

CORPORATE GOVERNANCE STATEMENT 2017

Corporate Governance at Cash Converters

The Cash Converters Board is responsible for establishing the Company’s corporate governance standards and ensuring that they comply not only with regulatory guidelines, but that they also reflect the expectations of the Company’s stakeholders taking into consideration the Company’s size, activities and geographical operations. The Board is continually monitoring all aspects of its corporate governance and new or improved policies and procedures are adopted as appropriate to ensure the highest possible standards are able to be attained and maintained.

The key components of the Company’s corporate governance model are illustrated below.



The Company, as a listed entity, must comply with the Corporations Act 2001 (Cth), the ASX Listing Rules, and other Australian and international laws. The ASX Listing Rules require the Company to report to shareholders on the extent to which its corporate governance practices comply with the recommendations set out in the Australian Stock Exchange Corporate Governance Council's Corporate Governance Principle and Recommendations 3rd Edition ("ASXCGC Recommendations") and to provide an "if not, why not" statement in those circumstances where it has not implemented an ASXCGC recommendation during the Reporting Period.

This Statement is dated 11 October 2017 and reports on the key governance principles and practices that were in place during the year ended 30 June 2017 ("Reporting Period") and any changes to their status as at the date of this Statement. Subject to any exceptions outlined in this Statement, the Company has complied with the ASXCGC Recommendations throughout the Reporting Period.

The following governance documents are available on the Company's website under the "Corporate Governance" tab:

- Constitution,
- Board Charter,
- Code of Conduct,
- Directors' Conflict of Interests Policy,
- Continuous Disclosure Policy,
- Audit and Risk Committee Charter,
- Remuneration and Nomination Committee Charter,
- Securities Trading Policy, and
- Diversity and Inclusion Policy.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 Roles of Board and Management

The Board has approved and implemented a [Board charter](#) that formalises the functions and responsibilities of the Board, a copy of which is published on the Company's website. This charter clearly articulates the division of responsibilities between the Board and management.

The Board is responsible for determining the Company's vision to be the most trusted financial services provider in its sector and ensures that strategic priorities are set and actioned in order to achieve this vision over the long term. In doing so, directors are involved not only in determining, approving and monitoring initiatives aligned to strategic priorities, but also in ensuring robust processes and controls are established and operational to promote effective decision making across all aspects of the business.

As well as its role in setting the strategic direction, the Board is also, among its other functions, responsible for:

- The appointment and evaluation of the performance of the CEO and other key executives,
- Approving financial budgets and monitoring performance against them,
- Reviewing business operations and the progress of major capital expenditure projects,
- Approving the Company's remuneration framework,
- Approving and reviewing Board and executive succession plans,
- Establishing corporate governance standards and monitoring their effectiveness,
- Ensuring that the Company has in place an appropriate and effective risk management framework and internal controls and compliance systems,
- Approving Company policies and monitoring compliance with them,
- Oversight of the Company's disclosure processes to ensure disclosure is timely and balanced,
- Protecting and enhancing the Company's reputation, and
- Ensuring that the Company operates with high ethical standards, and in a legal and responsible manner.

Subject to prior approval of the Chairman, the Board charter provides that directors may obtain independent professional advice at the expense of the Company.

Recommendation 1.2 Director appointment

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history, and may be conducted by external consultants assisting in the appointment process.

Two new non-executive directors were appointed during the Reporting Period. The above checks were performed on each director prior to appointment. No adverse information was revealed through the checking process.

The Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. For those directors standing for election or re-election at an AGM, this information is provided in the Notice of Meeting.

Information on all directors' qualifications and experience can be found under the Directors' Profiles section in the 2017 Annual Report.

Recommendation 1.3 Appointment documentation

New directors are provided with a letter of appointment setting out their roles and responsibilities and the Company's expectations of them. Senior executives are subject to written contracts setting out the terms of their appointment.

Recommendation 1.4 Company Secretary

The Company Secretary is accountable to the Board, through the Chairman, on all matters relating to the proper functioning of the Board. Each director has a right of access to the Company Secretary at all times. The decision to appoint or remove the Company Secretary is made or approved by the Board.

At the end of the Reporting Period, Brad Edwards was appointed as Company Secretary by the Board.

