

## Appendix 4G

### Key to Disclosures

### Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

**Name of entity**

ELMO Software Limited

**ABN / ARBN**

13 102 455 087

**Financial year ended:**

30 June 2018

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

☐ These pages of our annual report:

☒ This URL on our website:

<https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at 30 October 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 30 October 2018

Name of Secretary authorising lodgement:

Anna Sandham, Company Secretary

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<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> the Board Charter is located at the following URL on our website: <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement. <input checked="" type="checkbox"/> the Board Charter is located at the following URL on our website: <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a> .	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> the Diversity Policy is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

**Appendix 4G**

**Key to Disclosures Corporate Governance Council Principles and Recommendations**

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as 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; or</p> <p>(b) if it 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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> the Nomination and Remuneration Committee Charter is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a>.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p> <p><input checked="" type="checkbox"/> in our Annual Report which is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Result-Centre">https://investors.elmosoftware.com.au/Investors/?page=Result-Centre</a>.</p> <p>Paragraph (b) does not apply.</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	A listed entity should 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.	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement.
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p> <p>Paragraph (b) is not applicable.</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should 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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement. <input checked="" type="checkbox"/> the Code of Conduct is available at the following URL on our website: <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a> .	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) 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; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> the Audit &amp; Risk Committee Charter is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a>.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Annual Report which is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Result-Centre">https://investors.elmosoftware.com.au/Investors/?page=Result-Centre</a>.</p> <p>Paragraph (b) is not applicable.</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement.</p>
4.2	The board of a listed entity 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.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement. <input checked="" type="checkbox"/> the Price Sensitive Information Policy is available at the following URL on our website: <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a> .	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at <a href="https://investors.elmosoftware.com.au">https://investors.elmosoftware.com.au</a> .	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as 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; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement.</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> the Audit &amp; Risk Committee Charter is available at <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a>.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Annual Report which is available at the following URL on our website: <a href="https://investors.elmosoftware.com.au/Investors/?page=Result-Centre">https://investors.elmosoftware.com.au/Investors/?page=Result-Centre</a>.</p> <p>Paragraph (b) is not applicable.</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input type="checkbox"/> in our Corporate Governance Statement.</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Paragraph (a) does not apply.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



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**Key to Disclosures Corporate Governance Council Principles and Recommendations**


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Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as 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; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> the Nomination &amp; Remuneration Committee Charter is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a>.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement; and</p> <p><input checked="" type="checkbox"/> in our Annual Report which is available at  <a href="https://investors.elmosoftware.com.au/Investors/?page=Result-Centre">https://investors.elmosoftware.com.au/Investors/?page=Result-Centre</a>.</p> <p>Paragraph (b) does not apply.</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement.</p> <p><input checked="" type="checkbox"/> the Securities Dealing Policy is available at the following URL on our website:  <a href="https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance">https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance</a>.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of ELMO Software Limited (**ELMO** or the **Company**) and its subsidiaries (**ELMO Group**). The Board is accountable to ELMO Shareholders as a whole and must act in the best interests of ELMO.

The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic objectives, plans and budgets of ELMO. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of ELMO.

In conducting the ELMO business in line with these objectives, the Board seeks to ensure that ELMO is properly managed to protect and enhance Shareholder interests and that ELMO, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

The Board has created a framework for managing ELMO, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for the ELMO business and which are designed to promote the responsible management and conduct of ELMO. The Board sets the cultural and ethical tone.

The main policies and practices adopted by ELMO are summarised in this Corporate Governance Statement (**Statement**).

Each of the charters and policies referred to in this Statement are available on the ELMO website at <https://investors.elmosoftware.com.au>

This Statement:

- reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**) and the practices detailed in this Statement are current as at 30 October 2018; and
- Has been approved by the Board and is available on ELMO's website <https://investors.elmosoftware.com.au>

## **Principle 1: The Board lays solid foundations for management and oversight**

### *Role and responsibilities of the Board and management*

The Board has adopted a written charter to outline the manner in which the Board discharges its responsibilities. The Board Charter sets out the:

- Role and Responsibilities of the Board;
- Composition of the Board;
- Appointment of Directors; and
- Allocation of responsibilities.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising ELMO's strategies, policies and performance. This includes overseeing the financial and human resources ELMO has in place to meet its objectives and reviewing Management performance;
- protect and optimise ELMO's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with ELMO's values and governance framework; and
- ensure that Shareholders are kept informed of ELMO's performance and major developments affecting its state of affairs.

