

**AFG**

# Corporate Governance Statement

2023

This Corporate Governance Statement is accurate and current as at **31 July 2023** and has been approved by the AFG Board.

**Go far.  
Go together.**

**The Board of Directors (“Board”) of Australian Finance Group Ltd and its controlled entities (“AFG” or “the Company”) is committed to maintaining and promoting high standards of corporate governance which encompass the Company’s purpose and values.**

Corporate governance is the framework of systems, policies and processes by which AFG operates and through which our people are accountable for, and empowered to, make decisions that affect our business, brokers, customers and stakeholders.

AFG Board’s approach to corporate governance is based on a set of values and behaviours that predicate our operations, and are designed to promote transparency, fair dealing, and the protection of stakeholder interests, including our brokers and customers, our shareholders, our employees and our community.

AFG’s purpose statement ‘A fairer financial future’ explains why we exist. We believe in empowering a fairer financial future for all by leading the charge, challenging the status quo and creating a platform that drives competition and choice through creating sustainable partnerships and delivering outstanding experiences, products and opportunities for brokers and customers.

The way we fulfil our purpose is defined by our values of Growth, Customer, Innovation, Integrity and Teamwork. These principles guide Board, management and staff conduct, and it is expected that they will all meet these standards and deal fairly with our brokers, customers and regulators. There are appropriate consequences for anyone who fails to meet our standards.

Throughout the reporting period, AFG’s governance arrangements have been consistent with the 4th edition of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“ASX Principles & Recommendations”).

This statement reports compliance against the ASX Principles & Recommendations.

A copy of this Corporate Governance 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).


## Our Purpose

### A fairer financial future




 We empower a fairer financial future for all

BY

 Leading the charge, challenging the status quo, and creating a platform that drives competition and choice

THROUGH

 Creating sustainable partnerships and delivering outstanding experiences, products and opportunities for brokers and customers

## Our Values



### Teamwork

Committed to supporting each other, sharing knowledge and ideas.



### Integrity

We build trust by doing the right thing.



### Innovation

Work towards the future, challenging the status quo.



### Grow

Grow our business by investing in our people and supporting the growth of our partners.



### Customer

Understanding the needs of our customers and always aiming to exceed expectation

## Principle 1

# Lay solid foundations for management and oversight

### The Board's roles and responsibilities

AFG has established a Board Charter which provides a framework for the effective operation of the Board.

The Board's role is to define the Company's purpose, statement of values and set its strategic objectives, including approving the Company's Code of Conduct to underpin the desired culture within the Company.

The Board also represents and serves the interests of shareholders by overseeing and appraising AFG's strategies, policies, performance and risk appetite. Another key responsibility is keeping shareholders informed of AFG's performance and major developments affecting the Company.

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

- appointment of a Chair;
- 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;
- selecting, appointing and evaluating the performance of the Chief Executive Officer ("CEO") and approving the appointment and replacement of the Chief Financial Officer ("CFO"), Company Secretary and other senior executives reporting to the CEO;
- succession planning for the CEO and other senior executives; and
- any other specific matters nominated by the Board from time to time.

The role of the Board includes overseeing environment, social and governance ("Sustainability") matters encompassing policies designed to operate ethically, responsibly, and sustainably and communicate these policies to stakeholders of the Company. The Sustainability section of AFG's 2023 Annual Report sets out further details on these policies.

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 CEO as directed by the Board (and by other senior executives to whom the management function is properly delegated by the CEO).

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 including financial performance information and the Company's compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the Company's values or Code of Conduct. As part of these responsibilities, the Board will challenge management whenever required, and hold it to account.

### 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 or engagement. The Company also undertakes the same employment checks (character, experience, criminal record and bankruptcy history) for senior executives as it undertakes for directors, prior to their engagement.

### 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 the ASX, and all statutory and other filings.

All directors have direct access to the Company Secretary.

## Diversity, Equity and Inclusion 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, Equity and Inclusion Policy which is aligned with the Company's statement of values and focused on gender (including the representation of women in senior management positions and on the Board), ethnicity/culture, sexual orientation, gender identity, age, disability status, religious beliefs, socio-economic background, 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 and workforce.

AFG's Diversity, Equity 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.

AFG is committed to ensuring that the recruitment and selection practices at all levels of the Company are appropriately structured so that a diverse range of candidates are considered.

