

CORPORATE GOVERNANCE STATEMENT

Collins Foods Limited

Collins Foods Limited (**Collins Foods**), its subsidiaries (together, the **Group**) and its Board of Directors strongly support high standards of corporate governance, recognising that the adoption of good corporate governance protects and enhances shareholder interests.

The following statement provides an overview of Collins Foods' governance practices and reports against the third edition of the ASX Corporate Governance Council's (**Council**) Corporate Governance Principles and Recommendations (**Principles and Recommendations**). The Council released the fourth edition of the Principles and Recommendations in February 2019. The first full financial year commencing on or after 1 January 2020 ends on 2 May 2021. Collins Foods has early adopted the fourth edition of the Principles and Recommendations where appropriate. The Company's corporate governance practices were in place for the entire year and comply with the Principles and Recommendations except for recommendation 1.5 relating to the measurable objective for gender diversity in the composition of the Board being not less than 30%. This recommendation was met part way through the financial year.

This Corporate Governance Statement (**Statement**) was approved by the Board on 30 June 2020.

Collins Foods' corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of Collins Foods and taking account of best practice.

Collins Foods' website is located at www.collinsfoods.com.

1 Lay solid foundations for management and oversight

The role of the Board

- 1.1 The Board's primary role is the protection and enhancement of shareholder value. Central to this role is the establishment of a clear framework delineating the responsibilities of the Board and management, to ensure Collins Foods is properly managed.
- 1.2 The Board has identified the key functions which it has reserved for itself, which are set out in the Board Charter, a copy of which is available from the *'Investors/ Corporate Governance'* section of Collins Foods' website.
- 1.3 The responsibilities of the Board include:
- (a) providing input to, and approval of, Collins Foods' strategic direction and budgets as developed by management;
 - (b) directing, monitoring and assessing Collins Foods's performance against strategic and business plans, to determine if appropriate resources are available;
 - (c) approving and monitoring capital management and major capital expenditure, acquisitions and divestments;
 - (d) overseeing the establishment and implementation of risk management and internal control systems and reviewing the effectiveness of their implementation;
 - (e) approving and monitoring internal and external financial and non-financial reporting, including reporting to shareholders, ASX and other stakeholders;
 - (f) appointment, performance assessment and, if appropriate, removal of the Chief Executive Officer (CEO);
 - (g) approving the appointment and/or removal of the Group Chief Financial Officer (Group CFO) and Company Secretary and other members of the senior executive management team where appropriate;
 - (h) overseeing and contributing to the performance assessment of members of the senior management executive team; and

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- (i) encouraging ethical behaviour and compliance with Collins Foods’ own governing documents, including Collins Foods’ Group Code of Conduct.

1.4 The Board has established Committees to assist in carrying out its responsibilities and to review certain issues and functions in detail. The Board Committees are discussed at ‘2’ below.

1.5 Non-executive Directors are issued with formal letters of appointment governing their roles and responsibilities.

Delegations to Management

1.6 The Board has delegated responsibility for implementing Collins Foods’ strategy as approved by the Board and for the day-to-day management and administration of Collins Foods to the CEO supported by the senior leadership team.

1.7 Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Management provides detailed reports for each four week trading period on financial and non-financial matters to the Board regardless of whether a Board meeting is scheduled. Issues escalation to the Board occurs on a risk-based approach. The Board has unrestricted access to company records and information.

1.8 Senior leadership are issued with formal letters of appointment governing their roles and undergo a formal induction process. The appointment of new senior executives is subject to the return of no material adverse information revealed by checks performed about the executive.

Company Secretary

1.9 All Directors have access to the Company Secretary, who supports the effectiveness of the Board and is accountable to the Board on all governance matters. The appointment and removal of the Company Secretary is a matter for approval by the Board.

Diversity and Inclusion Policy

1.10 Collins Foods values and is proud of its strong and diverse workforce and is committed to supporting and further developing this diversity. Accordingly, Collins Foods has developed a Diversity and Inclusion Policy which outlines Collins Foods’ diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives and Collins Foods’ progress in achieving them.

1.11 The Board has established the overarching objective of females representing at least 51% of the organisation’s workforce. The Board also endorses other objectives of the organisation’s businesses including measures in relation to female regional general manager levels, flexible working arrangements, and maternity and return to work arrangements.