Company Secretary details are reported in the Director's Report in the 2017 Annual Report.

Recommendation 1.5 Diversity

Cash Converters has a [**Diversity and Inclusion Policy**](#) that sets out the principles of diversity and inclusion for the organisation. The Board is committed to promoting a diverse and inclusive culture in the Company.

The objectives of the policy are:

- Cash Converters is committed to recognising and understanding the value of individual differences in the workplace, whether that be ethnicity, gender, sexual orientation, age, physical disabilities, family status, religious beliefs or other ideologies.
- Cash Converters will develop an inclusive work environment where each employee can reach their full potential and have a sense of belonging.
- Cash Converters values and respects the unique contributions of people with diverse backgrounds, experiences and perspectives and has a workforce profile that leverages these differences to deliver competitive advantage.
- The Cash Converters workplace is one in which multicultural diversity is celebrated and where the workforce can continue to grow to reflect the diversity of the Australian community.
- Cash Converters is committed to understanding the cultural environment in which we work by mitigating the impact of unconscious bias and increasing awareness of bias so individuals can access strategies to manage their bias.

- Cash Converters takes a leadership position on diversity practices and sets the agenda for our franchisee communities.

To achieve these objectives, Cash Converters has:

- Set Board-determined, realistic but stretch targets for achieving gender diversity, with a commitment to review annually and monitor progress regularly, and
- Committed to review pay equity on an annual basis, and
- Developed a diversity and inclusion action plan.

The Company has achieved its existing targets in relation to Board, senior management and total employees throughout the organisation during the Reporting Period. As at 30 June 2017, the status against existing targets is reported below:

Target	Date for Completion	Status
The next board appointments desirably include at least one female with appropriate skills and attributes.	When it is appropriate to expand or refresh the board.	Two female directors appointed to the Board in February 2017. ✓
To increase the number of women in senior management positions* with appropriate skills and attributes.	When it is appropriate to expand or refresh the senior executive team.	Females in senior management roles increased by five. ✓
At least 35% of employees should be female with appropriate skills and attributes.	Annually by 30 June.	46% of total workforce females at 30 June 2017. ✓

*Senior management is defined as senior executives of the Company as well as the senior executives' direct reports.

The comparative statistics as at 30 June 2017 are set out in the table below:

ON 30 JUNE 2017 DATA

Whole of Organisation					Senior Management					Board							
	2016		2017		% Variance in female participation	2016 (Excludes MD)		2016 Adjustment/ Actual (Excludes MD)		2017 (Includes CEO)		% Variance of females 2016 Adjustment and 2017 figures	2016 (Includes MD)		2017 (Includes Executive Deputy Chairman)		% Variance in female participation
	Number	%	Number	%		Number	%	Number	%	Number	%		Number	%	Number	%	
Female	528	48%	436	46%	2%	4*	24%	15	44%	20**	35%	9%	0	0%	2	33%	33%
Male	576	52%	506	54%		13	76%	19	56%	37	65%		5	100%	4	67%	
Total	1104	100%	942	100%		17	100%	34	100%	57	100%		5	100%	6	100%	

*Senior Management defined as ELT members and their direct reports (ELT defined as CEO direct reports excluding Executive Support and Business Support Manager).

** To ensure that all of senior executives (defined as ELT and ELT direct reports) have been included in the Senior Management numbers for 2016, we have adjusted 2016 numbers so that comparisons are meaningful.

During the year the Company completed a review of its Diversity and Inclusion Policy and targets and monitored the actions being taken in order to increase the diversity of the workforce particularly as it relates to gender. To counteract the fluctuations year on year of standard turnover and abnormal restructures, Cash Converters has reviewed the targets set in 2017 over a longer target duration period.

Some targets are set as maintenance targets as they are representative of best practice and productivity gains, whilst others reflect target customer demographics and Australian community representation.

Having achieved the Australian Institute of Company Directors' recommendation for female representation on boards of 30%, Cash Converters' goal is to maintain, as a minimum, over the next three years, the target of 33% of female board composition. This target has a range between 33% - 66% that allows for a change in composition based upon skill requirements and gender balance.

The Senior Management target has been set between 30%-40% female which represents a realistic but stretch target over the next three years.