In 2023, the Company continued its Working From Home Policy available to all staff which it introduced in 2021 in response to the changing working conditions brought on by the COVID-19 pandemic. This policy, which has been led and embraced by senior executives, has seen a majority of staff work from home one or two days per week. This policy has promoted flexible work practices which has benefited all employees but especially those with children or caring commitments for elderly parents.

In addition, AFG provides opportunities for employees on extended parental leave to maintain their connection with the Company, for example by attending work functions and training programs.

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* (Cth), 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, Equity and Inclusion Policy as at 30 June 2023 and the Company's progress towards achieving these are as follows:

Objective	Result/status
1. Achieve a minimum of 45% women in management positions (including KMP, Senior Managers and Other Managers) by 2025 with increased year on year representation.	Not met. This year we did not meet our year-on-year growth target. We remain confident we are well placed to achieve our 2025 objective.
2. Continue to develop cultural awareness across AFG ensuring our workforce reflects the diverse Australian population, demonstrated by a positive cultural diversity score of at least 80% in our annual employee survey.	Met. 94% of our employee survey respondents agree AFG recognises and embraces employees of diverse cultural backgrounds.
3. Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys.	Met. Workplace diversity remains the top performing area of our employee survey for the fourth consecutive year.
4. Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviours and diversity and inclusion values in the workplace.	Met. The Diversity, Equity and Inclusion Committee alongside our Human Resource team has continued to deliver a range of programs and initiatives to meet this objective.
5. Maintain no less than 30% of each gender in the composition of AFG's Board of Directors.	Met. This objective continues to be met with two of our six directors (33%) being female.

As noted above, the Company has a measurable objective for the composition of the Company's Board of no less than 30% of each gender. In addition, it is the Company's intent long term to move towards the 40:20:20 model (40% men, 40% women, 20% open) to further solidify the Company's aim of diversity of gender in workplace leadership.

With female representation on the Board of 33.3%, the Company has exceeded its measurable objective of not less than 30% of each gender represented on the Board.

The table below shows the proportion of women in the whole organisation (including its controlled entities the Fintelligence business and the BrokerEngine business), women in senior management positions, women in senior executive positions, and women on the Board. The Company defines "senior executives" as executive directors and senior leaders who make up the Executive team. To provide an accurate reflection of the proportion of women across the whole organisation, the Company has included contractors and part-time employees in the percentages below, which shows the proportion of women in the organisation at 30 June 2023.

Position	Total	Number of women	% of women
Board	6	2	33%
Senior Executive	17	3	18%
Senior managers	24	12	50%
<b>Total workforce (Including Directors)</b>	<b>278</b>	<b>136</b>	<b>49%</b>

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

- On an annual basis, reviewing the effectiveness of the Diversity, Equity 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
- On an annual basis, reviewing the relative proportion of women and men on the Board, in senior executive 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* (Cth).

## 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 feedback in relation to the performance of the Board and its committees against an agreed set of criteria.
- Each committee of the Board will 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 CEO will 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 2023 in accordance with the process described above.

## Evaluation of senior executives

The CEO annually reviews the performance of all senior executives who report directly to the CEO. The CEO conducts performance reviews by meeting individually with each direct report to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against key performance indicators set by the CEO or the Board.

The Remuneration and Nomination Committee reviews the senior executive performance assessment processes and results including approving the short term and long term incentive strategy, performance targets and any bonus payments for senior executives, as they reflect the capability of management to realise the business strategy.

Due to availability of senior executives attending conferences and annual leave in the period prior to 30 June 2023, performance reviews for Key Management Personnel directly reporting to the CEO were undertaken in the period to 31 July 2023 in accordance with the process described above.

## Principle 2

# Structure the Board to be effective and add value

### Board membership and independence

As at 30 June 2023, AFG's Board comprised six non-executive directors (four of whom are considered independent, including the Chair). Detailed biographies and length of service for each director are provided in the Directors' Report forming part of the 2023 Annual Report.

On 23 March 2023, Tony Gill retired from the Board after 15 years as Chair of the Board. Deputy Chair, Greg Medcraft, was appointed Chair of the Board from this date.

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 judgement. 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 Greg Medcraft, Craig Carter, Jane Muirsmith and Annette King 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 Principles & Recommendations.

