



## ASX Announcement

### Correction to Appendix 4G dated 18 February 2019

#### Release date: 18 February 2019

Smartgroup Corporation Ltd (ASX: SIQ) refers to the Appendix 4G released earlier today (18 February 2019).

The correct date on the first page of the Appendix 4G is 18 February 2019 (where it appears twice).

The correct version is attached.

For further information contact:

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Smartgroup Corporation Ltd  
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## Appendix 4G

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

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

**Name of entity**

Smartgroup Corporation Ltd

**ABN / ARBN**

126 266 831

**Financial year ended:**

31/12/2018

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: <http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at 18 February 2019 and has been approved by the board.

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

Date: 18 February 2019

Name of Secretary authorising lodgement: Amanda Morgan - Company Secretary

<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 ...  |
|---|---|---|
| 1.1   | A listed entity should disclose:<br>(a) the respective roles and responsibilities of its board and management; and<br>(b) those matters expressly reserved to the board and those delegated to management.  | ... the fact that we follow this recommendation:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i><br>... 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):<br><input checked="" type="checkbox"/> In our Board Charter, a copy of which is on our website at:<br><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance</a> |
| 1.2   | A listed entity should:<br>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and<br>(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:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input checked="" type="checkbox"/> at this location:<br>We provide security holders with all material information in our possession relevant to a decision on whether or not to elect or re-elect a director in the notices of meeting for our Annual General Meetings. Those notices are on our website at: <a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a>  |
| 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:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>   |
| 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:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>   |

## 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 ...   |
|---|--|
| <p>1.5 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 <b>OR</b></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"/> at this location: <a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.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 <b>OR</b></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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> |
| <p>1.6 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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</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>   |
| <p>1.7 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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</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>   |

## 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 ...  |
|---|--|---|
| 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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location: <a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.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 <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In our Annual Report for 2018 which is on our website at: <a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ 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><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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>  |

## 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 ...  |
|--|---|
| <p>2.3 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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and, where applicable, the information referred to in paragraph (b):</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> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In our Annual Report for 2018 which is on our website at:<br/> <a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a></p> |
| <p>2.4 A majority of the board of a listed entity should be independent directors.</p>   | <p>... the fact that we follow this recommendation:</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>  |
| <p>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.</p>   | <p>... the fact that we follow this recommendation:</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>  |
| <p>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.</p>  | <p>... the fact that we follow this recommendation:</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>  |
| <p>3.1 A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>   | <p>... our code of conduct or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance</a></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 ...   |
|---|--|
| <p>4.1 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, 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 checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In our Annual Report for 2018 which is on our website at:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> |
| <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>  | <p>... the fact that we follow this recommendation:</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>   |
| <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>  | <p>... the fact that we follow this recommendation:</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>   |

## 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 ...   |
|---|--|--|
| 5.1   | A listed entity should:<br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br>(b) disclose that policy or a summary of it. | ... our continuous disclosure compliance policy or a summary of it:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input checked="" type="checkbox"/> at this location:<br><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance</a> |
| 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:<br><input checked="" type="checkbox"/> at this location:<br><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance</a>  |
| 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:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>  |
| 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:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>  |
| 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:<br><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at <i>[insert location]</i>  |



## 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 ...  |
|--|---|
| <p>7.1 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 a committee or committees to oversee risk that comply with paragraphs (1) and (2):</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> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.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 <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In our Annual Report for 2018 which is on our website at:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> |
| <p>7.2 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 checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 ...  |
|--|---|
| <p>7.3</p> <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;<br/>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>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</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> <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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> |
| <p>7.4</p> <p>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>  | <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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 ...  |
|--|---|
| <p>8.1 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 remuneration committee that complies with paragraphs (1) and (2):</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> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.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 <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In our Annual Report for 2018 which is on our website at:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ 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><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> |
| <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>  | <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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>In our Annual Report for 2018 which is on our website at:</p> <p><a href="http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements">http://ir.smartgroup.com.au/Investors/?page=ASX-Announcements</a></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 ...   |
|---|--|--|
| 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 <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Our Trading Policy discloses our policy regarding entry into transactions which limit the economic risk of participating in the scheme. It is on our website at:<br/> <a href="http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance">http://ir.smartgroup.com.au/Investors/?page=Corporate-Governance</a></p> |
| -   | <p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p> | <p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>  |
| -   | <p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>  | <p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>  |

Smartgroup Corporation Ltd

# Corporate Governance Statement

As at 31 December 2018

The Board of the Company is committed to achieving the highest standards of corporate governance. The Board has adopted a corporate governance framework comprising principles and policies that the Board considers fundamental to the Company's continued growth and success.