An additional gender target has been set with the introduction of a new target that is representative of our customer base. Our broad target customer profile is 50/50 male/female so it is appropriate that our workforce also reflects this demographic. The Customer Facing Management target measures the female representation in positions that interact with our customers on a regular basis. Over the next three years, Cash Converters is aiming to increase female participation in management within this customer facing group to between 25%-35%.

A maintenance target of 45%-55% female across the whole of organisation has been set to align with Australian community standards and target customer demographics. This target again should be maintained over a three-year period.

The implementation of these objectives and associated action plan is overseen by the Remuneration and Nomination Committee, with the Chief Human Resources Officer providing regular updates on diversity initiatives.

DIVERSITY TARGETS 2017

Category % Female	Current 30 June 2017	Target %	Target Date
1. Board	33%	33-66%	3 years
2. Senior Management*	35%	30%-40%	3 years
3. Customer Facing Management **	24%	25%-35%	3 years
4. Whole of organisation	46%	45-55%	3 years

* Defined as the Executive Leadership Team (ELT) members (including the CEO) and their direct reports. ELT members are defined as direct reports of the CEO excluding the Executive Support.

**Customer Facing Management defined as those positions which have: whole of store accountability; defined decision-making authority; will always have direct reports on the organisation structure; key deliverables to State Operations Manager.

Recommendation 1.6 Board performance measurement

A process for periodically evaluating the performance of the Board, its committees and individual directors was developed during the second half of the Reporting Period. An evaluation will be conducted annually and will involve completion by directors of detailed questionnaires assessing performance against responsibilities as set out in the Board and Committee charters. Due to the changes to the composition of the Board during the Reporting Period, and to allow time for the new directors to settle in, the Board has committed to conduct an evaluation by December 2017. The results will be compiled into a report for Board discussion. Areas identified for improvement will form part of a Board action plan for 2018.

A performance evaluation was not carried out during the Reporting Period.

Recommendation 1.7 Executive performance measurement

The performance of the Chief Executive Officer, Executive Deputy Chairman and Executives are measured against prescribed criteria (Key Performance Indicators) reviewed by the Remuneration and Nomination Committee and approved by the Board. These criteria are set annually and individual performance is assessed annually. Performance assessments were undertaken during the Reporting Period.

Principle 2: Structure the Board to add value

Recommendation 2.1 Nomination Committee

Under Recommendation 2.1, the board of a listed entity should have a nomination committee with at least three members, a majority of whom are independent directors, and the committee should be chaired by an independent director.

From July 2016 to February 2017, the Company had a Nomination Committee. In February 2017, the Company merged its Nomination Committee and its Remuneration Committee into a single committee called the Remuneration and Nomination Committee. The new merged Committee has the following three members, all of whom are independent, non-executive directors:

- Ellen Comerford (Chair),
- Andrea Waters, and
- Kevin Dundo.

Before the committees were merged, the Nomination Committee was comprised of the following four director members, two of whom were independent directors:

- Kevin Dundo (independent),
- Stuart Grimshaw,
- Reginald Webb (independent), and
- Lachlan Given.

With only half of its members independent, the Nomination Committee did not meet the “majority independent” requirement of Recommendation 2.1 for just over half of the Reporting Period. However, the membership of the new merged Committee currently in place meets the ASXCGC recommendation requirements.

The [charter](#) for the merged Remuneration and Nomination Committee is available on the Company’s website.

The role of this Committee as it relates to Nomination responsibilities is to assist the Board by:

- Developing and implementing policy and procedures for nomination, selection, appointment and re-appointment, retention and termination of Directors,
- Reviewing Board and executive succession plans,
- Monitoring and appraising the size and composition of the board and board renewal matters,
- Determining an appropriate mix of skills, knowledge, experience, expertise and diversity on the Board,
- Developing Board skills matrix and ensuring it is utilised in the director recruitment process,
- Identifying and evaluating individuals qualified to become a director on the Board, determining the terms and conditions for appointment and ensuring appropriate candidate checks are performed prior to appointment to the Board, and
- Ensuring an effective induction and orientation program is available to new directors.

The experience and qualifications of each committee member is set out under Directors’ Profiles in the 2017 Annual Report. Details of the number of meetings held during the Reporting Period by the Remuneration and Nomination Committee, and before that, the Nomination Committee, are provided in the Directors’ Report in the 2017 Annual Report.