Matters which are specifically reserved to the Board or its committees include (without limitation):

- providing leadership and approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- determining dividend policy and the amount, nature and timing of dividends to be paid (if any);
- providing oversight of the Company, including its control and accountability systems;
- setting appropriate levels of delegated authority to management;
- monitoring compliance by the Company with its written policies and procedures and its compliance with obligations at law;
- appointing and removing the Chief Executive Officer (or equivalent) and monitoring their performance;
- ratifying the appointment of the Chief Financial Officer of the Company following the CEO's recommendation to the Board;
- ratifying the proposed appointment of any Directors and the Company Secretary; and
- approving the Company's remuneration framework for the CEO and other key management personnel (including senior and key officers of the Company) and the remuneration policy and succession plans for the CEO and Senior Executives.

The management function is conducted by, or under the supervision of, the CEO, as directed by the Board.

The Board's responsibilities are set out in the Board Charter, which is available on ELMO's website at <https://investors.elmosoftware.com.au/>.

The Board has established the following committees to assist in the discharge of its responsibilities:

- Nomination and Remuneration Committee (**NRC**); and
- Audit and Risk Management Committee (**ARMC**).

Further information about the responsibilities of these committees are set out in this Corporate Governance Statement.

The Board may from time to time establish other committees to assist in the discharge of its responsibilities.

#### *Access to information and independent professional advice*

Management must supply the Board information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. To facilitate independent judgement in decision making, each Director has the right to seek independent professional advice and ELMO will meet the reasonable costs of such advice whenever that Director considers such advice reasonably necessary in order to fulfil his/her responsibilities as a director or a conflict of interest arises between the Director and the Company.

#### *Board meetings*

The Board holds regular meetings and is expected to meet at least ten times per calendar year or as frequently as may otherwise be required to deal with urgent matters, which might arise between the scheduled meetings.

For details of the Directors as at 30 June 2018, their qualifications, skills and experience, refer to 'Information on Directors' in the Directors' Report contained within the Annual Report. For details of Directors' attendance at Board and Committee Meetings for the year ended 30 June 2018, refer to 'Meetings of Directors in the Directors' Report contained within the Annual Report.

*Appointment and re-election of directors*

The Board, together with the NRC, determines the size and composition of the Board, subject to the terms of the Constitution.

The composition of the Board is determined by the following principles:

- the Board will comprise members with an appropriate range of skills, expertise, experience and contacts relevant to the Company's business;
- the Company's Constitution provides for a minimum of three directors and no more than nine Directors as determined from time to time;
- the Directors have determined for the present the Board will comprise of four Directors;
- the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified; and
- to the extent practicable given the size and composition of the Board from time to time, the Board will appoint a chairperson to the Board who is an independent director. The newly appointed Chair, Barry Lewin is an independent non-executive director. Prior to Barry Lewin's appointment as Chair, Jim McKerlie held the position of Chair. Jim McKerlie was an independent non-executive director.

The composition of the Board, its performance and the appointment of new Directors will be reviewed from time to time by the Board, taking advice from external advisers where considered appropriate. The Board will consider candidates identified and selected by the NRC (exercising its objectives under the NRC Charter) having regard to:

- the skills, expertise and experience of the candidates;
- the desirability of those skills, expertise and experience when combined with those of the existing Directors and taking into account the benefit of diversity to the Company; and
- the perceived compatibility of the candidates with the Company and with the existing Directors.

The Board may elect any person as a casual Director and that person shall continue in office only until the next Annual General Meeting (**AGM**) where they must resign and are then eligible for election.

Under the Constitution at least one of its existing directors, being the Director (excluding the Managing Director) serving longest in office since their appointment or re-election, must retire at each AGM.

Shareholders will be provided with details about each Director for election or re-election in the notice of meeting for the AGM to enable them to make a decision on election/re-election.

At the commencement of any Director selection process, ELMO will undertake appropriate checks on potential candidates to consider their suitability. This was undertaken for all Directors as part of the ASX listing process and for Kate Hill who was appointed to the Board in June 2018 and for Barry Lewin who was appointed to the Board in October 2018.

ELMO enters into a written agreement with each Director and senior executive setting out the terms of the Director's or senior executive's appointment.

