

# Corporate Governance

This Corporate Governance Statement is dated 26 February 2020 and has been approved by the Board of the Company. Information about the Company and its corporate governance including current policies and charters are available on the Company's website at [www.hutchison.com.au](http://www.hutchison.com.au).

The Company and its Directors are committed to high standards of corporate governance. In December 2019, the Company completed a review of its corporate governance processes and procedures having regard to the ASX Principles and Recommendations (the "ASX Principles") (4th edition) and has updated its corporate governance documents to reflect the ASX Principles (4th edition) with effect from December 2019. This report reflects the main corporate governance practices adopted by the Company and its subsidiaries (collectively, the "Group") during the 2019 financial year ("Reporting Period"), noting where the Company does not comply with the ASX Principles (3rd edition), and the corporate governance processes and procedures updated in December 2019. The first full reporting of Company's compliance with the ASX Principles (4th edition) will be disclosed in its next Annual Report.

## The Board

### Role of the Board

The Board has responsibility for approving strategy, monitoring the implementation of the strategy and the performance of the Group, protecting the rights and interests of shareholders and overseeing the overall corporate governance within the Group.

The Board Charter is available on the Company's website.

The Board's responsibilities include:

- reviewing and approving the statement of values, strategic direction of the Group and establishing goals, both short-term and long-term, to ensure these strategic objectives are met and ensuring appropriate resources are available to meet these objectives;
- overseeing management in its implementation of the Group's strategic objectives, instilling of the Group's values and performance generally;
- overseeing the integrity of the Group's accounting and corporate reporting systems, including the external audit, control and accountability systems;
- satisfying itself that the Group has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk appetite within which the Board expects management to operate;
- satisfying itself that the Group's remuneration policies are aligned with its purpose, values, strategic objectives and risk appetite;
- ensuring the business risks facing the Group are identified and reviewing, ratifying and monitoring sound systems of risk management and internal compliance and control, codes of conduct and legal compliance;

- satisfying itself of the effectiveness of the governance processes in place and that an appropriate framework exists for relevant information to be reported by management to the Board and whenever required, challenging management and holding it to account;
- monitoring the performance of management against these goals and objectives and initiating corrective action when required;
- ensuring that there are adequate internal controls and ethical standards of behaviour adopted and met within the Group;
- reviewing and approving annual financial plans and monitoring corporate performance against both short-term and long-term financial plans;
- appointing the chief executive officer, evaluating performance and determining the remuneration of senior executives and ensuring that appropriate policies and procedures are in place for recruitment, training, occupational health & safety, environmental issue remuneration and succession planning; and
- delegating to the chief executive officer the authority to manage and supervise the business of the Group with senior executives and other management, including the making of all decisions regarding the Group's operations that are not specifically reserved to the Board.

### Composition of the Board

The Board comprises nine Directors whose appointment reflects the shareholding of the Company and the need to ensure that the Company is run in the best interest of all shareholders. All the Directors, including the Chairman, Mr Fok Kin Ning, Canning, are non-executives. The Board has considered the factors relevant to assessing the independence of a Director contained in the ASX Principles, and in light of this, the Board determined that the independent Directors are not substantial shareholders or officers of substantial shareholders, have not been employed as an executive of the Group or its majority shareholder, nor are they associated with any significant supplier, customer or professional adviser of the Group. Further, an independent Director does not have any significant contractual relationship with the Group nor is there any business relationship which could materially interfere with a Director's ability to act in the best interest of the Company.

Mr Justin Herbert Gardener and Mr John Michael Scanlon, being the only Directors who are not, or have not been, officers of a significant shareholder or have not been employed as an executive of the Group, are considered by the Board to be independent Directors. The Board does not consider that the length of tenure of either Mr Gardener or Mr Scanlon has compromised their independence. In light of the majority ownership by CKHH, the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of Directors or the Chairman be independent.

## Board skills matrix

The Board has considered the skills that are appropriate for the Board as a whole and these include experience in:

- general business management, strategy and entrepreneurship;
- information and technology particularly in telecommunications or multimedia;
- marketing, sales and distribution in highly competitive markets;
- Government relations and policy;
- legal, governance and compliance risk management;
- human resources and remuneration;
- accounting, finance and audit; and
- banking, treasury and capital markets.

Details of the individual Directors' skills set, experience and date of appointment are set out on pages 2 and 3. Details of the non-executive Director remuneration are set out in the Remuneration Report which forms part of the Directors' Report on pages 12 to 15.

