risk management processes and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of Pepper.

This Corporate Governance Statement sets out the key features of Pepper's governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (**ASX Principles and Recommendations**).

Since listing on 31 July 2015, Pepper's governance arrangements were consistent with the ASX Principles and Recommendations, with the exception of the following matters:

- the Non-Executive Chairman, Seumas Dawes, is not considered by the Board to be an independent Director given that he is a substantial shareholder of the Company; and
- the Company does not meet the ASX Principles and Recommendations in respect of the composition of its Board and Remuneration and Nomination Committee.

In accordance with the ASX Principles and Recommendations, Pepper's policies and charters referred to in this statement have been posted to the corporate governance section of Pepper's website: www.pepper.com.au/about/shareholder-centre/corporate-governance

This Corporate Governance Statement is current as at 31 March 2016 and has been approved by the Board of Pepper.

2. The Board

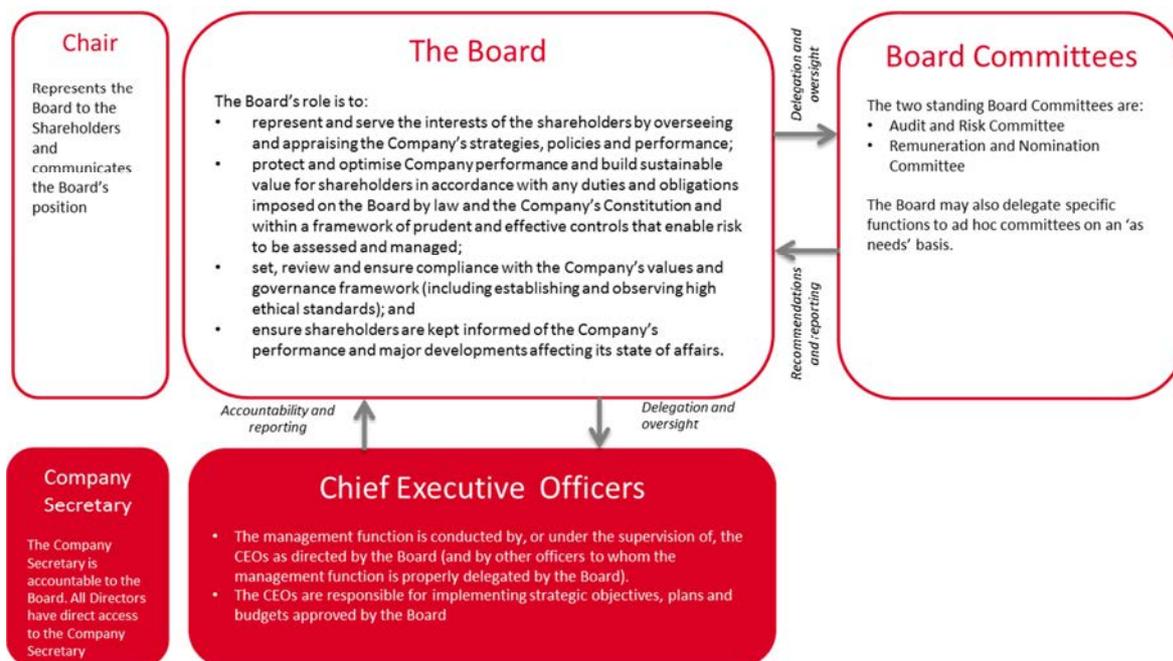
The role of the Board

The Board is responsible for overseeing the management of Pepper.

The Board delegates to the Co-Group Chief Executive Officers (**CEOs**) and senior management matters involving the implementation of strategic objectives, plans and budgets approved by the Board and management of Pepper's day-to-day activities.

The Board has adopted a Board Charter which sets out the Board's role, powers and duties and establishes the functions reserved for the Board and those which are delegated to management.

The diagram below summarises Pepper's governance framework and the division of roles and responsibilities.



The Board and Committee Charters and the Company's Constitution are available on Pepper's website.

Composition of the Board

The Board is currently comprised of two CEOs and four Non-executive Directors, of whom three are independent Directors. Membership of the Board during 2015 is set out in the table below.

Director	Position	Appointed
Seumas Dawes	Chairman and Non-Executive Director	2010
Michael Culhane	Co-Group Chief Executive Officer and Director	2011
Patrick Tuttle	Co-Group Chief Executive Officer and Director	2001
Des O'Shea	Independent non-executive Director	2014
Melanie Willis	Independent non-executive Director	2014
Matthew Burlage	Independent non-executive Director	2010

Details of the qualifications, experience and expertise of each Director, including current and former directorships, are set out on pages 16 and 17 of the Company's 2015 Annual Report.