Brett McKeon and Malcolm Watkins are founding directors and currently considered by the Board not to be independent because:

- Brett McKeon was an executive director of AFG until 30 June 2019. He is still considered by the Board not to be independent because he is a substantial shareholder; and
- Malcolm Watkins was an executive director of AFG until 30 June 2022. He is still considered by the Board not to be independent because he is a substantial shareholder and was employed in an executive capacity within the last three years.

### Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee comprised of independent non-executive directors Annette King (Chair), Craig Carter, Jane Muirsmith, and Greg Medcraft. Former director Melanie Kiely chaired the Remuneration and Nomination Committee until she stepped down as a director at the conclusion of the 2022 Annual General Meeting.

Details of each member's qualifications and experience and details of the number of Remuneration and Nomination Committee meetings held and attended by members are set out in the 2023 Directors' Report and Financial Statements in the 2023 Annual Report.

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, CEO, and direct reports to the CEO, 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, age and ethnicity.
- 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 Remuneration and Nomination Committee Charter on a periodic basis and recommending any amendments for Board consideration.
- Establishing an effective director induction process, regularly reviewing its effectiveness and whether there is a need for existing directors to undertake appropriate professional development.

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

### Retirement & Re-election of Directors

The Company's Constitution specifies that one third of the Board, excluding the Managing Director (if applicable), must retire from the office and stand for re-election at each AGM. Further, each director, excluding the Managing Director (if applicable), must stand for re-election every 3 years.

Tony Gill and Jane Muirsmith retired by rotation in accordance with the Constitution at the 2022 AGM and being eligible, were re-elected. In addition, Annette King was elected as a director at the 2022 AGM.

Brett McKeon will stand for re-election at the upcoming AGM to be held on 24 November 2023.

As noted above, Tony Gill retired from the Board on 23 March 2023 and Melanie Kiely retired from the Board on 25 November 2022.

## 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 CEO 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, legal advisers 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.

## Board Skills Matrix

The Board undertook its annual skills evaluation to identify the Board's strengths and where its existing skills and experience may best be enhanced or complemented. The results of the 2023 evaluation demonstrated that the Board is comprised of members with an extensive and relevant skill-set with depth of experience across key areas. To the extent that any skills are not directly represented on the Board, they are augmented through close collaboration with key executives and external advisers. The Board will continue to review and monitor the skills required to address existing and emerging business and governance issues relevant to the Company's activities.

## Succession planning

The Board plans succession of its own members in conjunction with the Board Remuneration and Nomination Committee, considering the skill and experience of current Board members and the company's future strategic direction and needs. The Board retains overall responsibility for succession planning of the CEO, via the Remuneration and Nomination Committee. The Remuneration and Nomination Committee and the CEO are responsible for the succession planning of other senior executives.


## Board committees

As at 30 June 2023, there were four Board committees whose powers and procedures are governed by the Company's Constitution and the relevant committees' charter. These are the Audit Committee, the Remuneration and Nomination Committee, the Risk and Compliance Committee, and the Technology and Data Committee.

Other committees may be established from time-to-time to consider matters of special importance. The Board uses its committees to support it in matters, which require more intensive review. Each Board committee has a formal charter, approved by the Board defining its duties, reporting procedures and authority. Minutes from all Committee meetings are made available to all directors and are required to be included in the next set of Board papers for noting.

In addition, there are a number of management committees, including the Management Risk and Compliance Committee, Credit Committee, Compliance Committee, Sustainability Committee, and Diversity and Inclusion Committee, which provide minutes and outcomes to the Board Committees.

On a collective basis for the reporting period the Board has the following skills:

Board Skills Matrix		Number of directors by competency level
 <p><b>Q1 – 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.</p>		
 <p><b>Q2 – Securitisation</b> Experience in structured finance, warehouse funding and securitisation.</p>		
 <p><b>Q3 – 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.</p>		
 <p><b>Q4 – Leadership and Strategy</b> Leadership, effective communication and influencing skills. Strategic thinking capability and transactional expertise.</p>		
 <p><b>Q5 – 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.</p>		
 <p><b>Q6 – 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.</p>		
 <p><b>Q7 – 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.</p>		
 <p><b>Q8 – Legal Expertise</b> Demonstrated ability and understanding in the application of legal principles.</p>		
 <p><b>Q9 – 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.</p>		
 <p><b>Q10 – Portfolio Management</b> Familiarity outside of AFG in the management of banking portfolios, credit risk and treasury functions.</p>		
 <p><b>Q11 – Regulatory Experience</b> Dealing with and understanding regulators and the regulatory environment.</p>		
 <p><b>Q12 – Environmental and Social Impacts</b> An understanding of the opportunities and potential risks the company faces from an environmental and social perspective. A focus on policies, decisions and strategic planning that support sustainable environmental and social practices.</p>		

