

# 2019

## CORPORATE GOVERNANCE

*The Board of Directors ("Board") is committed to ensuring that Australian Finance Group Ltd ("AFG" or "the Company") is properly managed to protect and enhance shareholder interests, and that the Company, its directors, officers and employees operate in an appropriate environment of corporate governance.*

Accordingly, the Board has created a framework for managing AFG, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for AFG's business and which are designed to promote the responsible management and conduct of the Company.

The Company listed on the Australian Securities Exchange ("ASX") on 22 May 2015. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations ("ASX Principles & Recommendations"). A statement of the corporate governance policies adopted by AFG are outlined below.

A copy of this statement and details of AFG's key policies and practices and the charters for the Board and each of its committees are available at [www.afgonline.com.au](http://www.afgonline.com.au).

The Corporate Governance Statement is accurate and up to date as at 31 July 2019 and has been approved by the Board.

## Principle 1 Lay solid foundations for management and oversight

### The Board's roles and responsibilities

The Company has established a Board Charter which provides a framework for the effective operation of the Board. The Board Charter sets out:

- the Board's composition and process;
- the Board's roles and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising AFG's strategies, policies and performance;
- review and oversee the performance of the Chief Executive Officer and the executive team;
- protect and optimise AFG's performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and AFG's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with AFG's values and governance framework (including establishing and observing high ethical standards); and
- keep shareholders informed of AFG's performance and major developments affecting it.

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

- appointment of a Chair;
- appointment and removal of the Chief Executive Officer;
- appointment and removal of any direct report of the Chief Executive Officer (a matter for recommendation by the Chief Executive Officer). Approval shall not be withheld by the Board unless significant concerns have been raised with the Chief Executive Officer;
- appointment of directors to fill a vacancy or to add an additional director;
- establishment of Board committees, their membership and delegated authorities;

- approval of dividends and dividend policy;
- approval of major capital expenditure, acquisitions and divestments in excess of authority levels delegated to management;
- calling meetings of shareholders;
- succession planning for the Chief Executive Officer and other executives; and
- any other specific matters nominated by the Board from time to time

The Board collectively, and each director individually, has the right to seek independent professional advice, subject to the approval of the Chair.

### Management's roles and responsibilities

The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board (and by other officers to whom the management function is properly delegated by the Chief Executive Officer).

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider appropriate.

### Information about Directors to Security Holders

The Company undertakes appropriate checks into the character, experience, criminal record and bankruptcy history of all directors. The Company will provide shareholders with sufficient information in the general meeting notices, including the notice of Annual General Meeting, about any director standing for election or re-election at the meeting to enable them to make an informed decision on whether to elect or re-elect the candidate.

### Director and senior executive arrangements

Each of the directors and senior executives has a written agreement with the Company setting out the terms of their appointment.

### Company Secretary

The Company Secretary is accountable to the Board. The Company Secretary is responsible for proper functioning of the Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. All directors have direct access to the Company Secretary.

## Diversity Policy

The Company values a strong and diverse workforce and is committed to developing and applying measurable objectives of diversity and inclusion in its workplace. The Board has adopted a Diversity and Inclusion Policy focused on gender (including the representation of women in senior management positions and on the Board), ethnicity/culture, sexual orientation and promoting flexible work practices for employees with family and caring responsibilities. The policy aims to facilitate a more diverse and representative management and leadership structure.

AFG's Diversity and Inclusion Policy provides a framework for the Company to achieve a workplace culture characterised by inclusive practices and behaviours and improved employment and

career development opportunities for women and employees with diverse backgrounds, experiences and perspectives.

The Board determines specific measurable objectives for facilitating diversity annually, whilst assessing progress towards these objectives on a regular basis throughout the year.

