

## Appendix 4G

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

Name of entity:

Reckon Limited

ABN / ARBN:

003 348 730

Financial year ended:

31 December 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: [www.reckon.com/au/investors/governance/](http://www.reckon.com/au/investors/governance/)

The Corporate Governance Statement is accurate and up to date as at 31 December 2018 and has been approved by the board.

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

Date: 28 March 2019

Name of Director or Secretary authorising  
lodgement: Myron Zlotnick

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

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

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

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

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

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

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

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

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

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

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</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 type="checkbox"/> at [insert location]</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 checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p>Only with respect to Recommendation 2.1(a).</p> <p><b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>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>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a> ... and the length of service of each director: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at page 6-7 of the 2018 Annual Report	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/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 <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</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 [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>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 checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

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

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/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 <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a> and Annual Report</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 checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p>Only with respect to recommendation 7.3(a)</p>
7.4	<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> Annual Report and</p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> Remuneration Report and</p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</a></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/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 <a href="http://www.reckon.com/au/investors/governance/">www.reckon.com/au/investors/governance/</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 [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>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 Remuneration Report in the Annual Report</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at Remuneration Report in the Annual Report</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<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 [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</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 [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



## Corporate Governance Statement

The company is committed to a system of relationships, policies and processes which align with the ASX Corporate Governance Principles and Recommendations, 3rd Edition (“the ASX Principles and Recommendations”). It is a priority of the board to ensure the company’s governance framework and support processes uphold these principles.

The company is aware of the changes to the ASX Principles and Recommendations to be implemented effective on 1 January 2020. The company will endeavour to implement these changes, as applicable, over the course of 2019.

By the end of 2017 the company had completed the de-merger of a significant portion of the business. At the same time the sale of another portion of the business was pending, subject to regulatory approval. It was anticipated, based on advice, that there was a strong probability of the sale completing. Accordingly the board and management expected that for 2018 the main part of the company that would have remained, namely the Business Group (SME cloud, hosted and desktop accounting software and allied solutions business), would to some extent mimic the operation of a business in a start-up phase as it grapples with maintaining an excellent legacy business with a transition to cloud technology in a competitive market. Similarly, the Legal Practice Management Group at least the extent of its new scan solution is also in a start-up phase. As it transpired the pending sale did not complete. For the remainder of 2018 and into 2019, given the competitive environment, the company nonetheless continued to operate its businesses with a leaner board and management structure suitable to the strategy of the company. The governance practices of the company must be read against that background, especially, for the time being, in relation to the size and composition of the board of directors which is deliberately small to align with the size and demands of the business. This will be re-assessed over time.

The board is of the opinion that the company’s existing policies and processes effectively achieve the objectives of the relevant recommendations. The intention and spirit of the ASX Principles and Recommendations are integral to the company’s governance framework. They are incorporated into the management and decision-making processes of the company. The few departures from the recommendations in the ASX Principles and Recommendations are primarily only to the extent a governance policy or process was not formalised or because of the change to the size of the business and its status that is similar to that of a start-up enterprise. This is generally justified on the basis that while the objective of the recommendations has been adopted, the formal requirements of the recommendations were not considered applicable to the size of the company and the resources available at the time, or not adopted at all for the same reasons. Where appropriate, the board seeks opportunities to adopt these recommendations to suit the circumstances of the company and continue to improve the company’s governance policies and processes. As part of the board’s ongoing review and assessment of the company’s governance processes most of these policies and processes have been or are in the process of being formalised, where appropriate, as identified in this report.

The company’s governance related policies and documents can be viewed on the company’s website

www.reckon.com. The board's Corporate Governance documents can be viewed in the Shareholder Centre by clicking About Us link from the company's website www.reckon.com ("website").

This Statement discloses the extent to which the company follows the recommendations as at 31 December 2018 and has been approved by the board on 28 March 2019.

## 1. Lay Solid Foundations for Management and Oversight

The company is governed on behalf of the shareholders by its Board of Directors who in turn oversee the company's management team.

The board is of the opinion that its governance practices and policies comply with each of the recommendations relating to Principle 1. This opinion is justified on the basis that the company's governance practices are based on the different responsibilities and duties of the board and management; processes and documentation relating to the nomination and appointment of directors and senior management and relevant agreements; the accountability and duties of the Company Secretary; recognition that diversity and inclusiveness are important aspects of effective management and contribute to the success of the company; recognition of the importance of cultivating diversity and inclusiveness in the company to the effective management of the business and performance evaluation processes for the directors and senior management.