1.12 In recognition of the disruption that the COVID-19 pandemic has and continues to cause, the Workplace Gender Equality Agency (WGEA) has granted an extension of the date by which reports are provided to it by reporting organisations from 1 May 2020 to 31 July 2020. Collins Foods is in the process of finalising its report for the 2020 reporting year and as usual practice, will release the public report on the ‘Investors/ Corporate Governance’ section of Collins Foods’ website.

1.13 As at the date of this Statement, information on the actual number and proportion of women employed by the organisation for the 2019-2018 year is set out below with the exception of the data related to the “Number of women on the Board” which is reflective of the 2020 reporting year*.

	2019 ACTUAL		2018 ACTUAL	
	Number	%	Number	%
Number of women employees in the whole organisation	6,564	51.4	6,249	51.16
Number of women in senior executive ¹ positions	2		2	33
	2020 ACTUAL*		2019 ACTUAL	
	Number	%	Number	%
Number of women on the Board	2	33	1	17

1 Senior executives includes managers who hold roles designated as senior executive roles, as well as Key Management Personnel.

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1.14 A copy of the Diversity and Inclusion Policy is available from the ‘Investors/ Corporate Governance’ section of Collins Foods’ website.

Executive performance assessment

1.15 The Board approves criteria for assessing performance of the CEO and other KMP Executives and monitoring and evaluating their performance.

1.16 The Remuneration and Nomination Committee is responsible to the Board for ensuring the performance of the CEO and other senior management executives is reviewed at least annually. The Committee reviews the performance of the CEO, while the CEO is responsible for performance reviews of KMP Executives.

1.17 Performance evaluations for the CEO and other executives were undertaken during the year in accordance with the above process.

2 Structure the Board to add value

Board skills

2.1 The Board is responsible for the overall operation and stewardship of Collins Foods and, in particular, for the long-term growth and profitability of Collins Foods. The Board succession policy is therefore focused upon maintaining a director membership with diverse yet complimentary skills and experience that enables it to appropriately and effectively oversee the execution of Collins Foods’ policies, strategies and financial objectives.

2.2 The Directors of Collins Foods identify the following strategic priorities that are regarded to be key drivers of long term shareholder value creation:

- (a) A focus upon driving sales with innovative products to maximise turnover and enhance profitability;
- (b) Promoting superior operational performance that supports cost management initiatives and drives efficiencies that can meet the challenges of an evolving and increasingly competitive food services industry;
- (c) Pursuing sustainable and strategic growth opportunities through investments and acquisitions that further strengthen the resilience of the business, enhance the existing network and support increased market penetration.

2.3 The Board is conducting a self-assessment of the aggregate human capital of the Board across two categories: functional skills and depth of experience.

2.4 As at the date of this Statement, the following functional skills are identified and are considered to be adequately represented on the Board as at financial year end:

Functional Skills	Number Directors with skills / total Directors
Finance and Capital Markets	6 / 6
Legal	1 / 6
Audit and Accounting	3 / 6
Mergers and Acquisitions	6 / 6
Project Management	6 / 6
Risk and Compliance	3 / 6
Operations	2 / 6
Human Resources	1 / 6
Marketing	1 / 6
IT	1 / 6

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- 2.5 The following areas of expertise are assessed, whereby the current aggregate board representation is considered appropriate with regard to business operations and the communicated strategy for Collins Foods:

Experience	Number Directors with skills / total Directors
Corporate Governance	6 / 6
Business Growth	6 / 6
Executive Management	4 / 6
Retail Food	2 / 6
Strategy and Planning	6 / 6
Listed/Public Company Environment	6 / 6
Environmental and Social	6 / 6
International Business	6 / 6
Regulatory Skills and Government Relations	2 / 6
Property Management	3 / 6
Research and Development	2 / 6
Workplace Health and Safety	6 / 6

- 2.6 In performing its responsibilities, the Board endeavours to serve the interests of shareholders, employees, customers and the broader community. The Board regards itself as carrying all the appropriate aspects required for fulfilling its director duties, overseeing the performance of senior management and the execution of Collins Foods' long term strategy.