Attendance at Board and Committee meetings and the names of Committee members are included in the Directors' Report on page 18 of the 2015 Annual Report.

Director independence

The Board has adopted guidelines, set out in the Board Charter, which are used to guide independence assessments and are based on the definition of independence listed in Box 2.3 of the ASX Principles and Recommendations.

Having regard to these criteria, the Board considers that Matthew Burlage, Des O'Shea and Melanie Willis are independent. The Board considers that Michael Culhane, Patrick Tuttle and Seumas Dawes are not independent on the basis that:

- Michael Culhane and Patrick Tuttle are the CEOs; and
- Seumas Dawes is a substantial shareholder of the Company.

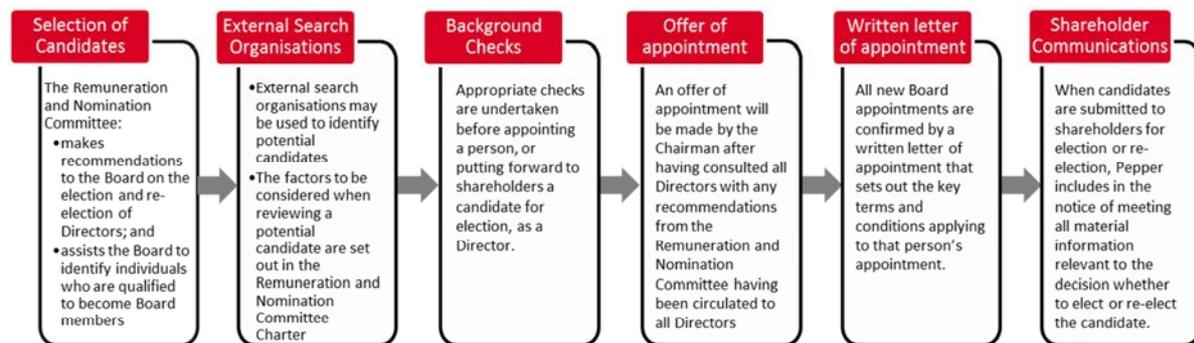
While the Board does not currently comprise a majority of independent Directors and the Chairman is not an independent Director, the Board is satisfied that it operates independently of management

and is highly effective in promoting the best interests of shareholders as a whole. In particular, the Board considers that the Chairman, Seumas Dawes, brings objective and independent judgment to the Board's deliberations and adds significant value to the Board given his considerable experience and skills. The Board believes Mr Dawes is the most appropriate person to lead the Board as Chairman given his expertise and global experience.

Director selection and succession planning

The Board seeks to ensure that it comprises Directors with a broad range of skills, expertise, experience and background. The Board, with the assistance of the Remuneration and Nomination Committee, regularly reviews its membership. The present Board size is seen as appropriate for the nature of the Company's business and strategy.

A brief overview of the process for the selection and appointment of Directors is set out below.



Mix of skills and diversity on the Board

The following table sets out the skills, experience and diversity of the Directors in office as at the date of this statement.

Category
Skills and experience
Strategy
Risk Management
Management
Financial acumen
Financial services industry experience
Global experience
Governance
Remuneration
New Media & Technology
Capital Markets
Leadership (including Executive and Non-Executive roles in listed and Non-listed companies)

Induction and ongoing professional development opportunities

All new Directors participate in an induction process coordinated by the Company Secretary. The induction process includes meetings with executives and management, the provision of materials such as strategic plans and core corporate governance policies, and meetings with other Directors.

The Company also offers appropriate professional development opportunities for Directors to ensure that they are kept up to date with developments in the industry both locally and at an international level. Management also briefs the Board on relevant industry, regulatory and legal developments.

Access to information and independent advice

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman or the Board as a whole.

3. Board Committees

The Board from time to time establishes Committees to streamline the discharge of its responsibilities.

The permanent standing Committees of the Board are the Audit and Risk Committee and the Remuneration and Nomination Committee. Both standing Committees have a formal Charter (available on Pepper's website) which sets out their role and responsibilities, membership requirements and administrative matters.

Audit and Risk Committee

The table below sets out the composition and key responsibilities of the Audit and Risk Committee.

Composition	Members	Responsibilities
<ul style="list-style-type: none"> Only non-executive Directors A majority of independent Directors An independent chair who is not chair of the Board A minimum of 3 members of the Board 	<ul style="list-style-type: none"> Des O'Shea (Chair) Matthew Burlage Melanie Willis 	<p>The Committee's key responsibilities are to:</p> <ul style="list-style-type: none"> oversee the Company's relationship with the external auditor and the external audit function generally; oversee the Company's relationship with the internal auditor and internal audit function generally; oversee the preparation of the financial statements and reports; oversee the Company's financial controls and systems; and manage the process of identification and management of financial risk.