In accordance with the *Workplace Gender Equality Act 2012*, AFG makes public its annual filings with the Workplace Gender Equality Agency (WGEA) and publishes its "Gender Equality Indicators". Interested parties can access the latest AFG filings at <https://www.afgonline.com.au/corporate/investors/>

A summary of the measurable objectives set out in the Diversity and Inclusion Policy for the reporting period and the Company's progress towards achieving these are set out below:

### Measurable Objective for the reporting year ended 30 June 2019

### Status at 30 June 2019

Achieve a minimum of 40% women in management positions (including KMP, Senior Managers and Other Managers) by 2020 with increased year on year representation.

35% of our management positions are held by women which is an increase from 34% in 2017 when we commenced this measurable objective.

By 2020, at least 25% of managers (including KMP, Senior Managers and Other Managers) will be from a diverse cultural background (non-Anglo-Celtic background).

Currently, we have 8 managers of non-Anglo Celtic background which equates to 17% of our management team. This is an increase of 2 employees since commencement of the measurement period in 2017.

Conduct a like-for-like gender pay gap analysis and commit to actions to correct unexplainable and unjustified like-for-like gaps identified.

An organisation wide and like-for-like gender pay gap analysis was conducted in April 2019 using the gender pay gap calculator developed by the Workplace Gender Equality Agency and our FY18-19 total remuneration figures. Our organisation wide gender pay gap is 30.56%; an improvement of 3.34% from 2018. Based on the analysis, no unexplainable or unjustified gender pay gaps have been identified that require corrective actions.

Develop a formal Flexible Work Policy and maintain a minimum of 80% of employees to agree their work arrangements are flexible enough to meet family and personal needs.

82% of employees agreed their work arrangements are flexible enough to meet family and personal needs in the most recent Employee Survey conducted in 2017.

The table below shows the proportion of women in the whole organisation, women in senior management positions, women in key senior executive positions and women on the Board. The Company defines “senior executives” as executive directors and senior leaders who make up the Executive Committee. To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors and part-time employees in the percentages below, which shows the proportion of women in the organisation at 30 June 2019.

Position	Total	# of Women	% of Women in Positions
Board	7	2	29%
Senior Executives	9	2	22%
Senior Managers	16	8	50%
Total workforce (including Directors)	206	106	51%

The Remuneration and Nomination Committee has the following responsibilities in relation to the Diversity and Inclusion Policy:

- on an annual basis, reviewing the effectiveness of the Diversity and Inclusion Policy by assessing AFG’s progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives; and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented; and
- in accordance with the Diversity and Inclusion Policy, on an annual basis, reviewing the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Company, and submit a report to the Board, which outlines the Committee’s findings, or if applicable, provide the Board with AFG’s most recent indicators as required by the *Workplace Gender Equality Act 2012*.

## Board evaluation

The process for evaluating the performance of the Board, its committees and individual directors is set out in the Board Charter as follows:

- On an annual basis, directors will provide written feedback in relation to the performance of the Board and its committees against an agreed set of criteria.

- Each committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Feedback will be collected by the Board Chair, or an external facilitator, and discussed by the Board with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Performance evaluations were undertaken in the financial year ended 30 June 2019 in accordance with the process described.

## Evaluation of senior executives

The Chief Executive Officer annually reviews the performance of all senior executives. He conducts this performance review by meeting individually with each senior executive to review performance against the senior executive’s responsibilities as outlined in his or her contract with the Company and against key performance indicators (KPI’s) set by the Chief Executive Officer or the Board.

The Remuneration and Nomination Committee reviews the senior management performance assessment processes and results as they reflect the capability of management to realise the business strategy.

Senior executive performance reviews were undertaken in the financial year ended 30 June 2019 in accordance with the process described.

## Principle 2 Structure the Board to add Value

### Board membership and independence

At the end of the reporting period AFG’s Board comprised seven members, including two executive directors and five non-executive directors (four of whom are considered independent, including the Chair). Detailed biographies of the directors are provided in the Directors’ Report forming part of the 2019 Annual Financial Statements.

The Board considers directors to be independent where they are not members of management (a non executive director) and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board will have regard to quantitative and qualitative principles of materiality for determining “independence” on a case-by-case basis. The Board regularly reviews the independence of each director in light of information disclosed by that director to the Board.