*Chairman*

The Chairman is to be elected by the Directors. To the extent practicable given the size and composition of the Board from time to time, the Board will appoint a chairperson to the Board who is an independent director. Following the resignation of independent non-executive Chairman Jim McKerlie on 19 September 2018, Barry Lewin, an independent non-executive Director was appointed as Chair on 10 October 2018. During the intervening period, Kate Hill, an independent non-executive Director acted in the position of interim Chair whilst the recruitment process was underway.

#### *Company Secretary*

All Directors have direct access to the Company Secretary who is responsible to the Board, through the Chairman, on all corporate governance matters. The Company Secretary's responsibilities are set out in the Board Charter, which is available on the ELMO website at <https://investors.elmosoftware.com.au>.

#### *Diversity*

ELMO values a strong and diverse workforce and is committed to promoting a corporate culture that embraces diversity and equal opportunity. The Board has formally approved a Diversity Policy in order to actively facilitate that ELMO's workforce (including the Board) is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company. The Board is responsible for establishing and monitoring the Company's overall diversity strategy and policy.

The Board will:

- ensure that as part of its Board selection policy, recruitment and selection practices at Board level are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates;
- implement a reporting framework that will ensure that relevant members of management report to the Board on diversity, and in particular gender and diversity amongst employees and consultants so that the Board can monitor the Company's commitment to diversity principles.

Management will use its reasonable endeavours to ensure that all recruitment and selection practices of employees and consultants are appropriately structured so that, to the extent practicable given the circumstances of the role and the jurisdiction in which that role is to be filled, a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates.

ELMO's commitment to diversity forms part of a merit-based organisational culture dedicated to the appointment of the best qualified employees, consultants, management and Board.

ELMO's commitment applies in all phases of employee engagement including recruitment, selection, development, promotion, rewards and remuneration. In particular, ELMO seeks to recruit from a rich, diverse pool of qualified candidates at all levels.

ELMO seeks to create a work environment where people are free to achieve their best, without encountering prejudice regarding their gender, ethnicity or cultural background, age, impairment, religious belief or activity or lawful sexual activity. ELMO will not tolerate any form of unlawful discrimination, harassment, vilification or victimisation of an employee who raises concerns or provides information about such conduct.

ELMO also acknowledges the need for its employees to combine and balance their career and family obligations, and recognises the importance of caring for family members. ELMO will, to the extent practicable, adopt flexible work practices that will assist employees to meet their domestic responsibilities.

The Board fully supports all kinds of diversity, however the Board has determined that for the time being the policy will not include measurable objectives against which ELMO will report on an annual basis. Due to the size of the Company the Board does not consider it appropriate to adopt such measurable objectives or set targets at this time.

The programs ELMO currently has in place to support diversity include options for job share working arrangements and working from home arrangements, subject to business needs.

The Diversity Policy is available on the ELMO website at <https://investors.elmosoftware.com.au/>.

ELMO workforce diversity is as follows:

**Female and male employees as a percentage of workforce participation as at 30 June 2018  
(compared to 30 June 2017)**

ELMO	Females Percentage at 30 June 2017	Females Percentage at 30 June 2018	Males Percentage at 30 June 2017	Males Percentage at 30 June 2018
Board	0	25%	100%	75%
Non-executive Board Directors	0	50%	100%	50%
Senior Leadership Team*	20%	20%	80%	80%
Overall for ELMO	69%	37%	31%	63%

\* Senior Leadership Team is the level reporting to the Chief Executive Officer.

*Performance review of the Board*

The NRC determines the evaluation criteria and process for the evaluation of the Board, its committees and individual directors and reviewing and making recommendations on the size and structure of the Board and reviewing the effectiveness and program of Board meetings.

During the year ended 30 June 2018, the Board conducted a review of the Board, its Committees and the Directors. This included a full discussion on Board processes, director contribution, Committee operation and governance. The findings of these reviews were used to enhance Board and governance processes and assisted in the recruitment of an independent Non-Executive Director during the year.

*Performance review of executive management*

The performance of the Chief Executive Officer is reviewed annually by the Chairman. The performance of the Chief Financial Officer and other key executives will be reviewed annually by the Chief Executive Officer against predetermined goals and criteria.