This framework is designed to promote responsible management and assists the Board to discharge its corporate governance responsibilities on behalf of the Company's shareholders.

Copies or summaries of the charters under which the Board and Board committees operate, the Company's policies and other relevant information referred to in this Statement are available on the Company's website at <http://ir.smartgroup.com.au/Investors/>.

The Company's governance arrangements have been consistent with the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) ("ASX Recommendations") throughout the financial year ended 31 December 2018.

This Statement is structured and numbered in the order of the Principles set out in the ASX Recommendations.

This Statement is current as at 18 February 2019 and has been approved by the Board.

## Principle 1 – Lay Solid Foundations for Management and Oversight

### Role of Board and Management

The Board operates in accordance with the principles laid out in its Board Charter (on the Company's website) to provide a framework for its effective operation. The Board has ultimate responsibility for setting strategy and policy regarding the business and affairs of the Company and its subsidiaries for the benefit of shareholders, after having considered regulatory matters and other ethical expectations and obligations.

As set out in the Board Charter, the Board's role and responsibilities include (in summary):

- **Direction and objectives:** approving the Company's corporate strategy, budget and targets;
- **Compliance:** monitoring compliance with all laws, regulations and accounting standards;
- **Performance and remuneration:** appointing, evaluating, rewarding or removing senior management; monitoring performance; establishing all remuneration-related arrangements; and reviewing succession planning;
- **Risk management:** reviewing, ratifying and monitoring management's framework and systems of risk management, internal controls and compliance; and
- **Ethical:** promoting ethical and responsible decision-making, including establishing, maintaining and monitoring compliance and implementation of appropriate codes of conduct and other significant corporate policies.

The Board delegates to the CEO the authority to manage and control the day-to-day affairs of the Company within levels or limits of authority specified by the Board. Subject to the terms of its delegation, the CEO has authority to sub-delegate to the Executive Management Team ("EMT").

The CEO and the EMT have responsibility for the development and execution of the Company's strategy and for the day-to-day management of the Company. Ultimate approval of the Company's strategy and oversight of the Company rests with the Board.

### Appointment of directors

Before a director is appointed, the Company undertakes appropriate evaluation. Where a candidate is standing for election or re-election as a director, the notice of meeting will contain information on the candidate, including:

- biographical details, details of other material directorships held by the candidate, qualifications and experience;
- a statement regarding the director's independence;
- the recommendation of the rest of the Board on the resolution.

In the case of a candidate standing for election as a director for the first time, the notice of meeting will further contain:

- any material adverse information revealed by the various checks the Company has performed in relation to the director; and
- details of any interest, position, association or relationship that might influence or be perceived to influence in a material respect, the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

In the case of a candidate standing for re-election as a director, the notice of meeting will note the term of office currently served by the director.

As part of the selection process, any candidate will be asked to provide details of their other commitments, and an indication of the time involved, with a view to ensuring that they will have sufficient time to fulfil their duties as a director.

### Terms of appointment

At the time of joining the Company, each director and senior executive is provided with a letter of appointment, together with key Company documents and information setting out their duties, rights and responsibilities and entitlements on termination.

### Company secretary

The Board is responsible for the appointment of company secretaries. The Board Charter provides that the company secretary is accountable directly to the Board, through the Chairman, on all corporate governance matters. The names of the Company's two company secretaries and their skills, experience and qualifications are contained in the Annual Report. All directors have direct access to the company secretaries to discuss matters at any time.