Subject to the Company's Constitution requirements in relation to the retirement of Directors, the appointment of all the current Directors will continue until the next Annual General Meeting ("AGM") in 2020, and will be automatically renewed for successive 12-month periods unless otherwise terminated. An election of Directors is held at the AGM each year, and information on the Directors standing for re-election is provided to shareholders in the Notice of Meeting for the AGM. Any Director who has been appointed during the year must stand for election at the next AGM. Each Director must retire every three years, and if eligible, may stand for re-election. Retiring Directors are not automatically reappointed.

Prior to the appointment of a new Director, appropriate checks are undertaken in areas such as education, employment and character references, and the balance of skills set and experience collectively on the Board will be taken into consideration. Each new Director receives a letter of appointment detailing the Company's expectations having regard to their familiarity with the Company and its investment in VHA. Written agreements are in place with each of the Directors setting out their terms of appointment.

In December 2019, Mrs Susan Chow was appointed as a non-executive Director. Prior to her appointment, the Company undertook appropriate background checks. The Company will provide shareholders with all the relevant information in its possession necessary for shareholders to consider voting on Mrs Chow's election at its 2020 AGM.

Upon appointment to the Board, a new Director receives an induction process arranged by the Company Secretary which includes a package of orientation materials on the Company. Thereafter, the Company provides professional development materials to Directors and facilitates their attendance at appropriate external seminars and information sessions to help them to keep abreast of current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

The Company evaluates the performance of the Board as a whole, the Board Committees and the Directors by questionnaire at the beginning of each year. The evaluation for the financial year ended 31 December 2018 was undertaken at the beginning of 2019 and that for the financial year ended 31 December 2019 has commenced. The objective of such evaluation is to ensure that the Board, its Committees and the Directors continued to act effectively in fulfilling the duties and responsibilities expected of them.

In connection with their duties and responsibilities, Directors and Board Committees have the right to seek independent professional advice at the Company's expense. Prior written notification to the Chairman is required.

## Board Committees

The Board has two Committees to assist in the implementation of its corporate governance practices, fiduciary and financial reporting and audit responsibilities. These are an Audit & Risk Committee and a Governance, Nomination & Compensation Committee.

Each of these Committees has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate. Details of these charters are available on the Company's website.

## Audit & Risk Committee

The responsibility of the Audit & Risk Committee is to assist the Board in fulfilling its duties through review and supervision of the Group's financial reporting process and the Group's system of risk management, internal control and legal compliance.

This Committee comprises three non-executive Directors, a majority of whom are independent Directors and is chaired by an independent Director who is not the Chairman of the Board. The composition of the Committee meets the requirements of the ASX Principles. It has appropriate financial expertise and knowledge of the telecommunications industry. Details of the Committee members, and their qualifications, expertise, experience and attendance at Committee meetings are set out on pages 2, 3 and 10.

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This Committee considers the annual and interim financial statements of the Company and its subsidiaries and any other major financial statements prior to approval by the Board, and reviews standards of internal control and financial reporting within the Group. It is also responsible for overview of the relationship between the Group and its external auditor, including periodic review of the performance and the terms of appointment of the auditor. Furthermore, it considers any matters relating to the financial affairs of the Group and any other matter referred to it by the Board.

The main responsibilities delegated to this Committee are:

- to consider and recommend to the Board the appointment and remuneration of the Company's external auditor and to determine with the external auditor the nature and scope of the audit or review and approve audit or review plans;
- to assess the performance and independence of the external auditor, taking into account factors which may impair the auditor's judgement in audit matters related to the Company;
- to review the interim and annual financial statements of the Company before their submission to the Board;
- to ensure the Group's practices and procedures with respect to related party transactions are appropriate for compliance with the relevant legal and securities exchange requirements;
- to review the risk management practices and oversee the implementation and effectiveness of the risk management system including overseeing appropriate governance standards for tax management and the effectiveness of the tax control and governance framework including the monitoring of tax risk management strategies;
- to review and make recommendations to the Board regarding the adequacy of the Group's processes for managing risk and any changes that should be made to the Group's risk management framework or to the risk appetite set by the Board;
- to consider new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
- to review with management and the external auditor the presentation and impact of significant risks and uncertainties associated with the business of the Group and their effects on the financial statements of the Group; and
- to ensure corporate compliance with applicable legislation.

## Governance, Nomination & Compensation Committee

This Committee comprises three non-executive Directors and is chaired by the Chairman of the Board. In light of the majority ownership by CKHH and that the Company does not currently have any senior executives, the Board has resolved that, at this stage, it is not in the best interests of the Company that a majority of members of this Committee be independent or that the Chair of this Committee be independent. Details of the Committee members, and their qualifications, expertise and experience are set out on pages 2, 3 and 10. No meetings of this Committee were required during the year ended 31 December 2019.