Non-Committee members, including members of management and the external auditor, may attend meetings of the Committee by invitation of the Committee chair. The Committee has rights of access to management and auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

Responsibilities in relation to the external audit

The Audit and Risk Committee provides a link between Deloitte, the Company's external auditors, the Board and management. It also has the responsibility (subject to Corporations Act requirements) for the appointment, terms of engagement and compensation for the external auditor. The Committee will also evaluate the effectiveness and independence of the external auditor.

The Board has approved a policy on non-audit services provided by the external auditor which clearly sets out guidelines for determining whether the non-audit services are compatible with Pepper's general standard of independence.

The Committee's role in relation to the internal audit function is discussed on page 6.

Remuneration and Nomination Committee

The table below sets out the composition and key responsibilities of the Remuneration and Nomination Committee.

Composition	Members	Responsibilities
<ul style="list-style-type: none"> • Only non-executive Directors • A majority of independent Directors • A minimum of 3 members of the Board 	<ul style="list-style-type: none"> • Seumas Dawes (Chair) • Matthew Burlage • Des O'Shea 	<p>The Committee assists the Board to carry out its executive remuneration and nomination responsibilities including:</p> <ul style="list-style-type: none"> • reviewing succession plans • reviewing and recommending to the Board remuneration arrangements for executive and non-executive directors • reviewing major changes to the Group's remuneration, policies • assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors • reviewing the senior management performance assessment processes and results • reviewing short term and long term incentive arrangements • reviewing the effectiveness of the Board Diversity Policy

Non-Committee members, including members of management, may attend meetings of the Committee by invitation of the Committee chair.

The Remuneration and Nomination Committee is not chaired by an independent Director, however the Board considers the composition of the Committee appropriate in light of the Company's operations and size. Mr Dawes chaired the Committee prior to the listing of the Company and the Board considers that he is the most appropriate person to chair the Committee given his past experience in the role and, more broadly, his considerable industry experience and expertise.

4. Performance evaluation

Board performance evaluation process

The Company has established the following performance evaluation processes for the Board, Committees and individual Directors:

- on an annual basis, Directors will provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria;
- each Committee will provide feedback in terms of a review of its own performance;
- feedback will be collated by the Chairman, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees; and
- the CEOs will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.

Senior executive performance evaluation process

The performance of the senior executive team is formally assessed on an annual basis. Each CEO's key performance indicators (**KPIs**) are reviewed and set annually by members of the Board at the commencement of the financial year. The Board carefully evaluates each of the CEO's performance against those KPIs.

An annual assessment of the performance of all other senior executives is undertaken by the Board on the basis of recommendations by the CEOs, who conducts performance reviews based on the achievement of KPI's in relation to each senior executive.

A performance evaluation for all senior executives took place in 2015 in accordance with the processes described above.

5. Remuneration

Remuneration of Non-executive Directors

Pepper's remuneration policy for Non-executive Directors aims to ensure that Pepper can attract and retain suitably qualified and experienced Directors having regard to:

- the level of fees paid to non-executive directors of other major Australian companies;

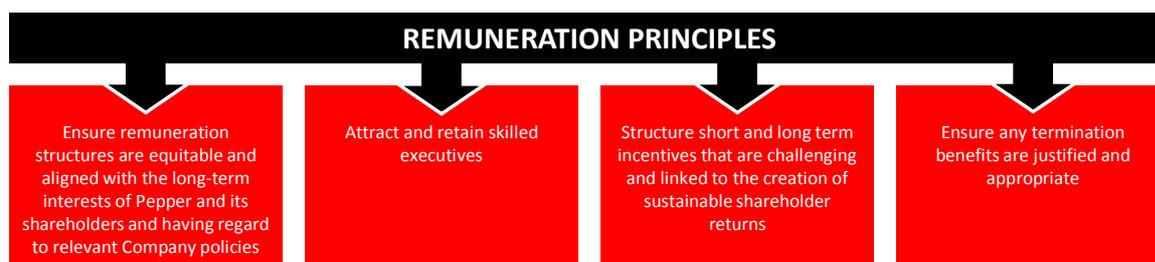
- the size and complexity of Pepper's operations; and
- the responsibilities and work requirements of Board members.

Non-executive Directors receive a fixed amount of fees for their services. Each of the Non-executive Directors also received a one-off grant of options as part of their remuneration in connection with the listing on the Australian Securities Exchange on 31 July 2015. The options are not subject to any performance or service conditions in order to preserve the Directors' impartiality.