### Diversity Policy

The Company has in place a Diversity Policy. The policy was revised and updated in 2018, and a copy is available on the Company's website. The Company has always had, and continues to have, a notably broad and diverse employee base, in terms of gender, age, race and culture. The diversity of the staff is a matter of pride for the Company, and the Board believes that it contributes to levels of employee satisfaction and feelings of inclusion in the workplace.

The Board has actively worked to maintain and improve appropriate diversity across all levels of the Company. Consistent with last year, the Company continues to hold the following measurable objectives for achieving gender diversity:

- maintain the percentage of women represented at the EMT level at the current level or above;
- maintain the gender mix at the level below the EMT (direct report level) at 40% or above;
- maintain the gender mix at the other levels in the company at 40% or above;
- review the gender pay gap annually and adjust where required; and
- enhance recruitment practices to ensure a balanced representation of, and equal opportunity for women at all stages of the recruitment process.

These objectives are discussed below.

**Female representation on EMT:** The percentage of women has increased by three women, therefore objective a) was met.

**Gender mix below the EMT:** As at 31 December 2018 the total staff at the direct report level was 114, of whom 52 were women (a percentage of 46%) (so objective b) was met).

**Gender mix generally:** As at 31 December 2018 the Company employed 752 staff in total, of whom 381 were women, meaning the percentage of women employed was 52% (so objective c) was met).

**Gender pay gap review:** The Company's Human Resources team commenced a gender pay gap review at the end of 2018. This review identified a small number of gaps and discrepancies in gender pay within certain areas of the workforce. The Human Resources team continues to monitor remuneration from a gender perspective and is identifying practices that contribute to gender pay gaps. Ensuring that men and women on parental leave are automatically included in annual remuneration reviews has mitigated one primary cause of gender pay imbalance.

**Enhanced recruitment practices:** Smartgroup continues to apply recruitment and selection processes that have equal employment opportunity as an inherent component for internal and external candidates. Monitoring and measuring applicant gender profiles enables early identification of roles and functions that have an uneven gender spread. These statistics are reported monthly and link to internal talent management and learning and development initiatives to address identified imbalances.

The HRRC reviews and monitors the effectiveness of our diversity policy. The diversity plan that forms part of the Human Resources Strategy contains objectives, aligned with the Workplace Gender Equality Agency (WGEA) 2019 requirements, that Smartgroup is determined to achieve.

In order to give effect to the Diversity Policy, the Company has a Diversity Manager (a position held by the Chief Human Resources Officer). In summary, the Diversity Manager is responsible for:

- promoting diversity as an important strategic and cultural factor to achieve business objectives across the Company;
- proposing measurable diversity objectives to the Board to achieve gender diversity, identifying ways in which achievement is to be measured, and reporting to the Board on progress; and
- identifying programs and initiatives designed to support the achievement of the gender diversity objectives.

The Diversity Manager reports to the Board regularly on the above matters.

Smartgroup continues to be focused on gender diversity and met all requirements of WGEA in 2018.

Key to achieving the diversity objectives is the introduction and revising of a number of key policies. In 2018, Smartgroup adopted a new Parental Leave Policy, which offers 20 weeks paid leave for primary carers, 6 weeks paid leave for support carers and a return to work bonus.

Flexible working has been a feature of the Smartgroup work environment for a number of years and has helped many of our team members to balance their work and other commitments. The benefits to the organisation include higher levels of engagement, improved retention and greater collaboration. We have recently revised our flexible working policy and will be supporting the policy with training for managers.

#### **Board performance evaluation**

The Board continued to build on the recommendations from the Blackhall & Pearl evaluation conducted in late 2017. It also conducted an annual self-evaluation in 2018 and will follow up the commentary in 2019.

#### **Management performance evaluation**

The Board continued to build on the recommendations from the Blackhall & Pearl evaluation conducted in late 2017. It also conducted an annual self-evaluation in 2018 and will follow up the commentary in 2019.

## **Principle 2 – Structure the Board to Add Value**

### **Composition of the Board**

In accordance with its Charter, the Board consists of a majority of non-executive, independent directors.

The Board currently has seven directors, one of whom is an executive director (the Managing Director & CEO). The remaining directors, including the Chairman of the Board, are non-executive directors.