The Board considers that each of Tony Gill, Craig Carter, Melanie Kiely and Jane Muirsmith are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of their judgment; and is able to fulfil their role of an independent director for the purposes of the ASX Recommendations.

Brett McKeon, Malcolm Watkins and Kevin Matthews are currently considered by the Board not to be independent because:

- Brett McKeon was an executive director of AFG until 30 June 2019. On 1 July 2019 Brett McKeon transitioned to a non-executive director role. He is still considered by the Board not to be independent because he is a substantial security holder and was employed in an executive capacity within the last three years;
- Malcolm Watkins is an executive director of AFG; and
- Kevin Matthews was an executive director of AFG immediately prior to the Company’s listing on the ASX when he transitioned to a non-executive director. He is also a substantial security holder. The Board considers that Kevin Matthews adds significant value to Board deliberations with his considerable industry experience.

# Skills Matrix

The Board has established a Board Skills Matrix. On a collective basis for the reporting period the Board has the following skills:

## Board Skills Matrix

		Number of Directors by competency Level						
	<b>Banking and Financial Services Experience</b> Experience outside of AFG in components of the financial services industry including banking, and equity and debt capital markets. Any understanding of financial services industry including economic drivers and global business perspectives.							
	<b>Securitisation</b> Experience in structured finance, warehouse funding and securitisation.							
	<b>Financial Acumen</b> Ability to understand and analyse financial statements and financial performance, and to contribute to the oversight of the integrity of financial reporting and the effectiveness of financial controls.							
	<b>Leadership and Strategy</b> Leadership, effective communication and influencing skills. Strategic thinking capability and transactional expertise.							
	<b>Risk Management and Compliance</b> Competence in financial risk management, risk management frameworks and non-financial risks such as operational, compliance, conduct and cyber security.							
	<b>Governance</b> Public listed company experience, knowledge and commitment to the highest standards of governance, experience in the establishment and oversight of governance frameworks, policies and processes.							
	<b>Technology and Digital</b> Experience in businesses with technology focus, including adaptation to digital change and innovation. Use and governance of critical information technology infrastructure.							
	<b>Legal Expertise</b> Demonstrated ability and understanding in the application of legal principles.							
	<b>People and Remuneration</b> Experience in, or understanding of leadership and organisational design to contribute to talent management, succession planning, setting of remuneration frameworks and promotion of diversity and inclusion.							
	<b>Portfolio Management</b> Familiarity outside of AFG in the management of banking portfolios, credit risk and treasury functions.							
	<b>Regulatory Experience</b> Dealing with and understanding regulators and the regulatory environment.							

Some Competency
  Demonstrated Competency
  Advanced Competency

## Remuneration and Nomination Committee

The Company has a Remuneration and Nomination Committee comprised of independent non-executive directors Melanie Kiely (Chair), Craig Carter and Jane Muirsmith.

Details of each member's qualifications and experience and details of the number of Committee meetings held and attended by members are set out in the 2019 Directors' Report and Financial Statements.

Under its Charter, the Remuneration and Nomination Committee has the following responsibilities in relation to the composition of the Board:

- assisting the Board to develop 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;
- reviewing and recommending to the Board the size and composition of the Board, including succession plans and the succession of the Board Chair and Chief Executive Officer and direct reports to the Chief Executive Officer, having regard to the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds including gender;
- reviewing and recommending to the Board the criteria for Board membership;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- reviewing the Board Charter on a periodic basis and recommending any amendments for Board consideration; and
- establishing an effective director induction process, regularly reviewing its effectiveness and providing appropriate professional development opportunities for directors.

A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.

## Director Induction Program and Professional Development

The Board recognises that the appointment of new directors is a means of enhancing the performance of the Board and the Company, through the inclusion of additional skills and experience. The Company has developed an induction program which aims to provide new directors with the opportunity to build their knowledge of the Company quickly, so that they are able to make an effective contribution to the work of the Board.