Remuneration of senior executives

The CEOs and other senior executives have written employment agreements setting out the terms of their employment.

In considering executive remuneration, the Board and the Remuneration and Nomination Committee are guided by the following principles:



These principles ensure that the level and composition of remuneration is appropriate, and also that there is a clear link between pay and performance.

The remuneration structure includes both cash and equity components to align the interests of senior executives with those of shareholders.

Further information relating to the remuneration of the Non-executive Directors and senior executives is set out in the Remuneration Report on pages 23 to 35 of the Annual Report.

6. Risk framework

Risk identification and management

The Audit and Risk Committee assists the Board with regard to oversight of Pepper's risk management practices by reviewing and reporting to the Board that:

- the Committee has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness. In line with the ASX Principles and Recommendations, Pepper's risk management framework is reviewed annually. The Audit and Risk Committee conducted this review during 2015 and satisfied itself that Pepper's risk management framework continues to be sound.

Internal audit

Pepper has an internal audit function that assists the Board by undertaking an objective evaluation of Pepper's internal control framework.

Internal Audit undertakes internal reviews of risk management by conducting a series of audits on the systems, processes and controls within the Company. A risk-based plan is agreed with management and the Audit and Risk Committee on an annual basis and may include reviews in the areas of financial reporting and management application of accounting policies and compliance with regulatory regimes, laws and standards. The results of these reviews are reported to the Audit and Risk Committee.

Business and sustainability risks

Our material business risks (including economic risks), together with our approach to managing those risks, are outlined in the Directors Report section of the Annual Report. The Company does not consider that it has any *material* environmental or social sustainability risks (as those terms are defined in the ASX Recommendations).

Chief Executive Officers and Chief Financial Officer declaration

The CEOs and CFO have provided a written certificate to the Board in respect of the full year statutory accounts of the Company that:

- in their opinion, the financial records of the Company have been properly maintained and the statutory accounts comply with the relevant accounting standards and other mandatory reporting requirements and give a true and fair view of the financial position and performance of the Company; and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

7. Governance policies

Diversity and inclusion

Diversity and inclusion are core values at Pepper and the Board is committed to creating an environment which values diversity at all levels through a conscious desire to achieve understanding, respect, inclusion and continuous learning. Pepper recognises that this commitment to diversity and inclusion will enhance the customer experience and improve employee satisfaction levels, both of which are key to the success and sustainability of Pepper's business.

The Board believes that diversity is an important component of the Company's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality service to its customers, and continue to grow the business profitably.

The Board has approved a Diversity and Inclusion Policy in order to, amongst other things, facilitate a more diverse and representative management and leadership structure (including with regard to gender diversity) and ensure that equal opportunity exists in all practices associated with the recruitment, selection and promotion of individuals, in particular, the recognition of individuals with different backgrounds, skills and knowledge. The Policy specifically provides that each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior management level.

The Diversity and Inclusion Policy is available on Pepper's website.

Measurable objectives in 2015

The measurable objectives that applied throughout 2015, as well as Pepper's progress towards achieving these objectives, are set out in the table below.

Measurable objective	Initiatives to achieve the objective	Status of the objective
Pepper Co-Group CEO's to join at least two network groups supporting gender diversity in the workplace	Appointments to the following committees: Male Champions of Change Pay Equity Ambassadors	Achieved
Pepper's High Potential Program (HiPo)– identify and harness key young female talent in order to promote and develop through to	At least 50/50 representation of female candidates on the program Effectiveness measured by number of promotions of	60:40 Female:Male participation ratio 100% of participants were promoted to more senior

management and senior management levels	HiPo participants	roles during FY2015
Increase female representation at Senior Management and Management Levels	Targeted recruitment Individual Career Plans for key female talent	Representation levels rose for: Senior manager by 6.6% to 14.6% Manager level by 22% to 52%
Identify and close the gap on pay inequities	Undertake a pay equity exercise to identify gaps in pay between male and female employees performing the same or similar roles	As a result of the review, identified cases of underpayment have been rectified.
Monitor female engagement levels as part of Pepper's retention plan	Targeted questions relating to Flexible Work Practices Benchmark engagement levels of female demographics against prior year Target those on Maternity Leave to ensure high numbers of return, maintain communication and provide flexible return to work policies	82% engagement relating to Flexible Work Practices at Pepper Overall engagement level for women at Pepper was 68%, up 7% on prior year. 50% of mothers returned to work within 12 months of taking maternity leave

Diversity Data

Pepper's most recent "Gender Equality Indicators" as defined by the *Workplace Gender Equality Act 2012* (Cth) can be accessed at

https://www.wgea.gov.au/sites/default/files/public_reports/tempPublicReport_at0qzag5av.pdf

Code of conduct

The Board is committed to achieving the highest possible standards of ethical behavior and best practice in corporate governance. Accordingly, the Board has adopted a formal Code of Conduct which outlines standards expected of its employees, contractors and Directors and is intended to guide them in relation to their business conduct and behavior in the workplace.