Board composition

- 2.7 Consistent with its Charter, the Board of Collins Food Limited is comprised of Directors with diverse yet complementary skills and experience, enabling it to appropriately and effectively oversee all aspects of Collins Foods' operations and enhance performance.
- 2.8 As at 1 July 2020, the Board was comprised of six Directors (Collins Foods Limited's Constitution provides for a minimum of three and a maximum of ten Directors), which the Board believes to be an appropriate size to discharge its duties as well as be conducive to effective discussion and efficient decision making.
- 2.9 All six of Collins Foods Limited's Directors are non-executive Directors, including the Chair, four of whom are independent non-executive Directors. This structure enables an appropriate balance to be struck between Directors with experience and knowledge of the business operations and Directors with an external perspective and a level of independence.
- 2.10 The Board's intention is to structure the Board to maintain a majority of independent Directors. This is to ensure independent judgement is brought to bear on all decisions.
- 2.11 The Chair is elected by the Board and is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their roles and responsibilities, facilitating Board discussions and managing the Board's relationship with Collins Foods' executives, including the CEO (a role which is exercised by a separate individual).
- 2.12 The CEO is responsible for implementing Company strategies and policies.
- 2.13 Details for each Director of Collins Foods, including details of skills, experience and expertise are set out in the Directors' Report as well as at the 'About Us' section of Collins Foods' website.

Director independence and conflicts of interest

- 2.14 A Director will be considered independent from Collins Foods if he or she has no business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.
- 2.15 The Board requires each Director to disclose any new information, matter or relationship which could, or could reasonably be perceived to, impair the Director's independence, as soon as these come to light. All material personal interests are verified at each Board meeting under a standing agenda item. Materiality is assessed on a case by case basis from the perspective of both Collins Foods and the Director concerned.

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- 2.16 The Board periodically assesses the independence of each Director, utilising independence criteria aligned with the Principles and Recommendations. As indicated above, four of the six non-executive Directors of Collins Foods were, throughout the financial year and as at the date of this Statement determined to be independent.
- 2.17 In accordance with the Corporations Act 2001 (Cth) and the Constitution of Collins Foods, Directors are restricted in their involvement when the Board considers and votes on any matter in which a Director has a material personal interest.
- 2.18 The Board also has procedures in place to ensure it operates independently of management. Non-executive Directors meet together generally before each Board meeting in the absence of executives of Collins Foods to discuss the operation of the Board and a range of other matters.
- 2.19 The independent directors and length of service is set out in the table below.

Name	Appointment	Most recent election/ re-election
Robert Kaye SC	October 2014	2018 AGM
Bronwyn Morris AM	August 2011	2019 AGM
Russell Tate	August 2011	Re-election at 2020 AGM
Christine Holman	December 2019	Election at 2020 AGM

Board access to information and advice

- 2.20 Directors and Board Committees have the right to seek independent professional advice at Collins Foods' expense to assist them to discharge their duties. Whilst the Chair's prior approval is required, it may not be unreasonably withheld.

Selection, appointment and re-election of Directors

- 2.21 When it is assessed that a new Director should be appointed to the Board, as an outcome from size and composition review or succession planning, the Remuneration and Nomination Committee prepares a position brief identifying the skills required. These skills identified ensure a complementary mix of financial, legal, industry and listed entity knowledge and experience is maintained on the Board, having regard to Collins Foods' Diversity and Inclusion Policy. From this, a short list of candidates is prepared, from already identified individuals and/or independent search consultants.
- 2.22 The appointment of new directors is subject to the return of no material adverse information revealed by checks performed about the director. The Board appoints the most suitable candidate who must stand for election at the next annual general meeting.
- 2.23 The Remuneration and Nomination Committee is also responsible for making recommendations whether or not Directors, whose term of office is expiring, should be proposed for re-election at Collins Foods' next annual general meeting.
- 2.24 All Directors are expected to continue as Directors only for so long as they have the confidence of their fellow Board members and the confidence of Collins Foods' shareholders.
- 2.25 In accordance with the Constitution of Collins Foods, no Director, except the Managing Director, shall hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election.
- 2.26 Selected Directors are then offered for re-election at the next annual general meeting, with sufficient details to allow shareholders to make an informed decision on their election.