In terms of the mix of skills and diversity which the Board is looking to achieve, the key objective, as provided in the Board Charter, is to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business.

### **Board Committees**

To assist the Board in meeting its responsibilities, the Board currently has the following three committees:

- the Audit and Risk Committee (“ARC”);
- the Human Resources and Remuneration Committee (“HRRC”) (effectively a Nomination Committee); and
- the IT and Innovation Committee (“ITIC”), which was created in May 2016.

Each of the Committees has its own Charter which establishes the Committee’s terms of reference and operating procedures.

Details of the ARC are set out under the heading “Principle 4: Safeguard integrity in financial reporting. Details of the ITIC are set out under the heading “Principle 7: Recognise and Manage Risk”.

### Human Resources and Remuneration Committee

The HRRC has a Charter approved by the Board. The Charter was reviewed and updated in 2018, and a copy is available on the Company's website. The HRRC currently consists of four non-executive directors, all of whom are independent. It is chaired by an independent director, Gavin Bell. The other members of the HRRC are Michael Carapiet, John Prendiville and Deborah Homewood.

Under its Charter, the HRRC assists and advises the Board on director selection, recommendation and appointment practices; director performance evaluation processes and criteria; Board composition; and succession planning for the Board and the executives. This is so that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole. The Committee's role is also to advise the Board on remuneration policies and practices for the Board, management, and other members of staff who are responsible for the financial soundness of the Company. The Committee also oversees human resources strategies and the culture of the organisation.

### Board skills matrix

The HRRC reviews and makes recommendations to the Board on matters relating to the size and composition of the Board, and assesses the appropriate mix of skills, experience, expertise and diversity required on the Board and the extent to which such skills are represented on the Board. As part of this process, the Company has developed a Board skills matrix (see below), which assists in identifying any "gaps" in the skills and experience of the directors on the Board.

| Skills and Experience  | Board representation<br>(out of 7 directors) |
|--|--|
| <b>Industry Experience</b>   |  |
| <b>Executive and strategic leadership</b><br>Senior executive or directorship experience or public service equivalent  | 7  |
| <b>Financial and risk management</b><br>Senior executive level experience in financial accounting and reporting, corporate finance, risk and internal controls | 7  |
| <b>Other Board level experience (or equivalent)</b><br>Prior experience as Board member or membership of governance bodies                                     | 7  |
| <b>Regulatory, government and public policy</b><br>Background in legal or government   | 3  |
| <b>Industry (financial services, insurance, salary packaging)</b><br>Experience in the salary packaging industry or in financial services                      | 6  |
| <b>Knowledge and skills</b>  |  |
| Governance   | 7  |
| Sales and Marketing  | 3  |
| Human Resources and Remuneration   | 7  |
| Accounting and Finance   | 4  |
| Technology, Media and Communications   | 4  |
| Mergers and Acquisitions   | 6  |
| <b>Tertiary qualifications</b>   |  |
| Economics, law, commerce and/or business   | 7  |
| Science, engineering   | 2  |

The Board as a whole is strong in the areas of financial services and accounting and also in mergers and acquisition experience. The Board also has a good mix between private and public sector experience, across a number of industries. Areas where the Board may seek more expertise in the future are new technologies and communications.



As and when necessary, the HRRC will implement a process to identify suitable candidates, which may include a search being undertaken by an appropriate third party. The HRRC will evaluate prospective candidates and make recommendations to the Board for the appointment of new Board members. When the Board considers that a suitable candidate has been found, that person is appointed by the Board and, in accordance with the Company's constitution, must stand for re-election by shareholders at the next annual general meeting.

The HRRC meets as frequently as required to undertake its role effectively. The HRRC will review its performance from time to time.

The HRRC met three times in 2018. The attendance of the members of the HRRC at each meeting held during the year ended 31 December 2018 is set out in the Annual Report 2018.

### **Independence**

In its Charter, the Board has adopted the definition of independence set out in the ASX Recommendations. Broadly speaking, a director is considered independent by the Company if the director is a non-executive director who is not a member of management, and is free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment or could reasonably be perceived to do so.