Under the Code, employees, contractors and directors must:

- actively promote the highest standards of integrity and ethics in carrying out their duties.
- deal with clients, competitors and each other with the highest level of honesty, efficiency, fairness and integrity and observe the rule and spirit of the legal and regulatory environment;
- respect confidential information acquired in the course of Pepper's business; and
- disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware of and which they believe could compromise in any way the reputation or performance of Pepper.

The Code of Conduct is available on Pepper's website.

Securities dealing

The Company has adopted a Securities Dealing Policy which is intended to explain the types of dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company, Directors and

employees against the misuse of unpublished information which could materially affect the value of securities. The Policy imposes restrictions on transactions which limit the economic risk of participating in equity-based remuneration schemes.

The Securities Dealing Policy is available on Pepper's website.

Continuous disclosure

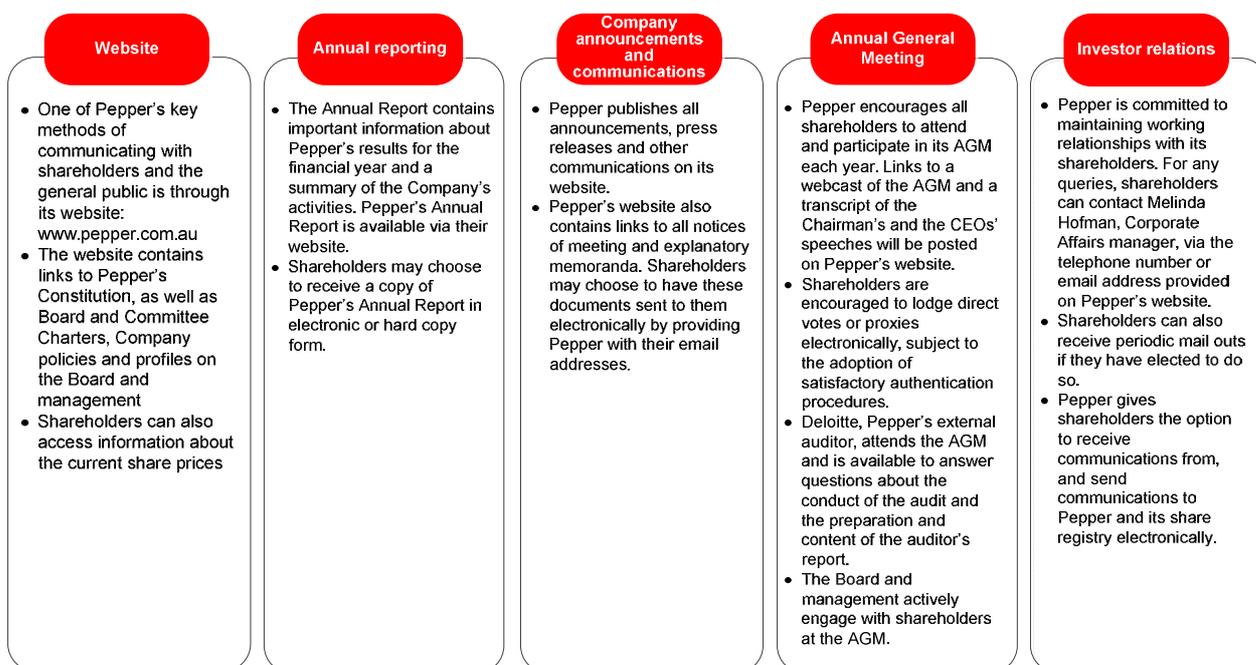
Pepper is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of Pepper's securities.

The Company has adopted a Continuous Disclosure Policy which establishes procedures to ensure that the Company fulfils its obligations in relation to the timely disclosure of material price-sensitive information.

Pepper's Continuous Disclosure Policy is available on Pepper's website.

Communications with shareholders

Pepper aims to keep all shareholders up to date with all important information relating to the Company. To allow shareholders, potential investors and other interested stakeholders to obtain information about the Company from time to time, the Company communicates information regularly through a range of platforms and publications. The diagram below contains more detailed information regarding some of the key platforms and publications, including the Company's investor relations program.



Pepper's Communication Strategy is available on Pepper's website.