**Principle 2: The Board is structured to add value**

*Nomination and Remuneration Committee (NRC)*

The NRC Committee will assist the Board with fulfilling its responsibilities to Shareholders and other stakeholders to ensure that ELMO:

- identifies nominees for directorships and other key executive appointments;
- has appropriate processes in place for the appointment and re-election of directors;
- Implements effective induction and education procedures for new Board appointees and key executives;
- ensures that appropriate procedures exist to assess and review the performance of the chairperson (Chair), non-executive directors, senior executive employees (key officers of the Company) (Senior Executives) and the Board as a whole;

- puts in place remuneration policies which are designed to attract and retain high quality directors, and attract, retain and motivate Senior Executives, with the expertise to enhance the performance and growth of the Company and create value for security holders;
- puts in place remuneration policies that clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and Senior Executives;
- ensures that the level and composition of remuneration packages are fair, reasonable and responsible.

The NRC's charter provides that the NRC must, to the extent practicable given the size and composition of the Board from time to time, comprise at least three members, a majority of whom are independent directors. Currently, the Nomination and Remuneration Committee comprises of three Directors, namely:

- Barry Lewin (Chair)
- Kate Hill; and
- Trevor Lonstein.

This membership provides for a majority of independent Non-executive Directors and the Chair is currently an independent Non-executive Director.

Non-committee members, including members of management and the external auditor, may attend meetings of the NRC by invitation of the committee chair.

The NRC has the right to seek internal and external advice when it considers such advice reasonably necessary in order to fulfil its responsibilities. In addition, Senior Executives must supply the Committee with information in a form, timeframe and of a quality that will enable the Committee to effectively discharge its duties. In addition, Directors can obtain independent legal, financial, remuneration or other professional advice when considered reasonably necessary at the expense of the Company and are encouraged to do so, and actively request additional information where they consider that the information supplied by internal or external sources is insufficient to allow them to make informed decisions.

For details of the number of NRC meetings and the attendance at those meetings for the year ended 30 June 2018, refer to 'Meetings of Directors' in the Directors' report contained within the Annual Report.

Non-executive Directors inform the Chairman before accepting any new appointment as a Director of another listed entity, another other material directorship or other position with a significant time commitment attached.

The NRC charter is available on ELMO website at <https://investors.elmosoftware.com.au/>.

#### *Board Skills Matrix*

The Board seeks to ensure that it has the appropriate mix of skills, knowledge and experience to guide ELMO and assist management achieve the strategic objectives set by the Board. The NRC is responsible for implementing plans for identifying, assessing and enhancing Director competencies.

During the year ended 30 June 2018, the NRC has developed a formal Board Skills Matrix. The Board Skills Matrix looked at the current skills, diversity and experience of the Board and its needs going forward. The Board has considered its skills mix and currently considers an appropriate mix of skills, diversity and experience is represented on the Board, taking into account the size of ELMO and the nature of ELMO operations. Assessment of the skills, diversity and experience of the Board is continually monitored and reviewed by the NRC.



*Independence*

The Board comprises four Directors, including an Independent Non-executive Chair, one Independent Non-executive Director and two Executive Directors (the CEO and the CFO), neither of whom are independent. There is not a majority of independent Directors on the Board but the Board considers that the Board is of a suitable size and composition for a company at the Company's current stage of its growth cycle.

The Board considers a Director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted materiality guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board.

Independent Directors are required to notify the Board promptly if they become aware of any factor which may affect their status as an Independent Director.

The Board considers that both Kate Hill (who was appointed on 8 June 2018) and Barry Lewin (who was appointed on 10 October 2018) are free from any business or any other relationships that could materially interfere with, or reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement and are able to fulfil the role of Independent Directors for the purposes of the ASX Recommendations.

The Board considered both Jim McKerlie and David Hancock (who resigned on 19 September 2018 and 8 June 2018 respectively), to be independent Directors for the purposes of the ASX recommendations during their tenures as Directors.

Danny Lessem is not considered by the Board to be independent by virtue of his substantial shareholding in the Company and his role as CEO of ELMO. Trevor Lonstein is not considered by the Board to be independent by virtue of his employment as CFO of ELMO.

A full description of ELMO policy on the criteria the Board considers when assessing independence is included in the Board Charter which is available on ELMO website at <https://investors.elmosoftware.com.au/>.

Director	Independence status	Appointment date
Barry Lewin (Chair)	Independent Chair Independent non-executive Director	October 2018
Kate Hill	Independent non-executive Director	June 2018
Danny Lessem	Not independent as CEO and has a substantial holding in the Company	October 2002
Trevor Lonstein	Not independent as employed as CFO	March 2017

For details of the Directors as at 30 June 2018, their qualifications, skills and experience refer to 'Information on Directors' in the Directors' Report.