 Some Competency    
  Demonstrated Competency    
  Advanced Competency



## Principle 3

# Instil a culture of acting lawfully, ethically and responsibly

### Disclosure of values

The Company's values are Growth; Customer; Innovation; Integrity and Teamwork and are set out in more detail in the introduction of this statement and in the Code of Conduct available on the Company's website.

The Board has charged the senior executive team with integrating these values through the organisation. This includes through induction of new employees and regular ongoing employee culture and conduct training, recognition of employees who are practicing these values and continual reinforcement of these values by senior executives in their behaviours and interactions with staff, brokers and other stakeholders.

### Code of Conduct

The Board has adopted a 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. Any breaches of the Code of Conduct are taken seriously, and appropriate and proportionate disciplinary action is taken. The Board Risk and Compliance Committee are notified of any material breaches of 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;
- make directors and employees aware of the consequences if they breach the policy; and
- reinforce and communicate the Company's values to its employees, shareholders, brokers, lender partners, suppliers and the broader community.

Annual training on the Code of Conduct is mandatory for all employees and was undertaken in FY23. There are consequences for breaching the Code of Conduct and the Company encourage employees to speak up where a decision or action is not in line with the Code of Conduct through their line manager or to a whistleblower officer if appropriate and in line with the Whistleblower Policy and Procedure outlined in the following paragraph.

### Whistleblower Policy and Procedure

AFG has adopted a Whistleblower Policy and Procedure, available on its website, setting out the matters that may be reported under the policy including the whistleblower officers to whom reports can be made at any time. Confidentiality of whistleblowers are paramount, and the policy sets out how the confidentiality regime will apply to a whistleblower report. All employees are trained on the Whistleblower Policy and Procedure and their rights and obligations under it. The Board Risk and Compliance Committee Chair is advised upon the lodgement of a whistleblower report and will be provided with a report outlining any findings when the investigation of a whistleblower report is finalised.

### Anti-Bribery and Corruption Policy

AFG has adopted an Anti-Bribery and Corruption Policy, available on its website, applicable to all employees and directors. The policy sets out the prohibition on giving bribes and secret commissions or engaging in any corrupt behaviour and provides for controls around political donations and offering and accepting gifts and entertainment. Carrying out of any dishonest accounting or concealment of complete and accurate financial activity is also prohibited under the policy.

AFG's Anti-Bribery and Corruption Policy is underpinned by the AFG values and sets out in detail the serious criminal and civil penalties for AFG and individuals if they are involved in bribery or corruption.

Managers and certain relevant employees are also trained on how to recognise and deal with any incidents that may constitute bribery or corruption. The Board is notified of any material breaches of this policy and the policy is reviewed periodically.

## Principle 4

# Safeguard the integrity of corporate reports

### Audit Committee

The Board has established an Audit Committee which comprised in FY23 independent non-executive directors Craig Carter (Chair), Annette King and Greg Medcraft.

Details of each member's qualifications and experience and details of the number of Audit Committee meetings held and attended by members are set out in the 2023 Directors' Report and Financial Statements contained in the 2023 Annual Report. 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 Audit 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 CEO and CFO

At the FY23 half year and at the FY23 full year, both the CEO and CFO provided formal assurance statements to the Audit Committee and 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 Company; and
- the risk management and internal control systems are sound and operating 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. 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 CFO and, in some circumstances, by the Audit Committee. The external auditor is required to provide a representative to attend the AGM of the Company to answer questions relevant to the audit.

### Periodic reports

The Company has developed practices that are intended to ensure that periodic corporate reports which are not externally audited or reviewed ("Periodic Reports") contain information which is materially accurate, balanced, and provides investors with appropriate information to make informed investment decisions.