Before induction of a new director, the Board Chair and the Chief Executive Officer and/or Company Secretary will work to determine a time effective program for the formal induction process. The induction will be tailored for each new director depending on their requirements, skills, qualifications and experience.

Directors have access to ongoing professional development via the Company's executives providing presentations on key business functions and activities and access to external education and development activities at the Company's expense. The external auditor and other industry experts may also be invited to address the Board, or its committees, on current issues, regulatory changes or industry trends affecting the Company's operations.

## Principle 3 Act Ethically and Responsibly

### Code of Conduct

The Board has adopted a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal and compliance guidelines on appropriate ethical standards. All employees of AFG (including temporary employees, contractors and directors) must comply with the Code of Conduct.

The Code of Conduct is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make directors and employees aware of the consequences if they breach the policy.

A copy of the Code of Conduct is available on the Company's website.

## Principle 4 Safeguard Integrity in Corporate Reporting

### Audit Committee

The Company has an Audit Committee comprised of independent non-executive directors Craig Carter (Chair), Melanie Kiely and Jane Muirsmith.

Details of each member's qualifications and experience and details of the number of Committee meetings held and attended by members are set out in the 2019 Director's Report and Financial Statements.

Under its Charter, the Audit Committee must have at least three members, a majority of whom must be independent directors and all of whom must be non-executive directors. The Committee must also have an independent chair who is not the Board Chair.

The Audit Committee's role is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including:

- overseeing the Company's relationship with the external auditor and the external audit function generally;
- overseeing the preparation of the financial statements and reports; and
- overseeing the Company's financial controls and systems.

A copy of the Audit Committee Charter is available on the Company's website.

### Declaration by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and the Chief Financial Officer, at each half and full year, provide formal assurance statements to the Board that in their opinion:

- the Company's financial records 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
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

### External Auditor

The Company has a policy for the appointment, assessment and independence of the external auditor including the rotation of the external audit engagement partner.

The Audit Committee is responsible for the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with the policy. As a general rule, the external auditor may not provide any prohibited non-audit services to the Company. To ensure auditor independence is maintained, the Company requires all engagements of the external auditor to provide non-audit services to be approved in writing by the Chief Financial Officer and, in some circumstances, by the Risk and Compliance Committee.

The external auditor is required to provide a representative to attend the Annual General Meeting of the Company to answer questions relevant to the audit.

## Principle 5 Make Timely and Balanced Disclosure

### Continuous Disclosure

The Company has a continuous disclosure policy which establishes procedures which are aimed at ensuring that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*. Information is communicated to shareholders through the lodgement of all relevant financial and other information with ASX and continuous disclosure announcements are also made available on the Company's website.

A copy of the Continuous Disclosure Policy is available on the Company's website.

## Principle 6 Respect the Rights of Security Holders

### Website and Investor Relations Strategy

The Company aims to ensure that shareholders are kept informed of all major developments affecting the affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications and, in addition to its continuous disclosure obligations, the Company has developed a communications policy.

One of the Company's key communication tools is its website located at [www.afgonline.com.au](http://www.afgonline.com.au).

The website contains information about the Company's directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of investor presentations made to analysts are also posted on the website.

## Participation at Meetings

The Company encourages full participation of shareholders at any general meetings and its Annual General Meeting each year. For those shareholders who are unable to attend in person, the Company will provide a full transcript of the Chair's and the Chief Executive Officer's speeches, if any are given, on its website. Shareholders are encouraged to lodge proxies electronically, subject to the adoption of satisfactory authentication procedures. The Company's 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 auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the *Corporations Act 2001*.

## Electronic Communications

The Company provides a telephone helpline facility and an online email inquiry service to assist shareholders with any queries. Information is also communicated to shareholders as required by mailouts, or by email to shareholders who have provided their email address.

The Company's share registry also has the capability to send and receive electronic communications and maintains a toll-free telephone number for shareholders who require assistance in relation to registry matters.