*Induction and education*

The NRC is responsible for implementing an induction program that enables new Directors and executives to gain an understanding of:

- the Company's financial, strategic, operational and risk management position;
- their rights, duties and responsibilities; and

- the role of any Board committees.

Each Director completed an induction program through either their involvement in the due diligence process as part of listing on the ASX, or since their appointment.

Directors are provided with access to continuing education to update and enhance their skills and knowledge. This may include education concerning key developments in the Company and within the industry and environments within which it operates.

### **Principle 3: The Board promotes ethical and responsible decision-making**

#### *Code of Conduct*

ELMO is committed to a high level of integrity and ethical standards in all business practices. The Board has adopted a formal Code of Conduct which outlines how ELMO expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All ELMO employees (including temporary employees, contractors and Directors) must comply with the Code of Conduct.

The Code is designed to:

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

The Code of Conduct is available on ELMO website at <https://investors.elmosoftware.com.au/>.

#### *Securities Dealing Policy*

ELMO has adopted a Securities Dealing Policy which is intended to explain the types of dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects ELMO and its Directors and employees against the misuse of unpublished information which could materially affect the value of securities. The policy applies to all Directors, employees and contractors of ELMO and its related bodies corporate (and any of their Associates).

The policy provides that Directors, employees (including key management personnel) and contractors of the Group Relevant Persons must not deal in ELMO securities:

- when they are in possession of price-sensitive or 'inside' information or ELMO is in possession of price-sensitive or 'inside' information and has notified them they must not deal in ELMO securities; or
- on a short-term trading basis (which excludes exercising rights under an equity plan and electing to immediately sell those Shares issued on exercise of the rights) without the approval of the Chairman.

Subject to insider trading laws, Directors, employees (including key management personnel) as defined in the Policy may deal in Securities of the Company at any time, except:

- in the period following 31 December and 30 June up to the time of the announcement of the Company's half yearly or annual financial results to ASX respectively;
- where the dealing in the Security is the exercise of an option that has vested under a Group incentive plan, the period being outside the Option Exercise Period. and
- any other period designated by the Board from time to time.

The Securities Dealing Policy is available on ELMO website at <https://investors.elmosoftware.com.au/>.

#### **Principle 4: The Board safeguards integrity in corporate reporting**

##### *Audit and Risk Management Committee (ARMC)*

The ARMC will assist the Board in fulfilling its statutory, corporate governance and oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal controls, the independence, objectivity and performance of external auditors and the policies on risk oversight and management. Its responsibilities include:

- making recommendations to the Board in relation to the nomination and remuneration of external auditors;
- reviewing the performance and independence of the external audit;
- providing an independent, objective review of financial information provided by management to shareholders and regulatory authorities;
- reviewing the adequacy and effectiveness of the Company policies and procedures which relate to risk management and compliance;
- maintaining an up-to-date understanding of areas where the Company is, or may be, exposed to risk and compliance issues and seek to ensure that management is effectively managing those issues; and
- assisting the Board in fulfilling its responsibilities relating to the risk management and compliance practices of ELMO.

The ARMC has been established with a formal charter which provides for the committee to oversee the internal programs to evaluate risk management and internal control processes for managing risk and to review whether the appointment of an internal auditor is recommended.

The ARMC's charter provides that to the extent practicable given the size and composition of the Board from time to time, the Committee should have at least three members, a majority of whom are independent Directors. The current composition of the ARMC is:

- Kate Hill (Chair);
- Barry Lewin; and
- Danny Lessem.

This membership provides for a majority of Independent Non-executive Directors and an independent Non-executive Chair who is not the Chairman of the Board.

Non-committee members, including members of management and the external auditor, may attend meetings of the ARMC by invitation of the committee chair.

In accordance with its charter, to the extent practicable given the size and composition of the Board from time to time, at least one member of the ARMC has accounting and financial expertise and each member is able to read and understand financial statements.

For further details regarding the qualifications of the members of the ARMC as at 30 June 2018 refer to the Directors' Report contained within the Annual Report.

##### *Selection and rotation of the external auditor*

The ARMC is responsible for reviewing procedures for the selection and appointment of external auditors according to criteria set by the ARMC from time to time

The ARMC has access to the external auditor to discuss matters without management being present.

For details regarding the number of ARMC meetings and the attendance at those meetings, refer to 'Meetings of Directors' in the Directors' Report contained within the Annual Report.