Recommendation 2.2 Board skills matrix

The Company is in the process of developing a board skills matrix setting out the mix of skills and diversity that the Board currently has and is looking to achieve in its membership. The skills matrix is subject to further Board discussion and is expected to be finalised for Board approval by December 2017.

The Company did not have a final Board-approved skills matrix in place during the Reporting Period.

Recommendation 2.3 Independence of directors

A listed entity should disclose the names of the directors considered to be independent directors and if any director has an interest, position, association or relationship of the type described under Box 2.3 of Recommendation 2.3 of the ASXCGC Recommendations. If a director has an interest of the nature described in Box 2.3, but the Board is of the opinion that this interest does not compromise the independence of the director, then the Board is required to describe in this Statement the nature of that interest and the reason why it has formed that opinion.

Details of directors currently on the Board, and those who were on the Board during the Reporting Period but have since retired, are provided below, along with their independence status and terms in office.

Name of Director	Non-executive	Independent	Term in office
Stuart Grimshaw (Chairman)	Yes	No	Director since 1 November 2014
Peter Cumins	No	No	Director since 26 April 1995
Lachlan Given	Yes	No	Director since 22 August 2014
Kevin Dundo	Yes	Yes	Director since 20 February 2015
Ellen Comerford	Yes	Yes	Director since 9 February 2017
Andrea Waters	Yes	Yes	Director since 9 February 2017
Reginald Webb (retired)	Yes	Yes	Director from 22 October 1997 to 14 February 2017

The Board has in place an approved Independence of Directors Policy. The Policy sets out the procedures and the disclosure principles applied by the Board when assessing the independence of directors.

In accordance with this Policy, the Board considers whether a director is non-executive, not a member of management and is free of any other business relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In making this assessment, the Board considers all relevant factors and circumstances, including the relevant factors for assessing independence of directors as listed under Recommendation 2.3 of the ASXCGC Recommendations.

The Board has reviewed the independence of each of the directors in office at the date of this Statement and has determined that three of the six current directors are independent.

Kevin Dundo was, during the Reporting Period, a partner of HopgoodGanim Lawyers, a law firm that provided professional legal services to the Company during the Reporting Period to the value of \$35,428. Mr Dundo is no longer a partner of HopgoodGanim. The Board considers that the quantum of professional services involved is not material either from the Company's perspective, the law firm's perspective or from the perspective of Mr Dundo's personal financial circumstances. As such, the Board was satisfied and remains satisfied that Mr Dundo's previous interest in HopGoodGanim as a partner of that firm was not sufficiently material as to interfere with, or reasonably be seen to interfere with, Mr Dundo's capacity to bring an independent judgement to bear on issues before the Board or to act in the best interests of the Company and its shareholders generally.

Peter Cumins is an executive director and a member of management and is therefore not considered independent.

Lachlan Given is the Executive Chairman of EZCORP Inc. and Stuart Grimshaw is the CEO of EZCORP Inc. EZCORP Inc is a substantial shareholder in the Company. As officers of a substantial shareholder, both directors are not considered by the Board to be independent.

Recommendation 2.4 Independent majority

Recommendation 2.4 requires that a majority of the Board of a listed entity should be independent directors.

Between July 2016 and February 2017, the Board had five directors, two of whom were independent. A search was commenced during the Reporting Period to recruit two additional independent directors with a view to achieving a majority of independent directors on the Board.

In February 2017, two new independent, non-executive directors, Ellen Comerford and Andrea Waters, joined the Board. At the same time, independent director Reginald Webb, retired from the Board.

The net effect of these Board changes was that from February 2017 to the present time, three of the Board's six directors were independent. Accordingly, the Board did not achieve its desired "majority" of independent directors, either throughout the Reporting Period, or as at the date of this Statement. The Board remains committed, however, to achieving a majority of independent directors in a timely but orderly manner, and will utilise its skills matrix to assist it to meet its succession planning objectives.

Recommendation 2.5 Independent Chairman

The Chairman of the Board, Stuart Grimshaw, is considered by the directors to be the person most qualified to chair the Board. He was appointed to the Board originally to represent the interests of the Company's major shareholder (EZCORP Inc.) and accordingly is not considered independent.