## Principle 7 Recognise and Manage Risk

### Risk & Compliance Committee

The Company has a Risk and Compliance Committee comprised of independent non-executive directors Jane Muirsmith (Chair), Craig Carter and Melanie Kiely.

Details of each member's qualifications and experience and details of the number of Committee meetings

held and attended by members are set out in the 2019 Directors' Report and Annual Financial Statements.

Under its charter, the Risk and Compliance Committee must have at least three members, a majority of whom must be independent directors and all of whom must be non-executive directors. The Committee must also have an independent chair who is not the Board Chair.

The Committee's key responsibility and function is to manage the process of identification and management of risk.

The Committee's charter sets out procedures to fulfil its risk and compliance responsibilities. A copy of the Risk and Compliance Committee Charter is available on the Company's website.

### Risk Management Framework

The Company has a comprehensive risk management framework, which is designed to embed a risk-aware culture within the business and to assist AFG to realise the benefits which accrue from a conscious, structured and dynamic approach to the management of threats. In addition, the framework also recognises similar benefits associated with recognition of upside risk and opportunities, thereby contributing to (and increasing) shareholder value.

Risk management is a core management competency that incorporates a well-structured and systematic process to identify financial and non financial business risks that will reduce potential negative impacts and realise opportunities that will enhance performance of the Company. This involves the following core elements:

- the identification and assessment of risks and opportunities; and
- ongoing monitoring and communicating of risk associated with any activity, function or process.

The Company has a Risk Management Policy which provides guidance to all employees by defining the commitment of the organisation to risk management. It articulates the Board's philosophy and mandate with respect to risk management.

The Risk and Compliance Committee Charter provides that on an annual basis the committee will review the Company's risk management framework to satisfy itself that the framework continues to be sound and effectively identifies all areas of potential risk. This review has been carried out by the committee within the reporting period.

### Internal Audit Function

While the Company does not have a formal internal audit function it has a Risk and Compliance team which maintains an extensive compliance program focusing on two key compliance risks:

- non-compliance with legislation, with a particular focus on ensuring that the Company and the Company's brokers consistently meet the standards required by the *National Consumer Credit Protection Act 2009*, *Corporations Act 2001*, *Australian Securities and Investments Commission Act 2001*, *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and the *Privacy Act 1988*; and
- fraud by the Company's broker.

Compliance risks are identified, documented and analysed by the Company's National Risk and Compliance team through implementation of the risk management process and compliance framework. The Risk and Compliance team is responsible for implementing the Company's compliance procedures, an audit and training program for the Company's credit representatives and certain other audit programs. The Risk and Compliance team is managed by the Head of Risk and Compliance who reports to the Chief Executive Officer.

The Risk and Compliance team currently uses a number of measures aimed at detecting and preventing fraud, including:

- executing audit programs;
- monitoring suspicious deals; and
- facilitating an ongoing dialogue with lenders and industry regulators.

The Risk and Compliance team is also responsible for ensuring that the Company has a comprehensive professional indemnity insurance program.

The Risk and Compliance team reports to the Management Risk and Compliance Committee, which meets quarterly to discuss the management of both risk management and compliance. The Management Risk and Compliance Committee serves as an executive level risk committee focused on the management and measurement of risk and reports to the Board Risk and Compliance Committee.

The Company's Risk Management Policy provides that all the Company's management will be expected to:

- resource, operate and monitor the Company system of internal control;
- incorporate risk responses in the form of controls into its management system; and
- report the results of balanced assessments regarding the effectiveness of its internal control, including identified weaknesses or incidents to the Audit and Risk and Compliance Committees.

## Economic, Environmental and Social Sustainability Risks

As the Company operates in the finance sector and specifically in the mortgage broking sector and in securitised loan products it has exposure to economic risks, including general economy wide economic risks, risk associated with the economic cycle and more particularly to the level of interest rates which impact on the levels of borrowings which may be introduced via its broking network and through its securitised loan products. These risks are applicable to all businesses operating in the finance sector. The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.