*CEO and CFO declaration*

Prior to Board approval of ELMO's half year and annual financial reports, the ARMC ensures it receives from the CEO and CFO of the Company, a declaration that, in their opinion, the financial records of the Company 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 (as required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles).

For the year ended 30 June 2018, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles as detailed above. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively.

*Auditor at AGM*

At ELMO's AGM, the external auditor will be present and available to answer Shareholder questions on the:

- conduct of the audit;
- preparation and content of the external auditor's report;
- accounting policies adopted by ELMO in relation to the preparation of the financial statements; and
- independence of the auditor in relation to the conduct of the audit.

The Audit and Risk Management Committee Charter is available on ELMO's website at <https://investors.elmosoftware.com.au/>.

**Principle 5: The Board makes timely and balanced disclosure**

ELMO places a high priority on communication with Shareholders and is aware of the obligations it has under the Corporations Act and the ASX Listing Rules to keep the market fully informed of any information ELMO becomes aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of Shares.

ELMO has adopted a Price Sensitive Information Policy which establishes procedures to ensure that Directors and employees are aware of and fulfil their obligations in relation to the timely and balanced disclosure of all material matters concerning the Company. The Price Sensitive Information Policy includes vetting and authorisation processes designed to ensure that ELMO's information:

- if required to be disclosed, is disclosed in a timely manner;
- is factual;
- does not omit material information; and
- is expressed in a clear and objective manner.

The Company Secretary has primary responsibility for all communication with ASX in relation to ASX Listing Rule matters.

The Price Sensitive Information Policy is available on ELMO website at <https://investors.elmosoftware.com.au/>.

## **Principle 6: The Board respects the rights of Shareholders**

ELMO's Shareholder Communication and Participation Policy is designed to facilitate full and open communication with its shareholders, observing the highest standards in corporate governance and shareholder communications. The policy outlines the Company's policy of shareholder communications and the processes which the Company has in place to facilitate and encourage participation at shareholder meetings.

The Board aims to ensure that the Company is committed to maintaining direct, open, timely and effective two-way communication with all Shareholders. Information will be communicated to Shareholders through announcements to ASX, ELMO's annual report, annual general meetings, half yearly and full year results, and ELMO's website (<https://elmosoftware.com.au>).

All ASX announcements made to the market, including annual and half year financial results, are posted on ELMO's website at <https://investors.elmosoftware.com.au/> as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, ELMO's annual report and copies of all media releases made by ELMO and copies of all investor presentations made to analysts and media briefings will be posted on ELMO's website. The website will also contain a facility for the Shareholders to direct queries to ELMO and to elect to receive communications from ELMO via email.

The Shareholder Communication and Participation Policy is available on ELMO's website at <https://investors.elmosoftware.com.au/>.

In addition shareholders can opt for electronic communications from ELMO's share registry.

The Shareholder Communication and Participation Policy and the strategies outlined above and detailed in the policy facilitate effective two-way communication with investors.

### *Company website*

ELMO's website is at <https://elmosoftware.com.au> and is regularly kept up-to-date to maintain effective communication with Shareholders and other stakeholders.

The following information is available on the website:

- all ASX announcements made to the market as soon as they have been released by the ASX;
- notices of meetings and explanatory material, the Annual Report and copies of all investor presentations made to analysts and media briefings (as they are published);
- company history;
- members of the Board and senior leadership team;
- share price details;
- corporate governance charters and policies; and
- contact details.

Alternatively, Company announcements can be accessed from the 'announcements' section of the ASX website (ASX code: ELO).

### *Investor relations program and shareholder engagement and participation*

ELMO's investor relations program includes communication with shareholders mainly by its website as detailed above and also through its AGM.

ELMO will be holding its 2018 AGM in November 2018. To encourage Shareholder engagement and participation at the AGM, Shareholders will have the opportunity to attend the AGM, ask questions from the floor, participate in voting and meet the Board and executive management in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form accompanying the notice of meeting or online through the share registry's website. Shareholders will have the opportunity to submit written questions to ELMO and to the external auditor, or make comments and access AGM presentations and speeches made by the Chairman and CEO prior to the commencement of the meeting. ELMO will publish results of the meeting to the ASX and on its website following the conclusion of the AGM.

The contact details of ELMO and its share registry (see below under 'electronic communications') are available to Shareholders to address and facilitate any Shareholder-related enquiries.

#### *Electronic communications*

ELMO's contact details are available on the ELMO's website under 'contact'. Shareholders can also contact its share registry, Link Market Services via the ELMO website under My Shareholding.