Under the **Directors' Conflict of Interests Policy**, the Board has protocols and processes in place for dealing with conflicts or potential conflicts of interest. If the Board considers that a matter for consideration by the Board might place the Chairman in a position of conflict, the directors appoint a lead independent director, who considers the matter in consultation with the Chief Executive Officer, and makes a determination as to whether the Chairman may receive papers, vote, or be in attendance during the discussion of that matter. The Chairman may also give the Board prior notice of those matters in which he intends to withdraw from the meeting and not receive papers relating to those matters.

The Chairman of the Board is not the same person as the CEO of the Company.

Recommendation 2.6 Director inductions

The Company has a program for inducting new directors and providing appropriate professional development opportunities for directors. The two new directors appointed during the Reporting Period participated in the induction program which included meeting other Board members and key executives prior to appointment.

Oversight of this program is the responsibility of the Remuneration and Nomination Committee.

Principle 3: Act ethically and responsibly

Recommendation 3.1 Code of Conduct

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company's **Code of Conduct** provides all of its directors and employees with an ethical and legal framework for their decisions and actions in relation to the conduct of their employment by establishing the minimum standard of conduct expected. It is published on the Company's website.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 Audit Committee

Under ASXCGC Recommendation 4.1, a board of a listed entity should have an audit committee with at least three members, all of whom are non-executive directors and a majority of whom are independent. The committee should be chaired by an independent director.

Since February 2017 (and as at the date of this Statement), the Audit and Risk Committee has comprised the following three members, all of whom are independent, non-executive directors:

- Andrea Waters (Chair),
- Ellen Comerford, and
- Kevin Dundo.

Prior to February 2017, the Committee's members were:

- Kevin Dundo (Chair) (independent),
- Reginald Webb (independent), and
- Lachlan Given (appointed to the Committee on 1 August 2016).

All three of the above members were non-executive directors, and two were independent, including the Chair.

Other than for the month of July 2016 (when the Committee had only two members), the Committee's membership has met the requirements of Recommendation 4.1, both throughout the Reporting Period and as at the date of this Statement.

The Audit and Risk Committee operates under a formal charter approved by the Board. A copy of the [charter](#) is published on the Company's website.

As set out in the charter, the role of the Audit and Risk Committee as it relates to audit matters is to assist the Board to fulfil its oversight responsibilities relating to:

- The preparation and integrity of all corporate and financial reporting prior to being published,
- The adequacy of the controls environment,
- The internal and external audit function,
- Treasury and taxation and other key financial processes and practices,
- Appropriateness of accounting policies, estimates and judgements,
- Review of any significant accounting and reporting issues, including professional and regulatory announcements and impact on the Company's financial statements,
- Compliance with all regulatory obligations including the Corporations Act, ASX Listing Rules and the ASXCGC Corporate Governance Principles and Recommendations, and
- Any other matters referred to the Committee by the Board.

The experience and qualifications of each committee member are set out in the Directors' Profiles section of the 2017 Annual Report. The external and internal auditors, other non-member directors and the CEO are invited to Audit and Risk Committee meetings. Details of the number of meetings held by the Audit and Risk Committee during the year are set out in the Directors' Report in the 2017 Annual Report.

Recommendation 4.2 CEO/CFO Declaration

The Board received a written and signed statement from the CEO and the Chief Financial Officer in relation to the financial report for the year ended 30 June 2017, declaring 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 Company; and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 Auditor attendance at AGM

The Company requires the appointed independent external auditors to ensure that the Group accounting policies comply with applicable accounting standards and guidance and to provide stakeholders with assurance as to whether the financial reports are true and fair.

The independent external auditor is Deloitte Touche Tomatsu (Deloitte).

External auditors are required to rotate the audit partner and engagement quality control reviewer every five years. An audit partner was last rotated in 2016.

The external auditors are required by the Board to attend the Annual General Meetings of the Company and make themselves available to answer questions from shareholders relevant to the audit. Deloitte attended the 2016 AGM. No questions were asked of the auditor.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 Continuous Disclosure Policy

The Company has procedures in place to ensure that it complies with the disclosure requirements of the ASX Listing Rules. The procedures set out who is responsible for determining whether information is of a type or nature that requires disclosure, the Board's role in reviewing the information disclosed to ASX and the procedures for ensuring that the information is released to ASX. The Company's [Continuous Disclosure Policy](#) is published on its website.