The Board considers that each of Michael Carapiet (Chairman of the Board), Gavin Bell, John Prendiville, Ian Watt and Deborah Homewood are independent when assessed in accordance with the criteria in the ASX Recommendations. As Managing Director & CEO of the Company, Deven Billimoria is considered not to be independent. Andrew Bolam is also considered not to be independent because of his connections with associates of the Company's largest shareholder, Smart Packages Pte Ltd. (The Company does not have any business dealings with those associates of Smart Packages Pte Ltd.)

The Board continually assesses whether each non-executive director is independent. The directors are required to provide all information to the Board which may be relevant to this assessment.

Subject to consultation with the Chairman, directors may have access in appropriate circumstances to independent professional advice at the Company's expense in order to assist them in carrying out their Board duties.

The roles of Chairman and Managing Director & CEO are separate, and the Board Charter sets out the responsibilities of each office. The roles of Chairman and CEO are not exercised by the same individual.

The directors were appointed on the following dates:

Michael Carapiet: 18 February 2014

Deven Billimoria: 13 March 2014

Gavin Bell: 18 February 2014

Andrew Bolam: 6 January 2012

John Prendiville: 18 February 2014

Ian Watt: 1 July 2015

Deborah Homewood: 9 May 2016

Deven Billimoria has worked for the Smartgroup group of companies since 2000.

### **Director induction, training and continuous education**

The HRRC is responsible for developing and reviewing induction procedures for any new appointees to the Board to enable them to discharge their duties effectively, and to increase their knowledge about the Company and the industry within which the Company operates. New directors are provided with all relevant charters and policies including the Trading Policy; and details of indemnity and insurance arrangements.

The HRRC is also responsible for ensuring that directors continuously develop and maintain their skills and knowledge needed to perform their roles as directors effectively.

## Principle 3 – Act Ethically and Responsibly

The Company is committed to and strives to act honestly and with integrity in all its dealings.

### Code of Conduct

The Company has adopted a Code of Conduct that sets out core values and commitments. The Code applies to all directors of the Company, as well as all officers, employees, contractors, consultants, other persons that act on behalf of the Company, and associates of the Company. The Code is set out on the Company's website. Company employees undertake training in relation to the policy.

Further, the Company has an Ethics policy, a summary of which is also on the Company website. The Company also has a Whistleblower policy. The Code of Conduct, the Ethics policy and the Whistleblower policy are covered in the training and induction program for new employees. The Whistleblower policy will be updated in 2019 to reflect the new legislative changes.

The Board requires that management creates a culture within the Company which promotes ethical and responsible behaviour.

## Principle 4 – Safeguard Integrity in Corporate Reporting

### Audit and Risk Committee

The Audit and Risk Committee ("ARC") has a Charter approved by the Board. The Charter was reviewed and updated in 2018, and a copy is available on the Company's website.

The ARC currently consists of four non-executive directors, three of whom are independent, and is chaired by an independent director, John Prendiville. The other members of the ARC are Gavin Bell, Ian Watt and Andrew Bolam.

The qualifications of those directors on the ARC are set out in the Annual Report 2018. The Board considers that the ARC is an appropriate size and is sufficiently independent. Members of the ARC are required to have the accounting and financial expertise, and sufficient understanding of the Company's industry to be able to discharge their role on the ARC.

The role of the ARC is to assist the Board in carrying out its legal and regulatory compliance obligations and its accounting, auditing, financial reporting and risk management responsibilities. The ARC assists the Board in its review of financial reporting principles and policies, controls and procedures, internal control and risk management and internal audit. It also assists the Board in its review of the accuracy and adequacy of the Company's financial statements, the external audit and the Company's compliance with legal and regulatory requirements.

The ARC also liaises with the Company's external auditors, reviews the scope of their activities, their remuneration and independence, and advises the Board on their appointment and removal.

The ARC has the authority to:

- require management or others to attend meetings and to provide any information or advice that the ARC requires;
- access the Company's documents and records;
- obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- access management and internal and external auditors.

The ARC meets as frequently as required to undertake its role effectively. The ARC will review its performance from time to time.

The ARC met four times during 2018. The attendance of the members of the ARC at each meeting held during the year ended 31 December 2018 is set out in the Annual Report 2018.