The responsibilities and duties of the board are set out in the Constitution, the company's Corporate Governance Statement and in the Board Charter. The Charter outlines the general processes, obligations and responsibilities of the board and can be viewed on the website. The board is responsible for ensuring appropriate risk management, accountability and control mechanisms. The board also provides advice and input into development of the businesses generally, overall corporate strategy, performance objectives, and appointment of senior executives. The board monitors and reviews the performance of the company, financial reporting and implementation of strategy. The board approves the annual budget, material capital expenditure and large acquisitions. Other than matters specifically reserved for the directors in the Constitution and Board Charter, the directors delegate responsibility for implementing the strategic objectives and the day-to-day running of the company to the Group MD, the Group CEO and management.

The board's relatively small size combined with a small management team and overall flat corporate structure of the business enables easy communication and dynamic engagement between management and the board and within the board. The clear channels of communication between management and the board ensure the board is provided with accurate, timely and clear information to enable the board to perform its duties and to guide management, where appropriate.

There is an understanding of the functions and responsibilities of the board and management as set out in the Board Charter. The board maintains sufficient close oversight of operations and has close input to material decisions to ensure compliance with principles of good corporate governance and business judgment. The board recognises that with the growth and evolution of the company, it is important to review the division of matters and responsibilities reserved to the board in accordance with the Board's Charter.

The board is able to efficiently deal with issues which, in other larger enterprises, may normally be delegated to committees not only because of the size of the company and the management team, but also because of the readily accessible channels of communication between board and management. Management communicates with the board through the Group MD, the Group CEO, the Group CFO and when required managers attend board meetings, and/or meet with directors, to report or address

any questions or concerns of the directors directly. The Audit & Risk Committee and Remuneration Committee are the only committees of the board.

The Constitution and Board Charter set out the processes and matters which need to be addressed in relation to the selection and nomination of candidates for election or re-election as director, including appropriate checks and the information to be made available to shareholders. Information about current directors is available on the website, the Annual Report and in the Notice of Meeting in which directors are to be elected or re-elected. Consistent with the current requirements of the ASX Principles and Recommendations, the company will ensure all relevant details of any new nominations are available on the website and in the relevant Notice of Meeting for consideration by the shareholders as to whether or not to elect or re-elect a director. The Charter also requires the written agreements and letters of appointment between the company and each director and senior executive to contain the key terms and conditions relative to that appointment with regard to the provisions of the ASX Principles and Recommendations.

The Company Secretary is accountable to the board through the Chair on all matters to do with the proper functioning of the board. There is also direct, regular informal communication between the Chair and the Company Secretary on governance matters.

The company undertakes ongoing performance evaluation of key management personnel, heads of divisions and head office management. This can be conducted formally or informally, and includes a review and assessment of the performance of relevant executives and managers against key performance indicators. This process may also include feedback from peers where relevant and the Division GMs and the relevant executive or manager. Where applicable, remedial steps and coaching are implemented.

The company recognises that diversity and inclusiveness is a critical part of effective management of its people and their contributions to the success of the company. This diversity is reflected in the differences in gender, race, age, culture, education, family or carer status, religion and disability which are found across the company, its employees, consultants and contractors. When considering nominees for any future candidates for the board, the directors will take appropriate steps to ensure that it considers a broad range of candidates to ensure that the company has the benefit of the appropriate mix of experience, skills and diversity in its decision making for the best interests of the company as a whole.

The reporting profiles against which the company is reporting the current status of diversity as to gender have been adapted to comply with the reporting requirements under the Workplace Gender Equality Agency Act (2012). The report for the 2017 to 2018 period can be viewed on the website.

. The company continues to be committed to objectives to promote diversity:

- To achieve greater representation of females in the Reckon Group, particularly in technical and supervisor / manager roles.
- To review policies and internal procedures to ensure they provide equitable, fair and flexible work practices, including consistency with the company's commitment to diversity, particularly gender diversity, in the organisation.
- To implement training (in-house or external where relevant) to support a culture of diversity, for example: appropriate behaviour, harassment etc.
- Development of a mentoring/succession program for all employees to encourage females to remain in the business.

