

# Corporate Governance Statement

For the year ended 30 June 2020

FSA Group Limited (“the Company”) and the Board of Directors (“the Board”) are committed to achieving and demonstrating the highest standards of corporate governance. The Board endorses the 4<sup>th</sup> edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (ASX Principles). The Company’s Corporate Governance Charter is available on the Company website [www.fsagroup.com.au](http://www.fsagroup.com.au).

The Company adopted a new Corporate Governance Charter on 24 June 2020, which aligns the Company’s corporate governance practices more appropriately with the corporate governance principles contained in the 4<sup>th</sup> edition of the ASX Principles. The Company has adopted the new Corporate Governance Charter to facilitate increased compliance with the 4<sup>th</sup> edition of the ASX Principles. Where non-compliance is noted below, the effect of adopting the new Corporate Governance Charter is also noted where this would alter the position of the Company.

The table below summarises how the Company complies with the ASX Principles, and if not why not.

Principle Number	Best Practice Recommendation	Compliance (Yes/No)	Comments
<b>1</b>	<b><i>Lay solid foundations for management and oversight</i></b>		
1.1	Disclose a board charter setting out the respective roles and responsibilities of the board and management and those matters expressly reserved to the board and those delegated to management.	Yes	
1.2	Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in the company’s possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	
1.4	The company secretary should be accountable directly to the board, through the chair, on all matters to do with the property functioning of the board.	Yes	
1.5	<ul style="list-style-type: none"> <li>• Have a diversity policy;</li> <li>• Set measurable objectives for achieving gender diversity in the composition of the board, senior executives and workforce generally;</li> <li>• Disclose in relation to each reporting period the measurable objectives for achieving gender diversity, its progress toward achieving them and either the respective proportions of men and women on the board, in senior executive positions across the whole organisation (including how the entity has defined “senior executive” for these purposes) or if the company is a relevant employer” under the Workplace Gender Equality Act, the company’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</li> </ul>	Yes Yes  Yes	
1.6	Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.	Yes (to the extent disclosed below)	
1.7	Have and disclose a process for periodically evaluating the performance of senior executives and disclose whether a performance evaluation was undertaken in accordance with that process during or in respect of that period.	Yes (to the extent disclosed below)	

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<b>2</b>	<b><i>Structure the board to be effective and add value</i></b>		
2.1	If the board 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.	Yes	
2.2	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.	No	Page 6
2.3	<ul style="list-style-type: none"> <li>Disclose the names of the directors considered by the board to be independent directors.</li> <li>If a director has an interest, position, association or relationship that might cause doubts about the independence of a director, disclose the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion.</li> <li>Disclose the length of service of each director.</li> </ul>	Yes	
2.4	The majority of the board should be independent directors.	No	Page 5
2.5	The chair of the board should be an independent director and, in particular, should not be the same person as the CEO.	Yes	
2.6	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	
<b>3</b>	<b><i>Instil a culture of acting lawfully, ethically and responsibly</i></b>		
3.1	Disclose its values.	Yes	
3.2	Have a code of conduct for directors, senior executives and employees and disclose that code or a summary of it and ensure that the board or a committee of the board is informed of any material breaches of that code.	Yes	
3.3	Have a whistleblower policy and ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	
3.4	Have an anti-bribery and corruption policy and ensure that the board or a committee of the board is informed of any material breaches of that policy.	Yes	
<b>4</b>	<b><i>Safeguard the integrity of corporate reports</i></b>		
4.1	<p>The board should have an audit committee which:</p> <ul style="list-style-type: none"> <li>has at least three members, all of whom are non-executive directors; and</li> <li>a majority of whom are independent directors; and</li> <li>be chaired by an independent director who is not the chair of the board; and</li> <li>disclose the charter of the committee, the relevant qualifications and experience of the members of the committee; and</li> <li>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.</li> </ul>	No Yes Yes Yes Yes	Page 9
4.2	The board 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	

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4.3	Disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes	
<b>5</b>	<b><i>Make timely and balanced disclosure</i></b>		
5.1	Have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1	Yes	
5.2	Ensure the board received copies of all material market announcements promptly after they have been made.	Yes	
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Platform ahead of the presentation.	Yes	