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Commitment

- 2.27 The commitments of non-executive Directors are considered prior to a Director's appointment to the Board and are reviewed each year as part of the annual performance assessment.
- 2.28 Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to Collins Foods.
- 2.29 Commitment is required in relation to preparation and attendance at scheduled Board meetings, strategy workshops and non-scheduled meetings called to address specific matters needing urgent attention.

Induction and education

- 2.30 Each new Director appointed undergoes a formal induction which provides them with information to enable them to actively participate in Board decision making as soon as possible, including information on Collins Foods' operations and Board and management roles, responsibilities and interactions. Directors are provided access to continuing education to update and enhance their skills and knowledge.

Review of Board performance

- 2.31 The Board undertakes Board evaluations periodically. The next evaluation will be undertaken prior to the end of the calendar year. The review involves consideration of the Board's performance against the Board Charter, and sets forth goals and objectives for the Board for the upcoming year.
- 2.32 The Remuneration and Nomination Committee oversees the evaluation of the performance of the Board and each Director, including an assessment of whether each Director has devoted sufficient time to his or her duties.
- 2.33 Performance evaluations for the Board and each Director are undertaken in accordance with the above via a process convened by the Chair and/ or by an independent third party approximately every three years.

Board Committees

- 2.34 To assist in undertaking its duties, the Board has established the following Committees:
- (a) the Audit and Risk Committee; and
 - (b) the Remuneration and Nomination Committee.
- 2.35 Charters specify the responsibilities, composition, membership requirements, reporting processes and the manner in which the Committees are to operate. These Charters are reviewed on an annual basis. All matters determined by Committees are submitted to the Board as recommendations for Board decisions.
- 2.36 The Audit and Risk Committee and Remuneration and Nomination Committee Charters from the '*Investors/Corporate Governance*' section of Collins Foods' website.
- 2.37 Details of Directors' membership of each Committee and their attendance at meetings are set out in the Directors' Report.

3 Instil a culture of acting lawfully, ethically and responsibly

Group Code of Conduct

- 3.1 Collins Foods' commitment to maintaining ethical standards in its business activities is demonstrated in its values and its Group Code of Conduct which embraces these values. The Group Code of Conduct, which applies to all Directors and employees of Collins Foods, contains policy statements and describes the standards of behaviour expected by Collins Foods. The Board reviews the Group Code of Conduct annually.
- 3.2 In summary, the Group Code of Conduct requires that all Directors and employees perform their duties professionally, in compliance with laws and regulations; and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of Collins Foods. The Group Code of Conduct includes provisions relating to anti-bribery and corruption matters.

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- 3.3 At the end of each financial year, an annual “*Conflicts of Interest and Anti-bribery/ Corruption Disclosure and Political Contributions Questionnaire*” (**Questionnaire**) is issued and completed by above restaurant management and restaurant support centre employees. In addition to responding to the Questionnaire on these topics and securities trading, employees are required to acknowledge that they have read and understood the Group Code of Conduct and Group Securities Trading Policy. Collated responses are reported to the CEO and where necessary, the Chair.
- 3.4 Employees are encouraged to report any breaches of the Group Code of Conduct or other policies and procedures in place, and Collins Foods has a Group Whistleblower Policy and Ethics and Integrity line in place in support of this. The Audit and Risk Committee receives a summary of all investigation reports.
- 3.5 The Group Code of Conduct, Group Whistleblower Policy and Group Securities Trading Policy are available from the ‘*Investors/ Corporate Governance*’ section of Collins Foods’ website.