### Compensation responsibilities

This Committee is responsible for the review of remuneration and other benefits, and the Group's policies in relation to recruitment and retention of staff. It will, where relevant, obtain independent advice from external consultants on the appropriateness of the remuneration policies of the Group.

Details of the compensation philosophy and practices of the Company, including equity based remuneration schemes, are set out in the Remuneration Report. As the Company does not currently have any senior executives, no process is in place for the evaluation of the performance of senior executives, although formal performance evaluation has been a part of the Company's practices in the past.

### Governance and nomination responsibilities

The governance and nomination responsibilities related to Board performance and evaluation are:

- to periodically assess and provide recommendations to the Chairman of the Board on the effectiveness of the Board as a whole, the Board Committees, the contribution of individual Directors, and assessment of Directors;
- to periodically review the Company's investor relations and public relations activities to ensure that procedures are in place for the effective monitoring of the shareholder base, receipt of shareholder feedback and response to shareholder concerns in respect of Board nomination and remuneration matters;
- to oversee and periodically review the induction and education, and continuing professional development programs for Directors including whether there is a need for existing directors to undertake professional development;
- to ensure appropriate structures and procedures are in place so that the Board can function independently of management;
- to receive and consider any concerns of individual Directors relating to governance matters; and
- to review all related party transactions to ensure they reflect market practice and are in the best interests of the Group and consider any disclosure requirements.

The governance and nomination responsibilities related to the Directors are:

- to recommend to the Board criteria regarding personal qualifications for Board membership such as background, experience, technical skills, affiliations and personal characteristics; and
- to consider and recommend to the Board the skills matrix required for the Board generally including Director independence.

The governance and nomination responsibilities related to Board Committees are:

- to review from time to time and recommend to the Board the types, terms of reference and composition of Board Committees, and the nominees as chair of the Board Committees; and
- to review from time to time and make recommendations to the Board the length of service of members on Board Committees, meeting procedures, quorum and notice requirements, records and minutes, resignations and vacancies on Board Committees.

## Diversity

The Company recognises the corporate benefit of diversity as that term is defined in the ASX best practice recommendations and its Diversity Policy is available on the Company's website.

The Company recognises the benefits of a Board that possesses a balance of skills set, experience, expertise and diversity of perspectives appropriate for the strategies of the Company. The Company supports diversity, with Directors from various parts of the world with experience of different cultures and possessing varied expertise, in finance and accounting, sales and marketing, operations, legal and technology relevant to operating a telecommunications company.

In assessing candidates for appointment to the Board, the Governance, Nomination & Compensation Committee will have regard to the diversity balance on the Board and the skills and experience of each candidate. The Board will give due consideration to ensuring that the diversity of the Board increases.

No objectives have been set for achieving gender diversity among employees or assessment undertaken as currently the Company has only one (male) employee who is not considered to be a senior executive (2018: 100% male). The Board currently comprises eight males (89%) and one female (11%) (2018: 100% male).

## Company secretaries

The Company has two company secretaries, Ms Edith Shih and Ms Naomi Dolmatoff, who are responsible to the Board for ensuring that Board processes are followed and board activities are efficiently and effectively conducted.

In April 2019, Ms Louise Sexton resigned as a company secretary and Ms Dolmatoff was appointed. Biographies of the company secretaries are included in the Directors' Report.

## External auditors

The performance of the external auditor is reviewed annually and applications for the tender of external audit services will be requested as deemed appropriate. PricewaterhouseCoopers was appointed as the external auditor in June 2014.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in Note 14 to the financial statements. The Company's policy in relation to awarding non-audit work to the external auditor requires that all proposed non-audit service assignments in excess of \$100,000 will be approved by the Audit & Risk Committee and will only be awarded to the external auditor after completion of a competitive tendering process (where appropriate) which demonstrates that the external auditor is the preferred service provider on the basis of an objective assessment of price, capabilities and commitment. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit & Risk Committee.

The external auditor attends and is available for questioning at the AGM by shareholders in relation to the conduct of the audit.

## Risk management

The Board acknowledges its responsibility for risk oversight and ensuring that significant business risks are appropriately managed, whilst acknowledging that such risks may not be wholly eliminated. Details of the Company's risk management policy and internal compliance and control system are available on the Company's website. Material business risks faced by the Company are those associated with the Company's investment in VHA.

The Audit & Risk Committee has been delegated responsibility as the primary body for risk oversight and for ensuring that appropriate risk management policies, systems and resources are in place.