<b>6</b>	<b><i>Respect the rights of security holders</i></b>		
6.1	Provide information about the company and its governance to investors via the company's website.	Yes	
6.2	Have an investor relations program to facilitate effective two-way communication with investors.	Yes	
6.3	Disclose policies and processes in place to facilitate and encourage participation at meetings of security holders.	Yes	
6.4	Ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by show of hands.	No	Page 11
6.5	Give security holders the option to receive communications from, and send communications to, the company and its security registry electronically.	Yes	
<b>7</b>	<b><i>Recognise and manage risk</i></b>		
7.1	Have a committee or committees to oversee risk, each of which has: <ul style="list-style-type: none"> <li>• at least three members; and</li> <li>• a majority of whom are independent directors; and</li> <li>• are chaired by an independent directors; and</li> <li>• disclose the charter of the committee and the members of the committee; and</li> <li>• 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.</li> </ul>	Yes Yes Yes Yes Yes	
7.2	The board or committee of the board should review the company's risk management framework at least annually to satisfy itself that it continues to be sound that the entity is operating with due regard to the risk appetite set by the board; and disclose, in relation to each reporting period, whether such a review has taken place.	Yes	
7.3	Disclose if it has an internal audit function, how the function is structured and what role it performs or if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes.	Yes	
7.4	Disclose whether the company has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.	No	Page 13

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8	<b>Remunerate fairly and responsibly</b>		
8.1	The board should have a remuneration committee which has: <ul style="list-style-type: none"> <li>• at least three members, all of whom are independent directors; and</li> <li>• is chaired by an independent director; and</li> <li>• disclose the charter of the committee, the members of the committee; and</li> <li>• 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.</li> </ul>	No Yes Yes Yes	Page 13
8.2	Separately disclose policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	
8.3	Have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.	No	Page 14

Set out below is commentary on the practical application of each of the ASX Principles noted above.

## Principle 1: Lay solid foundations for management and oversight

### Roles and Responsibilities

The Directors are responsible to the shareholders for promoting and managing the performance of the Company in both the short and longer term. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed. The functions, powers and responsibilities of the Board are governed by the *Corporations Act 2001* and general law.

The Board has established the respective roles and responsibilities of the Board and of senior executives and disclosed those roles in the Corporate Governance Charter which can be found on the Company's website.

### Material Information on Directors

The Company provides shareholders with all material information regarding a proposed director in the meeting materials provided to shareholders. The Company undertakes background checks when appointing any new directors and also regularly liaises with Directors to ensure any changes to Directors' circumstances are known to the Company.

### Written Agreements

Each Director and senior executive has a written contract with the Company setting out the terms of their appointment so that each party has a clear understanding of their roles and responsibilities.

### Company Secretary

The Company Secretary's appointment is determined by the Board, and the Company Secretary is accountable to the Board, through the Chairperson, on all governance matters.

### Diversity

The Company has a diversity policy regarding gender, age, ethnic and cultural diversity within the Corporate Governance Charter of the Company which is available on the Company website.

The following sets out the respective proportions of men and women on the Board and in senior executive positions across the whole of the group. For the purposes of this table "key management personnel" has the meaning given

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in the Accounting Standard AASB 124 *Related Party Disclosure* as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity' ("KMP") and senior managers and "senior management" means the key executive in the organisation reporting directly to KMP.

	30-Jun-20		30-Jun-19	
	Female (%)	Male (%)	Female (%)	Male (%)
Key Management Personnel	67	33	67	33
Senior management	20	80	25	75
Group	47	53	50	50

The Company complies with the requirement under the Workplace Gender Equality Act to make annual filings disclosing the Company's "Gender Equality Indicators" for the 12-month period ending 31 March.

## Performance of Board and senior executives

The Board undertakes a regular self-assessment of the performance of the Board as a whole (including its Committees and governance processes) and as part of this process considers Board renewal as and when appropriate. Self-assessment of the performance of the Board and its Committees was undertaken during the 2020 financial year.

Performance of individual Directors is assessed against a range of criteria. This review includes assessing the ability of the Director to consistently create shareholder value, contribute to the development of strategies, participate in risk identification, mentoring senior management, consider the views of other Directors and members of management and key third party stakeholders. The performance assessment also considers the ability for the Director to discharge his duties and obligations to the Company. The performance of each Director was assessed during the September Remuneration Committee review during the 2020 financial year.