The ARC can make recommendations regarding the appointment or removal of the head of internal audit, the scope of the internal audit work plan, and the objectivity and performance of the internal audit function.

### CEO and CFO Declaration and Assurance

In accordance with the ASX Recommendations, for the financial year ended 31 December 2018, the Board received written assurance from the Managing Director & CEO and the CFO that the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to the reporting of financial risks.

### External auditor at the AGM

The Company's external auditor attended its AGM in 2018, and will attend its future AGMs (in accordance with the Corporations Act). The Board recognises that it is important for shareholders to have the opportunity to question the auditor at the AGM, as an important safeguard for the integrity of the corporate reporting process.

## Principle 5 – Make Timely and Balanced Disclosure

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Corporations Act 2001 (Cth). Subject to some limited exceptions, under the continuous disclosure requirements, the Company must immediately notify the market, through ASX, of any information which a reasonable person would expect to have a material effect on the price or value of the Company's shares.

### Disclosure and Communications Policy

To achieve these objectives and satisfy the regulatory requirements, the Board has adopted a Disclosure and Communications Policy. The Company also has Disclosure and Materiality Guidelines. These guidelines explain to staff the regulatory background to market disclosure, and help staff to identify what kinds of information require disclosure to the ASX so that all relevant information in the Company is brought to the attention of the Board. Both the Policy and the Guidelines were reviewed in 2018, and the updated versions are available on the Company's website.

The Policy aims for the proper and timely disclosure of information to shareholders and provides that the Company will:

- comply with the continuous disclosure obligations imposed by law;
- present company announcements in a factual, clear and balanced way;
- provide all shareholders with equal and timely access to material information concerning the Company; and
- communicate effectively with shareholders and make it easy for them to participate in general meetings.

The Board reviews draft ASX announcements and the company secretary releases them once the Board has approved them.

The Company has appointed each company secretary as the person responsible for communication with ASX in relation to listing rule matters and also for the general administration of the Disclosure and Communications Policy.

### Trading Policy

The Company has a Trading Policy which regulates dealings in the Company's shares. The policy was revised and updated in 2018 and a copy is available on the Company's website. The policy provides the Company's directors, employees, advisors, auditors and consultants with all information regarding the legal restrictions on trading in securities while a person is in possession of inside information. Subject to the restriction that persons may not deal in any securities when they are in possession of price-sensitive information, directors and employees may generally only buy or sell the Company's shares during "trading windows", being the periods immediately following the release of the Company's half-year and full year results and the AGM.

## Principle 6 – Respect the Rights of Security Holders

The Company is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so as to enable shareholders to make informed investment decisions and effectively exercise their rights as shareholders.

One of the Company's key communication tools is its website. The Company has a dedicated investor section on its website ([ir.smartgroup.com.au/Investors/](http://ir.smartgroup.com.au/Investors/)), and there is a link on that page to the corporate governance page. The Smartgroup investor website includes information about the Company relevant to shareholders, including:

- all announcements lodged with the ASX, including annual and half-year financial results;
- the Board and Committee Charters, the Company's constitution, and the corporate governance policies (or a summary of them);
- names, photographs and brief biographical information for each of the Company's directors and senior executives;
- the Company's most recent Annual Report;
- information about the Company's AGM (including the notice of meeting);
- a key events calendar;
- historical market price of the Company's shares;
- company and registry contact details for shareholders, analysts and the media;
- financial information about the Company;
- copies of slide packs and recordings of half-year and annual briefing presentations of results.

The Company provides an online email enquiry service to assist shareholders with any queries.

The Company endeavours to make the best use of new technologies to enhance shareholder communication.

### **Investor relations program**

Shareholders, analysts and the media are able to call members of the investor relations team, ask questions and request to set up meetings, where appropriate. When results are announced, senior management gives a number of presentations interstate and overseas. The Board considers that this policy of active engagement has served shareholders well to date. If a more detailed investor relations program is required, the Company will implement it as and when appropriate.

The Company also engages with politicians, industry groups, regulators, unions and other stakeholders, as part of its industry involvement and relationships with customers.