As all former operational activities of the Company are now undertaken in VHA, the associated risks are now in that entity. The Company no longer has an internal audit function, but the Audit & Risk Committee receives and considers all VHA reports prepared by the internal audit and risk management function of VHA for the VHA Audit and Risk Committee, including an annual review of the VHA risk management framework. One of the members of the Group's Audit & Risk Committee is a member of the VHA Audit and Risk Committee.

The VHA risk management framework ensures that adequate mechanisms are in place to identify, assess and manage strategic, financial and non-financial, operational and regulatory risks and that VHA corporate performance is reviewed across a broad range of issues. In addition to oversight of VHA's risk management, other key aspects of the Group's risk management framework are regular reports from external auditors and detailed financial reporting reviews with its major shareholder's finance team. During the Reporting Period, VHA undertook a review of its risk management framework and its board considers that it remains sound. VHA does not consider that it has a material exposure to any economic, environmental and social sustainability risks.

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As the Company no longer has executives performing the function of chief executive officer or chief financial officer, the Board has not received a declaration provided in accordance with section 295A of the *Corporations Act 2007* (Cth). However, the VHA board has received such a declaration in respect of the VHA financial statements.

### Code of conduct

The need to ensure that a strong ethical culture within the Group has led to greater emphasis on the development of a strong culture with values designed to ensure that all Directors, managers and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life with the Group. The Corporate Code of Conduct applies to all Directors, officers, employees, consultants, contractors, agents and other representatives engaged by the Company and compliance with the values underlying the Company's culture forming part of the performance appraisal of senior executives and managers. Details of this Code are available on the Company's website.

### Dealing in shares

The Company has the following policy regarding dealing in its shares:

- the Chairman discusses any proposed dealing in HTAL shares with an independent Director prior to any dealing;
- Directors discuss any proposed dealing in HTAL shares with the Chairman prior to any dealing; and
- any other designated officer (being any person engaged in the management of the Company, whether as an employee or consultant) discuss any proposed dealing in HTAL shares with the Company Secretary or the chief executive officer prior to any dealing.

Unless there are unusual circumstances, dealings in HTAL shares by designated officers are limited to the period of one month after the release of the Company's half year and annual results to the ASX and from the lodgement of the Company's annual report with the ASX up to one month after the AGM of HTAL.

Directors, officers and employees must not engage in insider dealing in breach of the *Corporations Act 2007* (Cth) and are prohibited from dealing in HTAL shares if in possession of price sensitive information. Directors and senior executives are also prohibited from engaging in short term speculative dealing. All Directors, officers and employees within the Group have been advised of their obligations in regard to price sensitive information. Directors, officers and employees are also aware of their obligations not to communicate price sensitive information to any other person who might deal in HTAL shares or communicate that information to another party.

The Company's practices are documented in a policy, details of which are available on the Company's website.

### Continuous disclosure and shareholder communication

The Board strongly believes that the Company's shareholders should be fully informed of all material matters that affect the Group in accordance with its continuous disclosure obligations. Financial reports and other significant information are available on the Company's website for access by its shareholders and the broader community. Procedures are in place to review whether any price sensitive information has been inadvertently disclosed in any forum, and if so, this information is immediately released to the market. The Company Secretary resident in Australia has been appointed as the person responsible for communications with the ASX.

The Company seeks to enhance its communication with shareholders through the introduction of new types of communication through cost effective electronic means and the provision of information in addition to the reports required by legislation. Shareholders have the option to receive communications from the Company and to communicate with the Company and the Share Registry electronically.

Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend. Notices of general meetings and the accompanying papers are provided within the prescribed time prior to the meetings on the Company's website and the ASX website ([www.asx.com.au](http://www.asx.com.au)), by email to shareholders or by post to those shareholders who have elected to receive a hard copy version of such communication.

The Company's investor relations program is based upon appropriately responding to requests from shareholders and analysts for information to enable them to gain an understanding of the Company's business, governance, financial performance and prospects.

The Company's existing practices on information disclosure and shareholder communications are documented in the Continuous Disclosure Policy and the Shareholder Communications Policy, details of which are available on the Company's website.

### Related party transactions

The Group draws great strength from its relationship with CKHH and other companies in the CKHH Group in relation to its financial support and management expertise. The Board is aware of the need to represent all shareholders and to avoid conflicts of interest. Where there is a conflict of interest or the potential appearance of a conflict, affected Directors do not participate in the decision making process or vote on such matters. All commercial agreements with related parties are negotiated on arms' length terms. Further information about the Company's related party transactions is set out in Note 17 to the financial statements.