The performance review for senior executives is conducted based on specific key performance indicators ("KPI's") being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and portfolio management. A long-term incentives programme ("LTI") has been set to align the targets of the Consolidated Entity's five year plan with the targets of the responsible executives. LTI payments will be granted to the senior executives based on specific 5 year targets being achieved. Those targets include earnings growth rate; the services division market share, arrears and termination rates; home loan and personal loan portfolio growth, arrears and bad debts; client complaint levels and employee satisfaction levels.

The new Corporate Governance Charter provides further information regarding the process for evaluation of the Board, the Directors and senior executives.

## Principle 2: Structure the Board to be effective and add value

The Board operates in accordance with the broad principles set out in the Corporate Governance Charter which includes:

- to aim for, so far as is practicable given the size of the Company:
  - a majority of the Board being independent directors;
  - the appointment of a chairperson who is an independent director;
  - a chairperson who is not an Executive Director;
  - a board comprising of members with diverse backgrounds;
- to have at least three directors; and
- the Non-Executive Directors meeting from time to time without the Executive Directors present.

The Board presently has four Directors, two of which are considered to be independent which is not a clear majority.

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## Nominations Committee

The Company has not established a Nominations Committee as the Board currently performs the functions of this Committee, and in doing so, observes the Nominations Committee Charter which was incorporated into the Corporate Governance Charter. The Directors in deciding not to have a separate Nominations Committee concluded that the Company was not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Directors have maintained this position under the new Corporate Governance Charter and have not established a Nominations Committee.

The Board, acting in the capacity of the Nominations Committee, and observing the Nominations Committee Charter contained in the Corporate Governance Charter properly assesses prospective Directors. In doing so it ensures there are complementary board skills and experience in place, and where necessary, engages consultants to assist in this process.

The Board seeks to have a balanced diversity in Board members and currently has one female Board member out of a Board comprising four members.

The Board will consider the Nominations Committee Charter in considering matters relating to the appointment of members to the Board. The Nominations Committee Charter provides for the development of criteria for appointment and review of Board positions including implementing processes to assess the necessary and desirable skill sets of the Board members including experience, expertise, skills and performance of the Board.

## Board Skill Matrix

During the 2020 financial year, the Company did not have a skill matrix setting out the skills and diversity that the Board currently has or is looking to achieve in its membership. While the Company does not have a set skill matrix, the composition of the board is a blend of diverse, yet relevant skills, experience and gender. The Company used a board skill matrix in the performance appraisal of the Board during the 2020 financial year.

## Directors' independence

In assessing the independence of Directors, the Company has regard to Recommendation 2.3 of the ASX Principles and regards an independent Director as a Non-Executive Director (that is, not a member of management) who:

- is not or has not been, employed in an executive capacity by the entity or any of its subsidiaries and if so employed, there has been a period of at least three years between ceasing such employment and serving on the Board;
- is not, or has not within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its subsidiaries;
- is not or has not been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its subsidiaries, or any officer of, or otherwise associated with, someone with such a relationship;
- is not a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity;
- has no material contractual relationship with the entity or its subsidiaries other than as a director;
- has no close family ties with any person who falls within any of the categories described above; or
- has not been a director of the entity for such a period that his or her independence may have been compromised.

## Board members

The names, skills and experience of the Directors in office at the date of this Statement, and the period of office of each Director, are set out in the Directors' Report. At the date of signing the Directors' Report, the Board comprised two Executive Directors and two Non-Executive Directors (including the Chairman). The two Non-Executive Directors, Mr Sam Doumany and Mr David Bower, have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

Mr Timothy Odillo Maher is an Executive Director and a substantial shareholder of the Company and accordingly he

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is not considered to be independent of the Company based on the ASX Principles. Mr Odillo Maher has a long association with the Company and the Board considers that it is in the best interests of all shareholders to have a Director with Mr Odillo Maher's industry and business expertise and Company history as a member of the Board.

Ms Deborah Southon is an Executive Director and a substantial shareholder of the Company and accordingly she is not considered to be independent of the Company based on the ASX Principles. Ms Southon has a long association with the Company and the Board considers that it is in the best interests of all shareholders to have a Director with Ms Southon's industry and business expertise and Company history as a member of the Board.