The Company has disclosed the following Periodic Reports during the financial year ending 30 June 2023: Annual Directors' Report (included in the 2022 Annual Report), the 2022 Corporate Governance Statement, the Sustainability section of the 2022 Annual Report, and the AFG Index released at the end of each quarter. The verification of these Periodic Reports varies depending on the nature of the report by typically includes the following process:

- Periodic Reports are prepared by, or under the supervision of, subject-matter experts such as the General Counsel and Company Secretary, Chief Financial Officer, Head of Analytics & Insights, Human Resources Manager, Head of Risk and Compliance and Head of Corporate Communications.
- Data sources for Periodic Reports are updated regularly to provide the most reasonably practicable relevant information.
- Where available, the data sources are verified by external sources (i.e. for loan application data for the AFG Index, via cross referenced data supplied by lenders and AFG's carbon footprint is measured and analysed by an external independent contractor, Carbon Neutral Pty Ltd).
- Where available, automated monitoring of data processes are put in place to allow for manual remediation if there is a system failure.
- Where available, peer review and reconciliation of the data sources post processing is undertaken.
- Material statements in the Periodic Reports are reviewed for accuracy and material requirements.
- Information in a Periodic Report that relates to financial projections, statements as to future financial performance or changes to the policy or strategy of the Company (taken as a whole) must be approved by the Board.

This process is intended to ensure that all applicable laws, regulations and Company policies have been complied with, and that appropriate approvals are obtained before a Periodic Report is released to the market.

## Principle 5

# Make timely and balanced disclosure

### Continuous disclosure

The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth).

The Company has a Continuous Disclosure Policy which establishes procedures 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.

In the majority of cases, the Board has an opportunity to review material market announcements prior to release however where this not practicable all Board members are provided with a copy of the announcement promptly after it is made.

Information is communicated to shareholders through the lodgement of all material price-sensitive financial and other information on the ASX company announcements platform and continuous disclosure announcements are also made available on the Company's website.

If the Company gives a new or substantive investor or analyst presentation a copy of the presentation materials is released on the ASX Market Announcements Platform ahead of the presentation.

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

## Principle 6

# Respect the rights of security holders

### Shareholder communication strategy

The Company aims to ensure that shareholders are kept informed of all major developments affecting the affairs of the Company and have the opportunity to express their views to the Company on matters of concern or interest to them. 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 Strategy.

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 values, the Company's directors and executives, and the Company's constitution, corporate governance practices, policies and Board committee charters. All ASX announcements including annual and half year financial results are posted on the website as soon as they have been released on the ASX company announcements platform. The full text of all notices of shareholder meetings and explanatory material including audio recordings of those meetings, the Company's Annual Report and copies of investor presentations made to analysts are also posted in the Investor Centre section of the website.

### Participation at meetings

The Company encourages full participation of shareholders at any extraordinary general meetings and its AGM each year. All substantive resolutions at shareholder meetings are decided by a poll rather than by a show of hands.

After its successful introduction at the 2022 AGM, the 2023 AGM (to be held on 24 November 2023), will be held as a 'hybrid' AGM with physical in-person participation by shareholders as well as facilities for audio and video conference participation by shareholders. This allows the AGM to be more streamlined and interactive than the traditional physical only AGM and allows for increased shareholder engagement, particularly across more technologically inclined demographics.

The Company provides a full transcript of the Chair and the CEO's speeches and an audio recording on the Investor Centre section of 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 AGM 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* (Cth).

### 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 email and by mailouts for those shareholders who have opted-in to receiving communications in hard copy.

Following the passing of the *Corporations Amendment (Meetings and Documents) Act 2022* (Cth) in February 2022, shareholders have a right to elect to receive documents relating to their shareholding electronically or in physical paper copy, or not at all. The investor section of AFG's website contains full details of these options.

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 and Compliance Committee

The Board has established a Risk and Compliance Committee which comprised in FY23 independent non-executive directors Greg Medcraft (Chair from 1 August 2022), Craig Carter, Jane Muirsmith, and Annette King. Jane Muirsmith acted as Chair of the Risk and Compliance Committee until 31 July 2022.

As noted above, former director Melanie Kiely stepped down from the Board and the Risk and Compliance Committee on conclusion of the 2022 AGM.

Details of each member's qualifications and experience and details of the number of Risk and Compliance Committee meetings held and attended by members are set out in the 2023 Directors' Report and Annual Financial Statements contained in the 2023 Annual Report.