Shareholders can access a number of services provided by Link online. The online service can be used to obtain information on current holdings and transaction history including dividend payment information for taxation purposes. Shareholders may also advise of changes to their holding such as Direct Credit banking instructions, change of address and notification of tax file number.

Shareholders may elect to receive all Shareholder communications (including notification that the annual report is available to view, notices of meeting and dividend statements) by email. Electronic communications have the added advantage of being more timely and cost effective, which benefits all Shareholders. Shareholders should contact Link if they want to elect to receive electronic communications.

#### **Principle 7: The Board recognises and manages risk**

The Board has the final responsibility for the identification of significant business risks. This responsibility is fulfilled by the ARMC which reviews the process used by management to monitor and mitigate major risks affecting each business segment. The ARMC is to report to the Board promptly following each of its meetings.

The CEO and CFO each provide a statement to the Board with the annual and half yearly reports to provide advice on the efficiency and effectiveness of the Company's risk management and internal compliance and control systems.

The identification and proper management of the ELMO risks are an important priority of the Board. The Board has adopted an Risk Management Policy appropriate for its business. This policy highlights the risks relevant to ELMO's operations and ELMO's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for risk management and for setting the organisation's risk appetite. However, strategic oversight of the organisation's approach to risk management is vested in the ARMC, which must report to the Board at least annually on the adequacy of the Risk Management Policy.

The ARMC is responsible for overseeing and approving risk management strategy and policies, monitoring risk management, and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

The ARMC regularly undertakes reviews of its risk management procedures to ensure that it complies with its legal obligations.

The Company has in place a system whereby management is required to report its adherence to policies and guidelines approved by the ARMC for the management of risks.

Details of the ARMC and its membership are contained in the disclosure under Principle 4. For details regarding the number of ARMC meetings and the attendance at those meetings, refer to 'Meetings of Directors' in the Directors' Report contained within the Annual Report.

#### *Risk Management Policy*

Through the IPO due diligence process in 2017, the Board conducted a thorough review of ELMO's material risks and the relevant controls.

The ARMC is responsible for:

- maintaining an up-to-date understanding of areas where the Company is, or may be, exposed to risk and compliance issues and seeking to ensure that management is effectively managing those issues, including:
  - non-compliance with laws, regulations, standards and best practice
  - guidelines including industrial relations, occupational health and safety,
  - environmental and trade practice laws;
  - important judgements and accounting estimates;
  - litigation and claims;
  - fraud and theft; and
  - relevant business risks not dealt with by other Board committees;
- receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
- reviewing the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance;
- making recommendations to the Board on the appropriate risk and risk management reporting requirements to the Board and ARMC;
- assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
- meeting periodically with senior key officers of the Company, internal and external auditors and those responsible for compliance to understand the Company's risk management and internal compliance and control system;
- providing advice to the Board on relevant corporate level performance indicators and targets for risk management and compliance activities;
- undertaking an annual review of the Risk Management Policy and underlying strategies and procedures to ensure its continued application and relevance;
- examining and evaluating the effectiveness of the internal control system with management and internal and external auditors; and
- receiving and considering reports on risk management and compliance programs and performance against policy and strategic targets.

The policy and the associated procedures have been drafted taking into account current best practice, AS/NZS ISO 31000:2009: Risk Management – Principles and Guidelines and ASX Principle 7: Recognise and Manage Risk.

It is proposed that the policy, together with the following documents, will form the Group Risk Management Framework:

- Risk Management Register – this register will specify the approach, the management components (i.e. the procedures, practices, assignment of responsibilities, sequence and timing of activities) and resources to be applied to the management of risk..
- Risk Management Procedure – this procedure will outline the processes and controls that are to be in place to ensure that the risks are adequately identified, assessed, documented, measured, mitigated and monitored.

ELMO is committed to:

- providing appropriate resources to develop and maintain an effective risk management framework;
- developing, reviewing and clearly documenting processes and guidelines for the implementation of this Policy;
- establishing and monitoring performance against annual approved strategic KPIs; and
- undertaking risk reviews and internal audits on a periodic basis.

The ARMC will be approving the Risk Management Framework and Register during FY19 and will be reviewed on an annual basis going forward.

Senior Management has reported to the Board (through the ARMC) on the effectiveness of the management of the material risks faced by ELMO during the financial year ended 30 June 2018. The then Board (through the Prospectus process) reviewed the risk management framework and was satisfied that it is sound.