The Board regularly assesses whether each Non-Executive Director is independent.

## Term of office

The Company's Constitution requires that one third (or the nearest number thereto but not less than one third) of the Directors, other than the Managing Director, must retire from office at each Annual General Meeting. A Director who retires by rotation is eligible for re-election. The Company's Constitution does not provide exclusions from re-election by rotation for the Executive Directors.

## The Chairperson

The Chairperson is responsible for leadership of the Board, for efficient organisation and conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board meetings. The Chairperson is also responsible for shareholder communication and arranging Board performance evaluation. The Chairperson is Sam Doumany, who is an independent non-executive director.

## Board selection process

The Board, acting in the capacity of the Nominations Committee, and observing the Nominations Committee Charter contained in the Corporate Governance Charter properly assesses prospective Directors. In doing so it ensures there are complementary board skills and experience in place, and where necessary, engages consultants to assist in this process.

The Board seeks to have a balanced diversity in Board members and currently has one female Board member out of a Board comprising four members.

## Induction and education

On their first appointment, Directors will have the benefit of an induction program which enables them to actively participate in Board decision-making as soon as possible. It also ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board.

The Company provides an ongoing education and development program for directors which includes both formal and informal sessions. The program is intended to cover overall competencies required of any Director and also specific knowledge relevant to the Company's business. It is desirable for all Directors to complete the Australian Institute of Company Directors Course (or equivalent) and related formal assessment

Directors are also expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally. Directors are expected to have an appropriate base level of understanding on accounting matters. The Company also provides briefings on developments in accounting standards.

Further details regarding the induction and education process for new Directors is disclosed in the new Corporate Governance Charter.

## Commitment

Details of the attendance of Directors at Board and committees of the Board in the year ended 30 June 2020 are disclosed on page 20 of the annual report. Non-Executive Directors are expected to spend at least 20 days a year preparing for and attending Board and Committee meetings and associated Board activities.

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The commitments of Non-Executive Directors are considered by the Board prior to the Director's appointment and are reviewed each year as part of the annual performance assessment.

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 the Company.

## Independent professional advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but this will not be unreasonably withheld. The advice obtained must be made available to all Board members.

## Board Committees

The Board has established an Audit & Risk Management Committee and a Remuneration Committee to assist in the execution of its duties and to allow detailed consideration of complex issues. Both committees comprise only Non-Executive Directors and therefore only have two members, below the suggested three members.

Each Committee has its own Charter which sets out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. Charters are reviewed when required by the Board. All matters determined by the committees are submitted to the Board as recommendations for Board consideration. Minutes of committee meetings are tabled at the subsequent Board meeting.

## Principle 3: Instil a culture of acting lawfully, ethically and responsibly

### Values

The Board has adopted the following values of the Company:

- (1) to conduct business with honesty, integrity and fairness; and
- (2) to comply with all relevant laws and regulations applicable to it.

### Code of Conduct

A Code of Conduct was in place during the 2020 financial year and was set out in the Corporate Governance Charter. The Board, management and employees of the Company are encouraged to comply when dealing with each other, shareholders, and the broader community, and the Code of Conduct that was in place during the 2020 financial year covered the following areas:

- compliance required with legal obligations, responsibilities to shareholders and the financial community generally;
- responsibilities to clients, customers and consumers;
- employment practices which ensures that the Company will employ the best available staff, both male and female, from a diverse background, with skills required to carry out their roles;
- ensuring a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities;
- responsibility to the community;
- responsibility to the individual; and
- obligations relative to fair trading and dealing.

An updated Code of Conduct has been adopted as part of the Corporate Governance Charter which is available on the Company website. The updated Code of Conduct includes the matters set out above as well as:

- practices to not give, offer, accept or request bribes;
- comply with any reporting and approval processes for gifts, entertainment or hospitality;
- immediately report any suspicion or incidence of fraud or corruption;
- a commitment to ensure no one suffers detrimental treatment as a result of refusing to take part in, or reporting on, conduct that may constitute fraud or corruption; and

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- apply the full force of the law where sufficient evidence of fraud or corruption is obtained.