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

The Risk and Compliance 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 existing, as well as any new or emerging, 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. The policy 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 Risk and Compliance 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, and that the Company is operating with due regard to the risk appetite set by the Board.

This annual review has been carried out by the Risk and Compliance Committee within the reporting period.

## Internal audit function

Whilst the Company does not have an internal audit function, it has an experienced Risk and Compliance team which maintains an extensive internal key controls assurance program focusing on key risks, including:

- Non-compliance with legislation, with a particular focus on ensuring that the Company and its credit representative brokers consistently meet the standards required by the *National Consumer Credit Protection Act 2009* (Cth), *Corporations Act 2001* (Cth), *Australian Securities and Investments Commission Act 2001* (Cth), *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and the *Privacy Act 1988* (Cth);
- market and liquidity risk;
- credit risk;
- fraud or misconduct by its credit representative brokers, contracted brokers who are own licence holders or customers; and
- cyber and security risk being the risk that an intentional act (internal or external) or failure of information technology systems may result in financial or intellectual property loss, reputational impact or cause a significant disruption to business activities.

The Head of Risk and Compliance has a dotted line to the Chair of the Board Risk and Compliance Committee. Where required, the Head of Risk and Compliance may engage external independent consultants to assist with an audit.

Compliance and other risks are identified, documented and analysed by the Company's Risk and Compliance team through the implementation of the 'Three Lines of Defence' risk management framework. Risks are assessed using a matrix of probability and potential impact. Action plans are then implemented to reduce any residual risk. The Risk and Compliance team has its own dedicated analytical resources.

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 brokers who are own licence holders, as well as certain other audit programs.

The Risk and Compliance team is managed by the Head of Risk and Compliance who reports to the COO.

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

- executing audit programs;
- using analytics in monitoring suspicious loan transactions;
- quality assurance sampling; 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 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 Committee and the Risk and Compliance Committee.

## Environmental and social risks

Given the nature of AFG operations in the finance sector and specifically in the mortgage broking sector and in securitised loan products, the Board currently considers that the Company does not have material exposure to environmental and social risks. However, as with all companies operating in Australia, AFG is exposed to some environmental and social risks. Those risks, as well as details of how AFG manages those risks, are referred to in the Sustainability section of AFG's 2023 Annual Report, which is available on the Company's website.

## Principle 8

# Remunerate fairly and responsibly

### Remuneration and Nomination Committee

As at 30 June 2023, the Board operated a Remuneration and Nomination Committee comprised of independent non-executive directors Annette King (Chair), Craig Carter, Jane Muirsmith, and Greg Medcraft.

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 2023 Directors' Report and Annual Financial Statements contained in the 2023 Annual Report.

As noted above, former Chair of the Remuneration and Nomination Committee, Melanie Kiely, stepped down from the Board and the Remuneration and Nomination Committee on conclusion of the 2022 AGM. The Remuneration and Nomination Committee's policy objectives are to monitor that the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders without rewarding conduct that is contrary to the Company's values or risk appetite.

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

- Reviewing and recommending arrangements for the CEO and the senior executives reporting to the CEO 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 executives.
- Reviewing the executives' performance assessment processes and results as they reflect the capability of Management to realise the business strategy.
- Reviewing and approving short-term and long-term incentive strategy, performance targets and bonus payments for senior executives.
- Reviewing and recommending to the Board the remuneration arrangements for the Board Chair and non-executive directors, including fees, travel and other benefits including any policies or directives on non-executive directors' minimum shareholdings.

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 2023 Directors' Report and Financial Statements contained in the 2023 Annual Report, sets out the Company's remuneration philosophy, framework and outcomes for all non-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.
- 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 director fee pool shall be determined from time to time by a general meeting of the Company's shareholders. The current approved aggregate fee pool is \$1,250,000 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 and a summary of the non-executive director minimum shareholding policy is 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, available on the Company's website, includes the following provisions in relation to hedging of the Company's securities (for example entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities), including those acquired as part of an equity-based remuneration plan.

Hedging of Company securities by directors, senior executives, other employees and their connected persons ("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 incentive plan operated by the Company (for example performance rights or options).
- Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of any equity incentive plan operated by the Company.

During the financial year ending 30 June 2023 there were no hedging arrangements in relation to the Company's securities entered into by Relevant Persons.



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