4 Safeguard integrity in corporate reports

Audit and Risk Committee

- 4.1 The Audit and Risk Committee has been established to assist the Board to focus on issues relevant to the integrity of the Group’s financial reporting and financial reporting process, internal control structure, risk management systems (financial and non-financial) and the internal and external audit process.
- 4.2 Its main responsibilities include:
- (a) reviewing, assessing and recommending the Board approve the Group’s annual and half-year financial reports and all other financial information published by Collins Foods or released to the market;
 - (b) overseeing the implementation and effective operation of the Group’s Risk Management system by management;
 - (c) monitoring the adequacy and effectiveness of the Group’s internal control framework including administrative, operating, accounting and financial controls to produce reliable financial reporting information and compliance with legal and regulatory obligations;
 - (d) making recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditors, their terms of engagement and scope of audits;
 - (e) monitoring the effectiveness and independence of the external auditors;
 - (f) recommending to the Board, the appointment (and if appropriate, the removal) of the internal auditor; and
 - (g) monitoring and reviewing Management’s performance in establishing systems to provide for safe operations and for safety management in all the Group’s workplaces.
- 4.3 In carrying out its responsibilities, the Committee is authorised to:
- (a) have access to, and meet with, auditors (external and internal), employees of the Group and any external advisors without executives or management of the Group being present; and
 - (b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties.
- 4.4 Consistent with its Charter, the Audit and Risk Committee is currently comprised of six non-executive Directors, is chaired by an independent Chairperson who is not Chair of the Board and four of six members are independent Directors. All members of the Committee are financially literate and have an appropriate understanding of the industry in which Collins Foods operates. One member has extensive experience and expertise in accountancy, as a former partner of a major accounting firm. The Committee meets at least four times a year. During the financial year, the Committee met six times.
- 4.5 The background details of the Audit and Risk Committee members and attendance at Committee meetings are set out in the Directors’ Report.

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External auditors

- 4.6 The Audit and Risk Committee reviews the effectiveness of the external auditors and makes assessments in relation to their continued independence at least annually.
- 4.7 PwC was appointed external auditor in 2005. It is PwC's policy to rotate audit engagement partners on listed companies at least every five years.
- 4.8 An analysis of fees paid to the external auditors, including fees for non-audit services, is provided in the Directors' Report and notes to the financial statements. It is the policy of PwC to provide an annual declaration of its independence to the Audit and Risk Committee.
- 4.9 The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report. Questions may also be submitted in writing to the external auditor prior to the AGM; the process is set out in the Notice of Annual General Meeting.

Declaration by Management

- 4.10 The CEO and Group CFO provide formal assurance to the Board that the Group's financial statements present a true and fair view of the Group's financial condition and operational results.

5 Make timely and balanced disclosure

Continuous disclosure and shareholder communications

- 5.1 The Group has policies and procedures in place in relation to continuous disclosure and shareholder communications. These outline the Group's commitment to providing all shareholders and investors with equal access to the Group's information and disclosing all information that a reasonable person would expect to have a material effect on the share price to ASX, in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules (including any investor or analyst presentations). Copies of the Group Continuous Disclosure Policy, Group Communications Policy and Group Disclosure Guidelines are available from the *'Investors/ Corporate Governance'* section of the Collins Foods' website.
- 5.2 The Company Secretary has primary responsibility for all communications with ASX, overseeing and co-ordinating all information disclosure to ASX, shareholders and other relevant parties. All information released to ASX is posted on the *'Investors/ News & Announcements'* section of Collins Foods' website. Announcements are automatically emailed to directors and other key stakeholders of Collins Foods upon release by the ASX Market Announcements Office on the ASX Market Announcement Platform.
- 5.3 All employees have a responsibility to report any potentially price or value sensitive information to the Company Secretary, who is then responsible for ensuring this information is advised to the Disclosure Committee which then makes recommendations to the Board.
- 5.4 Collins Foods has also assigned Authorised Spokespersons for Collins Foods, to ensure all public communications are within the bounds of information that is already in the public domain, and/ or is not material.

6 Respect the rights of shareholders

- 6.1 The Group is committed to effective communication with its stakeholders and seeks to ensure that all stakeholders, market participants and the wider community are informed of its activities and performance. This commitment and supporting policies are set out in the Group's Communication Policy which is available from the *'Investors/ Corporate Governance'* section of the Collins Foods' website.
- 6.2 Information is communicated to shareholders through Collins Foods' website, annual report, ASX announcements and media releases, dividend mailouts, email broadcasts and other means where appropriate. Shareholders can elect whether they receive communications via Collins Foods' registry electronically or in print form.

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- 6.3 Where appropriate, Collins Foods communicates with all investors (retail, institutional and beneficial owners), generally in the period prior to the annual general meeting but also at other times of the year in accordance with the Group Disclosure Guidelines regarding ‘communication black-out periods’. Collins Foods also periodically conducts investor briefings to its institutional investors, brokers and analysts.
- 6.4 Collins Foods encourages attendance at, and participation in, general meetings. Shareholders are encouraged to submit questions ahead of the annual general meeting. Executives as well as the Board, are present at the annual general meeting to answer questions regarding Collins Foods’ business operations. Resolutions at the 2020 annual general meeting will be determined by poll.