## Conflicts of interest

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company (excluding those matters which may be subject to legal professional privilege). Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a Director or an Executive Director, or the Executive Directors in the case of a member of Management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

## Compliance with the code

Any breach of compliance with this code is to be reported directly to an Executive Director or Chairperson, as appropriate. Under the Code of Conduct, non-compliance with this code may result in disciplinary action.

## Periodic review of code

The Company will monitor compliance with the code periodically by liaising with the Board, Management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time.

## Code of conduct for employees (including contractors)

The Company shall ensure that the above principles are implemented and adopted by employees and contractors of the Company.

The updated Code of Conduct contained in the Corporate Governance Charter will include communications with investors as well as all of the matters detailed above.

## Trading in company securities by Directors, senior management and employees

The Company issued a Securities Trading Policy with effect from 1 January 2011 which regulated dealings by Directors, senior management and employees in shares, options and other securities issued by the Company during the 2020 financial year.

The Securities Trading Policy provides that trading is prohibited in the period from 1 January and 1 July each year until the financial results are released to the Australian Securities Exchange in or around the third week of February and August respectively with such periods coinciding with the release of the half year and full year financial results. The Trading Policy has been updated to comply with the 4<sup>th</sup> edition of the ASX Principles as part of the adoption of the new Corporate Governance Charter and is available on the Company's website.

## Whistleblower Policy

The Company has adopted a Whistleblower Policy which is available on the Company's website. The Company is committed to the highest standards of conduct and ethical behaviour in all business activities and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance.

## Anti-Bribery and Corruption Policy

The Company has adopted an Anti-Bribery and Corruption Policy. The Company is committed to providing secure, confidential and accessible means for company personnel to raise concerns about corruption. All concerns raised will be fully and independently investigated. If the concerns are proven true, the Board will take appropriate action.

## Principle 4: Safeguard the integrity of corporate reports

### Audit & Risk Management Committee

The Board has an Audit & Risk Management Committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Committee

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consists of the following independent Non-Executive Directors:

- Mr David Bower (Committee Chairman); and
- Mr Sam Doumany.

Details of members' qualifications, experience and their attendance at Audit & Risk Management Committee meetings are set out in the Directors' Report on pages 10, 11 and 20.

The Audit & Risk Management Committee acted in accordance with the Audit & Risk Management Committee Charter which was in place during the 2020 financial year and which was available on the Company website during that period.

## Certification of financial reports

The Executive Directors together with the Chief Financial Officer shall be required to state in writing to the Board that in accordance with section 295A of the *Corporations Act 2001* and the relevant assurances required under recommendation 4.2 of the ASX Principles that in their opinion:

- the financial records of the entity have been properly maintained; and
- 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.

## External Auditor

The Company and Audit & Risk Management Committee policy is to appoint an external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually. As announced to the market on 15 July 2020, BDO Audit Pty Ltd (**BDO Audit**) was appointed as the external auditor replacing BDO East Coast Partnership and it is their policy to rotate audit engagement partners on listed companies at least every five years. In accordance with the Corporations Act, a resolution will be proposed at the 2020 Annual General Meeting to confirm the appointment of BDO Audit. An analysis of fees paid to the external auditor (including BDO East Coast Partnership), including a break-down of fees for non-audit services, is provided in the Directors' Report and in the notes to the financial statements. The external auditor provides a declaration of their independence to the Audit & Risk Management Committee each time they report to the Company.

The external auditor is required to 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.

## Verification

The Company reviews and ensures that any company reports that are not audited are materially accurate, balanced and provide investors with the appropriate information to make informed investment decisions.

## Principle 5: Make timely and balanced disclosure

### Continuous Disclosure Obligations

The Company had an established policy and procedure for timely disclosure of material information concerning the Company during the 2020 financial year. This includes internal reporting procedures to ensure that any required market announcements are reported to the Company Secretary in a timely manner.

The Company Secretary has been nominated as the person responsible for communication with the ASX. Under the new Corporate Governance Charter, any member of the Reporting Group (which includes the Directors, chief financial officer and Company Secretary) has the ability to communicate with the ASX as required.

All information disclosed to the ASX is posted on the Company's corporate website as soon as it is disclosed to the ASX. When analysts are briefed following half year and full year results announcements, the material used in the presentations is released to the ASX prior to the commencement of the briefing. This information is also posted on the Company's corporate website.