The Workplace Gender Equality Agency (“WGEA”) report (“WGEA Report”) submitted by the company relating to Reckon employees in Australia for the 2017 to 2018 period can be viewed on the website. It was also published on the company’s intranet site for access by its employees. For consistency, the criteria used to determine the workplace profile of Reckon employees for the WGEA Report has also been applied for this report in relation to recommendation 1.5 of the ASX Principles and Recommendations.

Based on the WGEA report for 2017-2018, females represent 34.3% (last year 33.8%) of the workforce at Reckon Australia, consisting of a representation of 34% (same as last year) non-management positions and 32% (last year 30%) management roles. There has been an increase of 2% (last year 2.3%) in the representation of females at Reckon in 2017-2018. There are no female members on the board. Resignations during this period included 48% women and 52% were men. Promotions were awarded 50% to women and 50% to men.

The company continues to seek an increase in the representation of women in the workforce. Initiatives throughout the year will be rolled out to encourage diversity and put gender equality at the front of mind of all our employees.

Based on the Gender Equality Benchmarks produced by the Workplace Gender Equality Agency (“WGEA”) the representation of women across the categories are generally consistent with similar sized businesses in the industry. The WGEA Gender Benchmark Studies will be used to assist in the company’s continuing review of strategies and practices to continue to foster diversity in the company, particularly as to gender.

The company’s Diversity & Inclusion Policy Statement as approved by the board on 15 December 2011 is published on the company’s website. This document will be reviewed in the context of the changes anticipated by the updated ASX Principles and Recommendations to be implemented effective on 1 January 2020.

## 2. Structure the Board to Add Value

At present, the board comprises four members: Greg Wilkinson, Clive Rabie, Phil Hayman and Sam Allert. Greg Wilkinson is Chairman of the board and he, together with Phil Hayman are non-executive directors. Further details of the directors, including a summary of their skills and experience and period of office are set out in the Directors’ Report and on the website.

In the opinion of the board, the existing structure and processes are appropriate for the company and still meet the objectives of Principal 2 of the ASX Principles and Recommendations although the company has not fully adopted some of the recommendations relating to the appointment of a nomination committee in recommendation 2.1 as described below and although the composition of the board may not be viewed by some as formally independent.

The criteria for directorship and the election process are set out in the company’s constitution and Board Charter. The size of the board and circumstances of the company dictates that there is no efficiency obtained in establishing a separate formal nomination committee. Accordingly, the company departs from this requirement in recommendation 2.1.

Instead, the directors will review the composition of the board to ensure that members have the desired breadth of experience, skills and expertise to govern the company effectively. Any decision regarding the appointment of new directors is taken cognisant of the need to appoint someone who, taking into account the mix of skills and diversity, experience and perspective of the other directors,

is appropriately qualified and as far as possible familiar with the company's market sector and its opportunities. The non-executive directors oversee the nomination of any potential director.

In accordance with recommendation 2.2, the board has created a board skills matrix to map the skills which, in the board's opinion, should be represented on the board to enable it to effectively meet the company's strategic needs.

This matrix will inform the selection process for nominees for any future candidates for the board and board self-assessment. The board skills matrix summarising the collective skills of the current board can be viewed on the website.

The board recognises the importance of effective, independent judgement being brought to bear in the governance and decision making processes of the company to ensure they are in the best interests of the company. The board considers it is able to provide the necessary independence of judgement to operate in the best interests of the company and its security holders. Greg Wilkinson and Phil Hayman are non-executive directors.

The Chair, who is independent, complies with recommendation 2.5 and has a casting vote. Accordingly, taking into account the size of the board and the Chair's casting vote, the board is of the opinion it meets the objectives of recommendation 2.4 as the exercise of its powers is consistent with a board composed of a majority of independent non-executive directors.