### **Participation at shareholder meetings**

The Board and senior management recognise that shareholder meetings are an important forum for two-way communication between the Company and its shareholders. At the AGM held in May 2018, shareholders were given the opportunity to ask questions of the Board and management about any area of concern. This opportunity was available to shareholders whether or not they were able to attend the meeting in person or by proxy. Shareholders were also provided with a direct voting facility to allow them to vote ahead of the meeting without having to attend or appoint a proxy.

### **Electronic communications with shareholders**

The Company provides shareholders with the option to receive communications from and send communications to the Company and its share registry (Link Market Services) electronically. All communications are designed to be easily readable on a computer screen or other electronic device, and also include a printer-friendly option for those shareholders who wish to retain a hard copy of the communication.

## **Principle 7 – Recognise and Manage Risk**

### **Risk oversight and management**

The Company recognises risk management as an integral part of good corporate governance and fundamental in achieving its strategic and operational objectives.

The Board is responsible for approving policies and overseeing the management of business risks and financial and non-financial risks. The Board is also responsible for reviewing, ratifying and monitoring management's framework and systems of risk management, internal controls and compliance.

### **Audit and Risk Committee (ARC)**

The Board has delegated coordination of risk oversight to the ARC. The ARC's risk management responsibilities are to have oversight of:

- the Company's policies on the management of business risk and financial and non-financial risks;
- the effectiveness of the Company's framework and system of risk management and internal controls; and
- the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

The task of undertaking and assessing risk management and internal control effectiveness is delegated to management through the Managing Director & CEO. Management reports to the Board on the Company's key risks and the extent to which it believes that these risks are being adequately managed.

### **IT and Innovation Committee (ITIC)**

The ITIC was established to assist and advise the Board by:

- reviewing, assessing and recommending the IT strategy of the Company, and reviewing its implementation;
- reviewing and recommending major new IT investments;
- taking responsibility for technology tasks delegated to the ITIC;
- reviewing emerging technology innovations, advances and trends which could apply in the Company; and
- being a forum for discussion about managing the business in new or innovative ways.

The purpose of the ITIC is to give IT matters sufficient attention, given their importance and associated risk.

The Chairman of the ITIC is Ian Watt and the other members are Michael Carapiet, Deborah Homewood and Andrew Bolam. All apart from Andrew Bolam are independent directors.

The ITIC has a Charter approved by the Board. The Charter was reviewed and updated in 2018 and a copy is available on the Company's website.

The ITIC meets as frequently as required to undertake its role effectively. The ITIC will review its performance from time to time.

The ITIC met four times during 2018. The attendance of the members of the ITIC at each meeting held during the year ended 31 December 2018 is set out in the Annual Report 2018.

### Chief Risk Officer

The Company has a Chief Risk Officer to assist the ARC and the Board in the management and mitigation of risk. The Chief Risk Officer is responsible for designing and implementing the Risk Management Framework, as well as overseeing the execution of the internal audit plan as approved by the ARC. Given this dual responsibility, appropriate safeguards have been put in place to protect the independence of internal audit.

The Chief Risk Officer and the external auditors, the Managing Director & CEO and the CFO are invited to attend ARC meetings.

### Risk Management Framework

The Company has a Risk Management Policy in place which is available on the Company's website.

The Company has a Risk Management Framework in place to identify, assess, manage and report risks on a consistent and reliable basis and to accord with the tolerance levels for risks set by the Board. The Risk Management Framework was reviewed and updated in 2018, so that it continues to be sound.

The Risk Management Framework requires each business function to manage the risks associated with its activities. Accountability for risk management is structured as follows:

- business Management – management within each business and function is responsible for managing the risks for their business. This includes identifying and assessing the risks they face, determining and implementing an approach to the management of these risks, and using risk management outcomes and considerations as part of their day-to-day business decision-making processes.
- the Chief Risk Officer provides risk management expertise and oversight for business management's risk management activities. This function provides specialist input to the development of policies and procedures for risk management and checks that they are used as part of the day-to-day management of the business. The Chief Risk Officer is the custodian of the Risk Management Framework and monitors the Company's compliance with the framework, and the associated risk management policies and procedures.
- the Chief Risk Officer (with the appropriated safeguards in place) also acts as the Company's internal audit function. This means that the role provides independent assurance to key stakeholders regarding the adequacy and effectiveness of the Company's system of internal controls and risk management procedures. To maintain independence, the Chief Risk Officer reports directly to the Chairman of the ARC. The internal audit activities are directed by the Internal Audit Plan, which is approved and monitored by the ARC.