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The Company is committed to ensuring that all stakeholders and the market are provided with relevant and accurate information regarding its activities in a timely manner.

A disclosure policy, which has regard to ASX Guidance Note 8, has been adopted as part of the Corporate Governance Charter and is available on the Company website.

## Board Involvement

Announcements that are released on the ASX Market Announcements Platform by the Company are distributed to all directors and published on the Company website.

## ASX Market Announcements Platform

The Company is mindful to ensure that any substantive investor or analyst presentation material is released on the ASX Market Announcements Platform ahead of the presentation which is reflected in the Company's Corporate Ethics Policy in the Corporate Governance Charter.

## Principle 6: Respect the rights of security holders

### Website

The Company website contains information about the Company and its governance.

As the Company's website is one of its key communication tools, the Company endeavours to keep its website up-to-date, complete and accurate.

### Investor Communication

The Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. To achieve this, the Company communicates information regularly to shareholders through a range of forums and publications.

Information is communicated to shareholders through:

- Financial reports (including the full year financial report, and the half-year financial report) all of which are published on the Company's corporate website and for annual reports are distributed to shareholders where nominated;
- The Annual General Meeting and any other formally convened Company meetings;
- Market updates released to the ASX which is posted to the Company website.

The Company uses its annual general meeting (**AGM**) as an opportunity to further engage with its shareholders and seek their input on the management of the Company.

The Company's website also contains a facility for shareholders to direct inquiries to the Company and where investor inquiries are raised; these will be communicated to the Board.

### Participation at AGM

The Company undertakes a number of steps to seek to maximise shareholders' ability to participate in the AGM process by:

- making Directors, members of Management and the external auditor available at the AGM;
- allowing shareholders in attendance at the AGM a reasonable opportunity to ask questions regarding the items of business, including questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report; and
- providing shareholders who are unable to attend the meeting with an opportunity to submit questions in advance of the meeting.

### Shareholder Resolution

At the Company's 2019 Annual General Meeting, the resolutions were decided on a show of hands. The Board considered this was appropriate given the status of proxy votes reflected the vote based on show of hands and no poll was requested at the meeting. The Board will consider the resolutions at the upcoming 2020 AGM to determine

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whether a show of hands or poll is more appropriate

## Electronic Communication

Shareholders may, via the Company's share registry, elect to receive communications electronically. The Company's website also contains a facility for shareholders to direct inquiries to the Company.

## Principle 7: Recognise and manage risk

### Audit and Risk Management Committee

The details of the Audit and Risk Management Committee are set out under Principle 4.

### Risk management framework

The Board, through the Audit & Risk Management Committee, is responsible for ensuring the adequacy of the Company's risk management and compliance framework and system of internal controls and for regularly reviewing its effectiveness.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

The Company has implemented a risk management system based on ASX Principles and the Audit & Risk Management Committee's additional function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company by:

- ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Company's operations, practices and systems;
- defining and periodically reviewing risk management as it applies to the Company and clearly identifying all stakeholders;
- ensuring the Committee clearly communicates the Company's risk management philosophy, policies and strategies to Directors, Management, employees, contractors and appropriate stakeholders;
- ensuring that Directors and Management establish a risk aware culture which reflects the Company's risk policies and philosophies;
- reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- making informed decisions regarding business risk management, internal control systems, business policies and practices and disclosures; and
- considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities.

In addition, the new Corporate Governance Charter provides for reviewing and making recommendations to the Board in relation to the adequacy of the Company's processes for managing risks, including:

- in relation to any incident involving fraud or other break down of the Company's internal controls;
- in relation to the Company's insurance program, having regard to the Company's business and insurable risks associated with the business.

The Executive Directors are responsible for identifying, evaluating and monitoring risk in accordance with the risk management framework and are responsible for the accuracy and validity of risk information reported to the Board and also for ensuring clear communication to the Board on risk throughout the Company.

In particular, at the Board and Executive Directors' strategy planning sessions, an evaluation is undertaken to identify key business and financial risks which could prevent the Company from achieving its objectives.

Additionally, a formal risk assessment process is part of any major business acquisitions, major capital expenditures or significant business initiatives.