Greg Wilkinson has occupied a non-executive position for 14 years since he resigned from the management of the company. As a substantial shareholder and company founder the board acknowledges that Greg Wilkinson may not formally meet all of the criteria used by ASX and some other investor organisations to determine the independence of a director. However, an underlying principle of the ASX Principles and Recommendations is that the recommendations are to be considered in the context of the specific circumstances of the director and the company in each case, including size, complexity, history and culture. The board considers that the time passed since Greg Wilkinson's resignation from an executive role, his skills, engagement and experience in other IT businesses, start-up businesses, his depth of knowledge of the products and services of the company, insights into the relevant markets and experience give depth and objectivity, and inform his contributions to board discussions and decision making, and that this is consistent with the objectives of Principle 2. Further, the board is of the opinion that, his substantial holding in the company does not compromise his judgement or decisions. If anything, it aligns his actions with shareholders' interests in appropriate situations, including smaller shareholders. As such, the board is confident that Greg Wilkinson's presence on the board brings an independent and uncompromised perspective to the issues before it for consideration as well as deepening the board's overall skills and experience. Greg Wilkinson is also involved in other businesses in the technology market and thus brings contemporary experience to any board decisions.

Phil Hayman was a co-founder of Reckon in 1987. He resigned from Reckon in 2004. He was appointed as a director on 1 July 2018. The board felt that it was appropriate to bring back Phil's broad entrepreneurial flair and energy to the company as it targets revenue growth and embarks on strategies to move its product suite to the cloud. Bearing in mind the strategic focus on maintaining stable mature businesses and at the same time taking on a quasi-start-up approach to other parts of the business the board is also of the opinion that Phil's appointment is appropriate. His experience and skill set are suitable to the current needs of the company. The board also considers the 14 years since he left the company as more than enough time to establish his independence.

Sam Allert was appointed as a director on 1 July 2018. He is a non-independent, executive director.



His appointment was based on his extensive experience in the business (especially a strong pedigree in sales to drive growth) and as an appropriate recognition of his seniority in the business. Again, in the context of the current strategic imperatives of the company, his skills and experience are relevant to the current needs of the company.

The independent directors will continue to assess the suitability of the current composition of the board as the company's operations and performance evolve against the yardstick of its strategic goals.

Directors declare any actual or potential interests or conflicts as and when they arise, and in any case at each board meeting, and where applicable remove themselves and/or abstain from any discussion or resolution of issues which is likely to give rise to a conflict of interest.

The issues that come before the board are considered in an impartial manner and from a variety of perspectives. In the board's opinion, in the context of the company, it meets the requirements of independence for the purpose of providing objective, impartial consideration and judgement to the company's governance processes and decision making.

The non-executive directors oversee the nomination of any potential directors.

The Board Charter confirms the entitlement of directors to seek independent professional advice at the company's expense to assist them in fulfilling their duties in order to comply with all applicable laws and regulations. There is no formal procedure for the board to determine as to when it or any director should take independent advice at the expense of the company, but given the size of the board there is no efficiency to be obtained in formalising this process. The independent non-executive directors exercise their judgment to call for such advice when they deem appropriate. The Chair also has frequent contact with the Company Secretary to confirm or follow up on relevant matters, including assessing the need for external advice.

The board met 11 times during 2018. The details of attendance at these meetings are set out in the Directors' Report. The independent non-executive directors monitor and review the ongoing performance of the executive directors and key executives. The independent non-executive directors occasionally meet informally without management being present to generally discuss the affairs of the company and the overall performance of key executives.

The independent non-executive directors are subject to the company's Constitution and their continuity of tenure is dependent on re-election by shareholders in accordance with the constitution.

While there is no formal induction or training process in place, the Chair and Group MD will conduct a briefing process for new board members if required. The Company Secretary also assists in this process. The Board Charter outlines the overall approach to nomination, induction, evaluation and training of directors. Additional training for directors will be arranged as required.

### 3. Ethical and Responsible Decision Making

The company's governance policies and processes incorporate all the recommendations relating to Principle 3 of the ASX Principles and Recommendations.

The board's policy is that the company, the directors and employees in addition to their legal obligations must maintain high ethical standards in their dealings with the public and other members of the industry.

The company's Human Resources Policy and Procedures, binding on all employees, also collectively embrace the substance of the ASX Principles and Recommendations in a Code of Conduct, including

expectations regarding behaviour in the workplace, disciplinary processes, grievance processes, discrimination and harassment, occupational health and safety, ethical business practices, conflict of interest and corporate opportunity. The company is committed to training employees and maintaining employees' relevant technical expertise and understanding of their ethical and legal obligations, for example by way of trade practices training from time to time for relevant staff.

#### 4. Safeguard Integrity in Corporate Reporting

The board is of the opinion that its governance practices meet the requirements of each of the recommendations relating to Principle 4.