Given the nature of the Company's operations the Board currently considers that the Company does not have any material exposure to environmental and social sustainability risks. The Company's Code of Conduct outlines how AFG expects its representatives to behave and conduct business including guidance in relation to legal, compliance and appropriate ethical standards expected from its representatives. The Code of Conduct also includes specific guidelines on a number of issues to ensure the sustainable operations of the business including the Company's commitment to making a contribution to the community generally and to doing business in an environmentally responsible manner.

## Principle 8 Remunerate Fairly and Responsibly

### Remuneration Committee

The Company has a Remuneration and Nomination Committee comprised of independent non-executive directors Melanie Kiely (Chair), Craig Carter, and Jane Muirsmith.

Details of each member's qualifications and experience and details of the number of committee meetings held and attended by members are set out in the 2019 Directors' Report and Annual Financial Statements.

The Remuneration and Nomination Committee has the following responsibilities in relation to remuneration:

- reviewing and recommending arrangements for the executive directors, the executives reporting to the Chief Executive Officer and senior management, including contract terms, annual remuneration and participation in AFG's

- short and long-term incentive plans;
- reviewing major changes and developments in AFG's remuneration, recruitment, retention and termination policies and procedures for senior management;
- reviewing major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for the Company;
- reviewing the senior management performance assessment processes and results as they reflect the capability of Management to realise the business strategy;
- reviewing and approving short term incentive strategy, performance targets and bonus payments;
- reviewing and recommending to the Board major changes and developments to AFG's employee equity incentive plans;
- recommending whether offers are to be made under any or all of AFG's employee equity incentive plans in respect of a financial year;
- in respect of AFG's employee equity incentive plans, reviewing and approving the proposed terms of, and authorising the making of, offers to eligible employees of the Company, including determining the eligibility criteria applying in respect of an offer, in respect of a financial year;
- reviewing and recommending to the Board the remuneration arrangements for the Board Chair and non-executive directors, including fees, travel and other benefits; and
- approving the appointment of remuneration consultants for the purposes of the *Corporations Act 2001*.

A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.

## Remuneration of Directors and Executives

The Remuneration Report, which forms part of the 2019 Directors' Report and Financial Statements, sets out the Company's remuneration philosophy, framework and outcomes for all non-executive directors, executive directors and other Key Management Personnel (collectively KMP).

The Board bases its remuneration framework on the following principles:

- Remuneration levels for KMP are set to attract and retain appropriately qualified and experienced directors and executives;
- Alignment of executive reward with shareholder interest and strategy; and

- The relationship between performance and remuneration of executives is clear and transparent.

The Company's constitution and the ASX listing rules specify that the non-executive fee pool shall be determined from time to time by a general meeting. The current approved aggregate fee pool is \$1,000,000 per year.

The remuneration of non-executive directors consists of directors' fees, which is inclusive of statutory superannuation and committee fees. Non-executive directors do not receive retirement benefits, other than statutory superannuation contributions, nor do they participate in any incentive programs. Non-executive directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

The Remuneration Report sets out details of the different components of executive remuneration comprising fixed remuneration, short-term incentives and long-term incentives. Details of contractual arrangements with KMP are also set out in the Remuneration Report.

## Transactions which limit the economic risk of participating in an equity-based remuneration plan

The Company's Dealing in Securities Policy includes the following provisions in relation to hedging of the Company's securities, including those acquired as part of an equity-based remuneration plan:

- Hedging includes entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities;
- Hedging of Company securities by directors, senior executives, employees and connected persons of employees ("Relevant Persons") is subject to the following overriding prohibitions:
  - The hedge transaction must not be entered into, renewed, altered or closed out when the Relevant Person is in possession of inside information;
  - Company securities must never be hedged prior to the vesting of those Company securities. In particular, Relevant Persons are prohibited from entering into any hedge transaction involving unvested equity held pursuant to any employee, executive or director equity plan operated by the Company; and
  - Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of any employee, executive or director equity plan operated by the Company.

[www.afgonline.com.au](http://www.afgonline.com.au)

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