All information disclosed to the ASX by the Company is published on the Company's website as soon as practicable.

Principle 6: Respect the rights of security holders

Recommendation 6.1 Information on website

The Company provides information about itself and its governance to investors via its website at www.cashconverters.com. The following information is available on the website:

- The names, photographs and brief biographical information for each of the directors.
- Copies of Annual Reports and ASX announcements.
- Company overview.

The website also has a [corporate governance](#) page where this Statement and copies of corporate governance policies and other corporate governance materials referred to in this Statement can be found.

Recommendation 6.2 Investor communications

The Board aims to ensure that shareholders are informed in a timely manner of all major developments affecting the Company's state of affairs. Information is communicated to shareholders through the Annual Report which is made available to all shareholders either electronically or as paper copy. The Board ensures that the Annual Report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future plans.

In addition to the other disclosures required by the Corporations Act 2001, a half-yearly report containing summarised financial information and a review of the operations of the Company during the period, is prepared and made available to shareholders.

Following the release of half year and full year results, the Company holds briefings for investors and analysts. All interested shareholders can dial into a teleconference briefing. Notice of these briefings is announced to ASX a few days before the briefing is due to be held.

The Company encourages two-way communication with investors, both at the Company's Annual General Meeting and throughout the year, and the Company can be contacted by emailing investor.relations@cashconverters.com.

Recommendation 6.3 Shareholder participation at meetings

The Board encourages full participation by shareholders at the Annual General Meeting. Adequate opportunities are provided during the meeting for shareholders to raise questions concerning all matters before them for their approval. The Company also considers communications and queries received during the year from shareholders, investors and relevant interest groups to determine if the Chairman or CEO addresses should be expanded to provide additional explanations for the benefit of all shareholders.

Important AGM approval items are presented to shareholders as single resolutions and complex matters are accompanied by clear explanations in the explanatory notes. Shareholders are responsible for voting on the election of newly appointed directors and the re-election of existing non-executive directors.

Recommendation 6.4 Shareholder access to electronic communications

Shareholders can register with the Company's share registry, Computershare Investor Services, to receive electronic notifications of the release of annual and half-yearly reports, notices of Annual General Meeting and distributions of dividends. The share registry also provides contact information on its website and the ability to receive documents by email from the share registry.

The Company also provides information through its website, enabling shareholders access to Company announcements and the ability to email the Company with enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1 Risk Committee

Under Recommendation 7.1, the board of a listed entity should have a committee to oversee risk. That committee should have at least three members, a majority of whom are independent directors, and it should be chaired by an independent director.

Risk and risk management within the Company is overseen by the Audit and Risk Committee. As outlined under Recommendation 4.1 above, the membership of this Committee has met the requirements of Recommendation 7.1 both as at the date of this Statement and throughout the Reporting Period, other than in the month of July 2016 when there were only two members on the Committee.

As set out in the [charter](#), the role of the Audit and Risk Committee as it relates to risk management is to assist the Board to fulfil its oversight responsibilities relating to:

- The adequacy of the control environment and the processes for identifying and managing risk,
- Reviewing the company's risk management framework, strategy and risk appetite development and overseeing the risk management system, including the risk management function and its resourcing,
- Reviewing and monitoring the company's risk profile,
- Reviewing the operational effectiveness of the policies and procedures relating to risk and the company's internal control environment,
- Reviewing management's evaluation of the effectiveness of internal controls,
- Reviewing the effectiveness of the company's insurance activities,
- Ensuring compliance with all regulatory obligations including the Corporations Act, ASX Listing Rules and the Corporate Governance Principles,
- Reviewing the effectiveness of the company's approach to achieving compliance with laws, regulations and company policies,
- Reviewing and making recommendations in relation to the company's Compliance Framework,
- Ensuring compliance processes are sound, appropriate and operating effectively throughout the Company, and
- Obtaining regular reports regarding compliance matters that may have a material impact on the Company's activities, including reviewing any correspondence from regulatory bodies regarding significant issues.