The board assumes the responsibility of ensuring the integrity of the company's financial reporting and has established the Audit & Risk Committee to focus on the issues relating to the integrity of the financial reporting of the company and oversight and review of the company's risk management. The terms of reference for the Audit & Risk Committee, to review and monitor all financial, risk management and compliance policies, were formalised in a Charter in 2003 to meet the requirements of the ASX Principles and Recommendations.

The Audit & Risk Committee consists of the independent non-executive directors, being Phil Hayman and Greg Wilkinson. Greg Wilkinson is identified as independent as discussed above. The Committee was chaired by Phil Hayman in the second half of 2018. The chair for the first half of 2018 was Ian Ferrier who retired effective 30 June 2018. Details of their experience and qualifications are set out in the Directors' Report and on the website. The Audit & Risk Committee does not comprise the recommended 3 non-executive directors of whom a majority are independent. This is a function of the size of the board of 4 members, of whom only 2 are non-executive directors.

The Audit & Risk Committee might also meet informally to discuss matters including risk management and reporting. The board is of the opinion that the structure of the Committee, together with its considerable technical expertise in the market sector of the company and in financial literacy, ensures independent review of the company's financial reporting over and above formal audit processes, enabling it to discharge its functions effectively. The committee and the board might also seek independent consulting advice from experts in accounting and financial reporting where such support is needed.

Deloitte Touche Tohmatsu, the company's auditors, report directly to the Audit & Risk Committee on the appropriateness of the company's internal accounting policies and practices. The board reviews the adequacy of existing external audit arrangements each year, with particular emphasis on the scope and quality of the audit. The Audit & Risk Committee reports back to the board after each Audit & Risk Committee meeting. The Audit & Risk Committee provides written advice to the board on the standard of independence of the auditors in light of any non-audit services during 2018 and which is reported in the Directors' Report. The MD, CEO and CFO also provide the s295A certificate and declaration of the MD, CEO and CFO. This declaration also states that their opinion is based on there being a sound system of risk management and internal controls operating effectively for the relevant financial period.

At each Audit & Risk Committee meeting, the Committee directors meet separately with the auditors without management being present to review any concerns that the auditors may have regarding the financial management of the company.

The chair of the Audit & Risk Committee also meets informally with the auditors during the course of the year to ensure familiarity with any issues facing the operations and financial reporting of the

company as well as to get guidance, advice and support in the role of chairman of that committee.

The Audit & Risk Committee met twice during 2018. The details of attendance at these meetings are set out in the Directors' Report.

The board is aware of its obligations to ensure the appropriate selection and rotation of external auditors and the external audit engagement partners and closely monitors and reviews the engagement of the company's external auditors. The company's auditor attends each Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report at the meeting.

#### 5. Make Timely and Balanced Disclosure

The company has adopted each of the recommendations relating to Principle 5 of the ASX Principles and Recommendations. The board remains conscious of the company's disclosure obligations under the Corporations Act, the ASX listing rules and the ASIC guidance principles. These obligations are reflected in the Continuous Disclosure Policy. All required disclosures are also made in accordance with the Continuous Disclosure policy which is accessible to the public at the company website. A review of operations and commentary on the financial results is provided in the Directors' Report and the Financial Report.

#### 6. Respect the Rights of Shareholders

The board is conscious of the requirements of Principle 6 of the ASX Principles and Recommendations and takes into account the rights and needs of shareholders to balanced and understandable information about the company in accordance with this Principle.

The board is of the opinion that the company communicates effectively with shareholders through a number of channels: through its ASX disclosures to the market; through the posting of statutory notices to shareholders and at the general and special meetings of the company. The company presents its annual and half yearly results to investors. The company keeps recent announcements and general company information on its website with a dedicated investor relations section which is accessible to the public. The website contains information about the company and general meeting dates, including a link to the ASX website for older announcements. Given the size and circumstances of the company, there is no formally documented communications strategy which embodies the policies and processes in which the company engages to communicate with the investors. It is only in this respect that the company has not adopted recommendation 6.3.

All security holders have the option to receive communications from, and send communications to, the company or the registry, Computershare electronically. The website includes details as to how investors can update their details and instructions regarding the mode in which they want to communicate with us, including a link to the registry, Computershare.