7 Recognise and manage risk

- 7.1 Risk management is viewed by the Group as integral to its objective of creating and maintaining shareholder value and is the responsibility of all Directors and employees.
- 7.2 The Board is responsible for satisfying itself at least annually and more frequently as required, that management has developed and implemented a sound system of risk management and internal control. The Board has delegated to the Audit and Risk Committee responsibility for the detailed work involved in this oversight role.
- 7.3 The Group undertakes its risk management activities utilising a Risk Management Framework, the methodology for which is consistent with the International Risk Management Standard ISO31000.
- 7.4 Key risk registers and general risk registers, utilising web enabled software, are maintained and regularly reviewed by management.
- 7.5 Those with assigned accountability for risks are required to sign off regularly that those risks have been managed effectively. Key risk registers are reviewed periodically, but at least twice annually by the Audit and Risk Committee. The overall results of this assessment are presented to the Board at its next meeting. The Board also considers risk management at every Board meeting and requests additional information as required.
- 7.6 Compliance programs operate to ensure the Group meets its regulatory obligations.
- 7.7 Management reports to the Board as to the effectiveness of the Group’s management of its material business risks on an annual basis.
- 7.8 The Board receives a written assurance from the CEO and the Group CFO that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

Risk profile

- 7.9 The key risks faced by the Group that have the potential to affect the financial prospects of the Group and how the Group manages these risks, include:
- (a) **food safety** - there is a risk that the health and safety of the public is compromised from food products. We address this risk through robust internal food safety and sanitation practices, audit programs, customer complaint processes, supplier partner selection protocols and communication policy and protocols. International and national regulatory bodies maintain that there is no evidence that COVID-19 is transmitted through food. Re-enforcing stringent food safety and hygiene practices during this time is the priority with the focus on illness exclusion policies, hand washing practices and hygiene and cleaning standards;
- (b) **workplace health and safety** - there is a risk that the Group does not provide a safe working environment for its people, contractors and the community. We address this risk through robust internal work health and safety practices, the implementation of initiatives and education programs with a focus on preventative measures with enhanced dedicated support in high risk areas to ensure the wellbeing of our key stakeholders. Since March, there has been an increased focus on health, hygiene and social distancing practices (front of and back of house) across all brands, with employees kept up to date on a regular basis. In Australia, a COVID-19 case management tool was implemented to manage employee conditions;

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- (c) **culture and people** - there is a risk that the Group's culture and people are negatively impacted by new acquisitions and growth and/or are not aligned or sustainable to support strategic priorities. We address this risk through deploying contemporary people practices, reward and recognition programs, talent management strategies and designation of appropriate human resources. As part of the COVID-19 response, the Group significantly increased the frequency of communications with both restaurant employees and support centre employees. Feedback through employee surveys has confirmed that the vast majority of our employees feel supported and well informed during this unprecedented and challenging time;
- (d) **brand growth and diversification (non-KFC)** - there is a risk that the Group does not successfully grow emerging brands and/or acquire and integrate new brands. We address this risk through having an experienced management team, robust project management processes involving trials and staged rollouts and regular strategic reviews;
- (e) **deterioration of KFC brand** - there is a risk that the global KFC brand and reputation is damaged impacting the brand's performance in Australian and European markets. We address this risk through maintaining a close working relationship with the franchisor, having our team members sit on relevant KFC advisory groups and committees and monitoring compliance obligations. Metrics around brand health as part of regular marketing tracking have continued to reflect KFC's position as a strong, trusted brand in the Australian market. Performance during the COVID-19 crisis has reflected this strength as external research indicated that consumers gravitate toward trusted, safe brands in a time of crisis, KFC's trading performance since the onset of the crisis is testament to the brand reputation being well-regarded;
- (f) **supply chain disruption** - there is a risk that the Group's inability to source key food and consumable products in an ethical manner, at the quality required, within the prescribed time frames. We address this risk through use of multiple suppliers where possible with a diverse geographic base with multiple distribution routes. During COVID-19, supply chain continuity has been maintained;
- (g) **systems integrity and cyber security** - there is a risk that key systems are not sufficiently stable, integrated and/or secure to support business operations and decision making. We address this risk through the increase of financial and human resources to the systems function and implementation of a systems and cyber security plan. The outbreak of COVID-19 and the resultant "work from home" mobilisation has increased this risk. We are managing this risk by increasing network monitoring, the deployment of multi-factor authentication and increasing communication to employees to reduce the impact of potential phishing attacks;
- (h) **inability to identify and react to consumer and competitive behaviour** - during COVID-19, we have responded to all government-imposed restrictions and the resultant changes in customer behaviour. This was achieved by providing our KFC and Taco Bell customers with a contactless experience via the drive-thru and delivery services; and
- (i) **inability to adapt, innovate and change** - there is a risk that the Group's inability to adapt, innovate and manage change may negatively influence achievement of strategic and business priorities. We address this risk through having an experienced management team, robust fit for purpose project and change management practices involving pilots/trials and staged rollouts and regular strategic reviews. Since the COVID-19 crisis evolved, significant changes have been put in place across restaurants and moving the restaurant support centre to a fully functional work from home model within a short amount of time. Teams have shown incredible resourcefulness and commitment to finding solutions. Both KFC and Taco Bell have been able to rapidly respond to all government restrictions and provide great tasting, great value food to customers in a contactless way. Both brands have increased the level of digital communications with customers and the number of restaurants offering delivery. Sizzler Australia has also developed takeaway and delivery options for their customers.