# Corporate Governance Statement cont.

For the year ended 30 June 2020

During Financial year 2020, the internal risk committee conducted a comprehensive risk management framework review throughout the business and this is an ongoing process.

## Internal audit function

The Company has an internal audit and risk committee which meets on a regular basis; it performs internal audit and risk reviews across all segments within the group. This includes review of compliance with all external regulatory requirements, operational risk management and continuous improvement.

## Material exposure to risk

The Company does not have any material exposure to environmental and social sustainability risks. However, the Company is exposed to general economic and market risk, such as interest rate and unemployment rate. The Company monitors the economic factors which may impact on the Company and its operations on an ongoing basis and considers such matters as part of its business plan.

## Principle 8: Remunerate fairly and responsibly

### Remuneration Committee

The Remuneration Committee operated in accordance with the Remuneration Committee Charter during the 2020 financial year which was available on the Company website during that period and was responsible for the review and recommendation to the Board on the following matters:

- the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives;
- remuneration framework for Directors (in consultation with external consultants when appropriate); and
- remuneration by gender.

An updated Remuneration Committee Charter has been adopted as part of the new Corporate Governance Charter which is available on the Company website.

The Committee comprises the following independent Non-Executive Directors:

- Mr Sam Doumany; (Chairperson) and
- David Bower.

The performance of senior management is reviewed periodically by the Executive Directors, and in accordance with guidelines issued by the Remuneration Committee.

Details of Directors' attendance at Remuneration Committee meetings are set out in the Directors' Report on page 20.

### Structure of remuneration

It is the Company's practice that in respect of setting executive remuneration:

- management should be remunerated by an appropriate balance of fixed remuneration and performance based remuneration;
- levels of fixed remuneration should be reasonable and fair, relative to the scale of the Company's business, and should reflect core performance requirements and expectations;
- any performance based remuneration should be clearly linked to specific performance targets which are aligned to the Company's short and long term performance objectives. Such targets should be appropriate to the Company's circumstances, goals and risk appetite;
- equity based remuneration may include, amongst other things, options or performance rights. Such remuneration should include appropriate hurdles that are aligned to the Company's longer term performance objectives and should be structured in a manner so as to ensure they do not lead to a short term focus or the taking of undue risks; and
- any termination payments for management should be agreed in advance and should not be applied in the case of removal for misconduct. Consideration will be given as to whether shareholder approval will be required for any termination payments.

# Corporate Governance Statement cont.

For the year ended 30 June 2020

It is the Company's practice that in respect of setting out non-executive Director remuneration:

- non-executive Directors should normally be remunerated by way of fees (in the form of cash, non-cash benefits or superannuation contributions);
- levels of fixed remuneration for non-executive Directors should reflect the time commitment and responsibilities of the role;
- non-executive Directors should not receive performance based remuneration;
- non-executive Directors may receive Securities as part of their remuneration, however, they should not receive options with performance hurdles attached or performance rights as part of their remuneration; and
- non-executive Directors should not be provided with retirement benefits (other than statutory superannuation).

Details of the nature and amount of each element of remuneration for Executive Directors and the Senior Executive of the Company are set out in the "Remuneration Report" section of the Directors' Report.

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Fees and payments are reviewed annually by the Remuneration Committee. Non-Executive Director's remuneration takes the form of a set fee plus superannuation entitlements and where applicable includes an allowance for Board Committees. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum amount which has been approved by the Company's shareholders for payment to Non-Executive Directors is \$500,000.

Fees for Non-Executive Directors are not linked to the performance of the Company.

## Trading Policy

While the Company did not have a formal policy regarding hedging and related arrangements of Key Management Personnel during the 2020 financial year, it is noted that during this period the *Corporations Act* prohibited Key Management Personnel and a closely related party of Key Management Personnel from entering into an arrangement if the arrangement would have the effect of limiting the exposure of the member to risk relating to an element of the members remuneration that has not vested or has vested but remains subject to a holding lock.

The new Corporate Governance Charter reinforces the position under the *Corporations Act* in this regard and provides that Key Management Personnel of the Company and their closely related parties should not deal in securities in the Company which may infringe this prohibition under the *Corporations Act* nor should any other person to whom the Trading Policy applies enter into hedging transactions to limit their exposure in respect of any unvested entitlement to securities they receive under any equity based remuneration scheme of the Company.