## 7. Recognise and Manage Risk

As stated above in relation to Principle 1, the board is responsible for ensuring appropriate risk management, accountability, and control mechanisms. It monitors the operational and financial aspects and material risks of the company's activities and, through the Audit & Risk Committee, which met twice in 2018, considers the recommendations and advice of the auditors and other external advisers on the operational and financial risks that face the company as well as on the adequacy of financial reporting. The Group MD, Group CEO and Group CFO monitor and review the financial performance of the company and monitor any potential risk essentially on an almost daily basis. The board has received assurance from the Group MD, Group CEO and the Group CFO that the s295A Declaration provided in the Financial Report is founded on a sound system of risk management and internal control and that the system is operating effectively for the relevant financial period.

As described above, the size of the company and the management team enables the board to have effective oversight of the overall risk management of the company. In the board's opinion, especially with the existence of an Audit & Risk Committee, there is no efficiency for the company to establish a separate risk management committee.

The board is regularly informed and in a position to assess and review the company's exposure to risk and overall investment risk by way of the existing processes and the dynamic communication across management, and also between management and the board. Accordingly, the board is of the opinion that there is substantial compliance with ASX Principle 7 although it departs from recommendations 7.1, 7.2 and 7.3 to the extent it has not established a formal risk committee, an internal audit function or conducted a formal annual review of its risk management framework.

At present the nature of operations and scope of the business is reasonably well established and understood by management and the board. The company does not have a formal internal audit function. The evaluation and continual improvement of the company's risk management and internal control processes are incorporated within the existing decision making and review processes. The decision making and reporting processes in the company incorporate an assessment of the relevant material risks, for example in the planning, budget, HR, product development, R&D, legal and compliance activities and, where relevant, any material risk issues are reported to and considered by the board. The planning and budget process involves both the executive and senior management, which means all of these employees have a more than adequate understanding of the issues, activities and opportunities across the company. In turn this enables them to manage operational, planning, strategic and risk issues in the company. In addition, the company regularly conducts reviews of the material risks in the context of the annual insurance renewals and, in relation to acquisitions through due diligence. Relevant risk factors are also included in the various management and financial reports to the board and are then considered by the board.

The Company continues to undertake a review of its information security practices to provide an assurance framework for its information security practices. This is an ongoing process.

The board does not consider the company to have any material exposure to any economic, environmental or social sustainability risk.

Due to the effectiveness of the existing processes and the size of the business, business risk management systems, policies and procedures have been monitored and reviewed as part of the overall reporting to the board and oversight by the board of the business, its operations, processes

and risks not been comprehensively formalised. The board has access to management and employees to discuss or inform themselves of any aspect of the company's business and processes or request relevant managers present to the board on these matters, including status reports and updates.

With a view to fully adopting recommendations 7.1 and 7.2, the company's risk management systems, policies and processes are under consideration to be formalised and documented, where necessary.

## 8. Remunerate Fairly and Responsibly

The company remunerates directors and key executives in accordance with the aspirations set out in ASX Principle 8 and recommendations 8.1, 8.2 and 8.3.

Accordingly, the board has adopted a remuneration policy designed to attract and maintain talented and motivated directors and senior employees so as to encourage enhanced performance of the company.

There is a clear relationship between performance and remuneration and a desire to strike the correct balance between the various components making up remuneration. The composition, responsibilities and processes of the Remuneration Committee have been formalised in the Remuneration Charter and can be viewed on the website.

The Committee consists of two members, Greg Wilkinson and Phil Hayman. Details of their experience and qualifications are set out in the Directors' Report and the website. The Remuneration Committee ensures independent review of financial reporting over and above formal audit processes. The auditors also scrutinise the Remuneration Report as part of their audit process to ensure compliance. The Remuneration Committee supervises the development and implementation of the company's remuneration policy including the operation of share-based reward plans, and reviews the performance of the executive directors and senior executives. The Committee fixes policy and reward in accordance with ASX Principle 8. The Remuneration Committee Charter can be viewed on the website. The full details of the policy and remuneration including the disclosures relating to policies and practices regarding the remuneration of directors and senior management required by recommendation 8.2 are set out in the Remuneration Report. The Remuneration Committee met once during 2018. The details of attendance at these meetings are set out in the Directors' Report. The company does have an equity-based remuneration scheme. The Remuneration Report outlines the policy prohibiting participants in any scheme to hedge their risks of participating in this scheme.