7.10 Collins Foods works toward ensuring that risk management practices are embedded into all processes and operations. Collins Foods is exposed to an element of climate related (floods, drought and bushfires) and emerging risks. However, does not consider that it has a material exposure to environment or social sustainability risks.

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- 7.11 Collins Foods continuously seeks opportunities to reduce the environmental impact of its operations across all its restaurants, whether they are owned and operated in a franchisor or franchisee capacity.
- 7.12 The Board will approve the first modern slavery statement for Collins Foods in calendar year 2020. In light of its partnership with the franchisor of its KFC Australia restaurants, it is suggested that the Collins Foods modern slavery statement be read together with the KFC Australia modern slavery statement.

Internal audit

- 7.13 Collins Foods has established an internal audit function with the appointment of an Audit and Risk Manager. The Audit and Risk Manager is responsible for establishing and maintaining an internal audit function and improving the Group's risk assurance maturity, with outsourced assistance as appropriate.
- 7.14 The reporting lines of the Audit and Risk Manager is to the and Chair of the Audit and Risk Committee and functionally to the Group CFO.

8 Remunerate fairly and responsibly

Remuneration and Nomination Committee

- 8.1 The Remuneration and Nomination Committee has been established to assist the Board and operates in accordance with a Charter which is available from the 'Investors/ Corporate Governance' section of the Collins Foods' website.
- 8.2 Its main responsibilities, with respect to remuneration, include:
- (a) reviewing and making recommendations to the Board with respect to Collins Foods' remuneration principles, framework and policy for senior executives and Directors;
 - (b) providing advice in relation to remuneration packages of senior management executives, non-executive Directors and executive Directors;
 - (c) reviewing and making recommendations to the Board with respect to Company incentive schemes, including the implementation and operation of equity-based incentive plans, bonus plans and other employee benefit programs; and
 - (d) reviewing Collins Foods' recruitment, retention and termination policies.
- 8.3 In carrying out its responsibilities, the Remuneration and Nomination Committee is authorised to obtain outside professional advice as it determines necessary and it has received briefings during the year from external remuneration experts on various matters.
- 8.4 Consistent with its Charter, the Remuneration and Nomination Committee is chaired by an independent Chairperson and four of six members are independent Directors. The Committee meets at least three times a year. During the financial year, the Committee met seven times.
- 8.5 The background details of the Remuneration and Nomination Committee members and attendance at Committee meetings are set out in the Directors' Report.
- 8.6 Information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading 'Remuneration Report'.
- 8.7 The summary of the terms and conditions of the Collins Foods Executive and Employee Incentive Plan (LTIP) are set out in the Directors' Report under the heading 'Remuneration Report'. The LTIP is put to shareholders for approval in accordance with the ASX listing rules. The performance rights granted pursuant to the LTIP are subject to the operation of the Group Securities Trading Policy.

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