#### *Internal audit*

Due to the size and current stage of development of ELMO, ELMO does not have an independent internal audit function. The ARMC Charter puts in place processes to monitor the Company's financial and risk management procedures and the Board currently considers these processes to be appropriate for the size and level of operations of the Company. As ELMO continues to develop, the ARMC will consider establishing an independent internal audit function.

#### *Economic, environmental and social sustainability risks*

ELMO has exposures to economic sustainability risks, including:

- Market risk which includes the competitive landscape with the competition brought about by domestic and international cloud HR & payroll solution providers. The adverse effects that could be caused by these risks include ELMO competing less effectively against competitors, reducing the Company's market share and limiting the ability to develop or secure new business which would have an adverse impact on ELMO's operating and financial performance.
- Financial risks which include pricing risk, reliance on ELMO's cloud HR & payroll solutions and failure to adequately maintain and develop these, and failure to effectively manage growth.

These risks are managed by the CEO and Senior Management Team regularly reviewing and evolving the product and service offering, ensuring thorough due diligence processes for any acquisitions, clear foreign exchange policies and practices, and constant review of the competitive environment and the financial performance and drivers of any changes.

ELMO does not have material exposures to environmental and social sustainability risks.

### **Principle 8: The Board remunerates fairly and responsibly**

#### *Nomination and Remuneration Committee (NRC)*

In its function as a remuneration committee, the NRC assists the Board in fulfilling its corporate governance responsibilities by:

- reviewing and making recommendations to the Board on remuneration packages and policies related to the Directors and senior executives;
- ensuring that the remuneration policies and practices are consistent with the Company's strategic goals and human resources objectives;
- ensuring that Directors and senior management are remunerated fairly and responsibly; and
- if considered necessary, engaging remuneration consultants and receiving any advice and/or recommendations from them with respect to the setting remuneration.



Details of the NRC and its members are contained in the disclosure under Principle 2. For details of the number of NRC meetings and the attendance at those meetings for the year ended 30 June 2018, refer to 'Meetings of Directors' in the Directors' Report contained within the Annual Report.

*Remuneration report and remuneration policies*

ELMO's remuneration strategy and policies aim to attract and retain talented people to run and manage ELMO and to align their interests with those of the Shareholders. The Board is committed to having a remuneration strategy and policy that rewards and retains appropriately experienced and skilled employees and executives throughout all levels of the Company.

In the case of all senior employees, this will be realised by providing a fixed remuneration component together with specific 'at risk' performance based short-term incentives and, where appropriate for selected executives, long-term equity incentives subject to market competitive service and performance conditions.

In the case of Non-executive Directors, remuneration will be market competitive and will not contain performance-based components. Non-executive Directors will receive fees (and statutory superannuation entitlements) commensurate with their role and this does not include an incentive component. There are also no retirement schemes for Non-executive Directors, other than superannuation.

The Board has committed to regularly reviewing all Board and key executive management remuneration and incentive arrangements to ensure they remain competitive, in line with market expectations and guidelines, and remain appropriate for ELMO as it changes and grows.

Further details on the Remuneration framework for Executives and Non-executive Directors is included in the Remuneration Report, within the Annual Report.

*Equity-based remuneration scheme*

ELMO has established both a Senior Executive Equity Plan (**SEEP**) and a High Performer Equity Plan (**HPEP**), under which eligible participants receive equity incentives which will vest on meeting agreed criteria.

The Board will use equity based remuneration to reward, motivate and retain management. The Board's objective is to implement a remuneration framework that aligns the interests of participants with ELMO's strategic objectives in order to maximise Shareholder value.

Under the SEEP and HPEP and the Securities Dealing Policy, participants are prohibited from entering into any transaction or arrangement, including by way of derivatives or similar financial products, which limit the economic risk of holding unvested equity awards.

In addition, under the Securities Dealing Policy, Key Management Personnel are not permitted to enter into (directly or indirectly) a margin loan or other financing arrangement where there is a risk that ELMO's Securities will be traded pursuant to the terms of the margin loan or financing arrangement, unless they have obtained the prior written consent of the Chairman to enter into the Margin Loan.

The SEEP and HPEP are both governed by the overriding Equity Plan Rules which are available on the 'Announcements' section of the ASX website for ELO lodged on 29 June 2017. The Securities Dealing Policy is available the ELMO's website at <https://investors.elmosoftware.com.au/>.

Further detail is available in the Remuneration Report contained within the Annual Report.