### Privacy

Smartgroup recognises the importance of vigilance in the protection of customers' personal information and compliance with the Privacy Act and the Australian Privacy Principles. To ensure ongoing compliance and mitigate against the risk of privacy breaches, Smartgroup has undertaken a number of preventative measures, including extensive and regular all-staff training, at both initial staff induction and ongoing refreshers; scripting, recording and quality auditing of call centre phone interactions; implementing system user access and segregation of duties controls; investing in local Australian data storage and investing heavily in cyber security.

In the event of a privacy breach, Smartgroup has implemented procedures to ensure it can mobilise quickly to control and mitigate the breach. These procedures include the establishment of a Data Breach Response Team, supported by a refreshed Data Breach Response Plan. This team has undertaken scenario training to ensure it is well prepared to act in the event of a breach.

### Economic, environmental and social sustainability risks

The Board regularly discusses all economic, environmental and social sustainability risks that it considers are likely to have a material effect on the Company's financial performance or value over the short, medium and long term. All relevant risks are included and categorised on the Company's risk register and are closely analysed in detail by the Board and the ARC.

Like all businesses, the Company is subject to economic risks, including any downturn in the economy and the effect it could have on customers and their businesses. The Board considers that a primary risk to the Company's business is changes to the relevant legislation, and accordingly this risk is closely monitored.

A particular risk for the Company is any potential decline in new private car sales. The Company is constantly reviewing this risk and it is a matter for regular discussion by the Board and the ARC.

Climate change risks can arise in several categories, such as regulatory, technological, market, and reputational. The Company has a large exposure to climate change risks associated with the ownership of vehicles. Accordingly, any climate change legislation or government intervention which affected the cost or attractiveness of private vehicle ownership could in turn have an impact on the Company. However, the Company does not view this as a material risk at this time.

The Board considers that the Company can continue operating in a manner that does not unduly compromise the environment in which it operates over the long term. The Board further considers that the Company can continue operating in a manner that meets accepted social norms and needs over the long term.

## Principle 8 – Remunerate Fairly and Responsibly

The Board and the HRRC are primarily responsible for the oversight of the Company's remuneration framework and policies. Details of the Company's remuneration framework are set out in the Remuneration Report. As explained under Principle 2, the HRRC is formed under a Charter approved by the Board, a copy of which is available on the Company's website.

### Remuneration policy

The Company's policy is to remunerate non-executive directors by way of fees and payments which may be in the form of cash, non-cash benefits and superannuation benefits. The Company's broad policy in relation to the level of non-executive directors' fees and payments are consistent with the market and enable the Company to attract and retain directors of an appropriate skill level and calibre. Details of these fees and payments are set out in the Remuneration Report.

Under the Company's constitution the maximum remuneration payable by the Company for the services of non-executive directors in total must not exceed the amount approved by shareholders in general meeting.

The total remuneration paid to the Managing Director & CEO and other executives are included in the Remuneration Report. The Report describes in detail the mix of fixed, performance-based and equity-based remuneration. The Company wishes to attract and keep the best talent and the most appropriate team in place to run the Company, and to date believes that its approach has been successful.

Other than as reported in the Remuneration Report, no additional fees were paid to directors for serving on Board committees for the relevant period. As members of management, executive directors, when appointed, do not receive any additional director's fee.

### Equity –based remuneration scheme

The Company introduced a Long Term Incentive Plan in 2015. The terms of the plan were approved at the AGM in May 2018 (in accordance with the ASX Listing Rules). All issues of securities to directors or their associates will be subject to shareholder approval at the AGM.

The Company's Trading Policy (available on the website) prohibits participants from hedging or otherwise limiting the economic risk of participating in the scheme, whether through the use of derivatives or otherwise.