Recommendation 7.2 Risk reviews

The Audit and Risk Committee reviews the Company's Risk Management Framework on an annual basis. A review was undertaken during the Reporting Period and the Committee satisfied itself that the framework is comprehensive and sound and that the Company is conducting its operations in accordance with the framework.

Recommendation 7.3 Internal audit

The Company has an independent internal audit function that operates under a charter approved by the Audit and Risk Committee. This function reports to the Audit and Risk Committee, and among other duties, evaluates the effectiveness of, and contributes to the improvement of, the Company's risk management processes.

The Committee's responsibilities as it relates to internal audit include:

- Approving the appointment, remuneration and removal of the head of internal audit,
- Reviewing the internal audit charter and resourcing of the internal audit function,
- Approving the annual internal audit plan and monitoring progress against the plan,
- Reviewing significant internal audit findings and action taken by management to address these,
- Discussing issues with internal audit in the absence of management, and
- Reviewing the objectivity and performance of the Internal Auditor.

Recommendation 7.4 Economic, environmental and social sustainability risks

The Board is responsible for ensuring that the Company's risk management systems are adequate and operating effectively. The Board does not believe it has any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 Remuneration Committee

Under Recommendation 8.1, the board of a listed entity should have a remuneration committee that has at least three members, a majority of whom are independent directors, and the committee should be chaired by an independent director.

From July 2016 to February 2017, the Company had a Remuneration Committee. In February 2017, the Company merged its Remuneration Committee and its Nomination Committee into a single committee called the Remuneration and Nomination Committee. The merged Committee has the following three members, all of whom are independent, non-executive directors:

- Ellen Comerford (Chair),
- Andrea Waters, and
- Kevin Dundo.

Before the committees were merged, the Remuneration Committee was comprised of the following four director members, only two of whom were independent directors:

- Kevin Dundo (Chair) (independent),
- Stuart Grimshaw,
- Reginald Webb (independent), and
- Lachlan Given.

With only half of its members independent, the Remuneration Committee did not meet the "majority independent" requirement of Recommendation 8.1 for just over half of the Reporting Period. However, from February 2017 the membership of the new merged Committee meets the recommendation requirements.

The [charter](#) for the merged Remuneration and Nomination Committee is available on the Company's website. The role of this Committee in relation to Remuneration responsibilities is described in the charter, and summarised as:

- Providing advice in relation to remuneration packages of non-executive directors, senior executives (defined as the Chief Executive Officer (CEO), other executive key management personnel (KMP), other direct reports to the

CEO, equity-based incentive plans and other employee benefit programs, in accordance with the relevant policies,

- Developing and maintaining, for Board approval, the policies and other documents that guide and govern KMP remuneration decisions, practices and outcomes, referred to as a Remuneration Governance Framework,
- Considering those aspects of the Company's remuneration practices, including securities-based remuneration, which may be subject to shareholder approval,
- Determining and reviewing the nature of the Company's disclosure or communication of remuneration practices and policies,
- Reviewing the Company's recruitment, retention and termination policies,
- Reviewing the Company's superannuation arrangements,
- Reviewing succession plans for the Board, the CEO and senior executives,
- Ensuring the performance and competencies of the CEO, senior executives and members of the Board are reviewed at least annually, and
- Reviewing the Company's diversity policy and monitoring diversity within the Company.

The experience and qualifications of each committee member are set out in the Directors' Profiles section of the 2017 Annual Report. Details of the number of meetings held during the Reporting Period by the merged Remuneration and Nomination Committee, and before that, the Remuneration Committee, are set out in the Directors' Report in the 2017 Annual Report.

Recommendation 8.2 Remuneration of Non-Executive Directors

A listed entity should disclose separately its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Details on the remuneration of directors and executives as well as the Company's remuneration framework and policies are set out in the Remuneration Report in the 2017 Annual Report.

Recommendation 8.3 Hedging prohibition

The Company has an equity-based remuneration scheme for executive employees.

Consistent with Recommendation 8.3, the Company's **Securities Trading Policy** (a copy of which is published on the Company's website) prohibits directors and senior executives from entering into transactions or arrangements which operate to limit the economic risk of their holdings of Company securities at any time during which those securities are subject to the hedging prohibitions specified in section 206J of the Corporations Act.