



Steadfast

**Corporate Governance
Statement 2020**



Corporate Governance Statement

Steadfast's approach to Corporate Governance

Steadfast Group Limited's approach to corporate governance is to:

Promote long term profitability and sustainability and create shareholder value through continuous improvement in all aspects of the business. We strive to meet sound corporate governance expectations as part of Steadfast's broader responsibility to shareholders, employees, Steadfast Network brokers and their clients, strategic partners and the communities in which we operate.



Steadfast's commitment to strong corporate governance and high ethical standards is a key aspect of our success. Steadfast's values of 'TOGETHER' guide the way the Board, management and staff conduct business.



Our people deal honestly and fairly with each other, our stakeholders and business partners. The Board-approved Code of Conduct sets out the way we must act legally, ethically and responsibly.



This statement has been approved by the Board and is consistent with the recommendations contained in the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. This statement is current as at 25 August 2020 and has been lodged with ASX.

FY20 Governance activities

Steadfast's governance frameworks and practices continue to evolve over time, driven by the Board and management's desire to continuously improve, grow and develop the business. Some of the activities undertaken by the Board and management during the year included:

- ▶ detailed review of Steadfast's corporate governance framework, and implementing various enhancements, to comply with the 4th edition of the Corporate Governance Council Principles and Recommendations in the FY21 year, such as implementing a standalone Nomination Committee charter
- ▶ continued review of themes and any implications emanating from the 2019 Final Report of The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry
- ▶ enhancing the strategic planning process to include matters such as further quantitative measurement of how we achieve our strategic objectives
- ▶ expanding the resources of the Chief Risk Officer
- ▶ enhancing and refining the risk management framework around the risk appetite statement and management reporting on risk
- ▶ reviewing the risk management framework, and closely monitoring Steadfast's operations and financial position, including any implications in light of COVID-19
- ▶ seeking independent legal advice on work, health and safety issues, and highlighting the responsibilities of directors and executives in this area
- ▶ creating the role of Deputy Chairman
- ▶ considering Board and Managing Director & CEO succession planning
- ▶ continually improving Board and external reporting
- ▶ enhancing the governance of subsidiaries with the appointment of external independent directors to key subsidiary Boards
- ▶ a Board self-assessment process including formulating and implementing recommendations

- ▶ reviewing corporate governance policies and processes including a review of the Board and Board Committee charters; and
- ▶ participation in Steadfast Network broker events.

Our Board, committee charters and corporate governance policies form part of our governance framework and are available on the **Steadfast Investor website**.

Solid Foundations for Management and Oversight

Role of the Board

The Board Charter sets out the respective roles of the Board and management. The Board is structured to collectively possess the skills, experience and industry knowledge to enable it to add value and discharge its duties effectively. The Board is committed to the sound and prudential oversight of management.

The Board of Steadfast provides leadership and strategic direction. The Board approves the strategy and oversees management's implementation of the strategy and management of risk, performance generally and instilling of values and culture. The Board monitors the effectiveness of Steadfast's governance framework including reporting systems and internal controls and reviews the performance of, and appoints, Steadfast's Managing Director & CEO. In performing its responsibilities and functions, the Board may choose to delegate certain of its powers to a Board committee or to other persons in accordance with the Constitution.

The Steadfast Board Charter is available on the **Steadfast Investor website**.

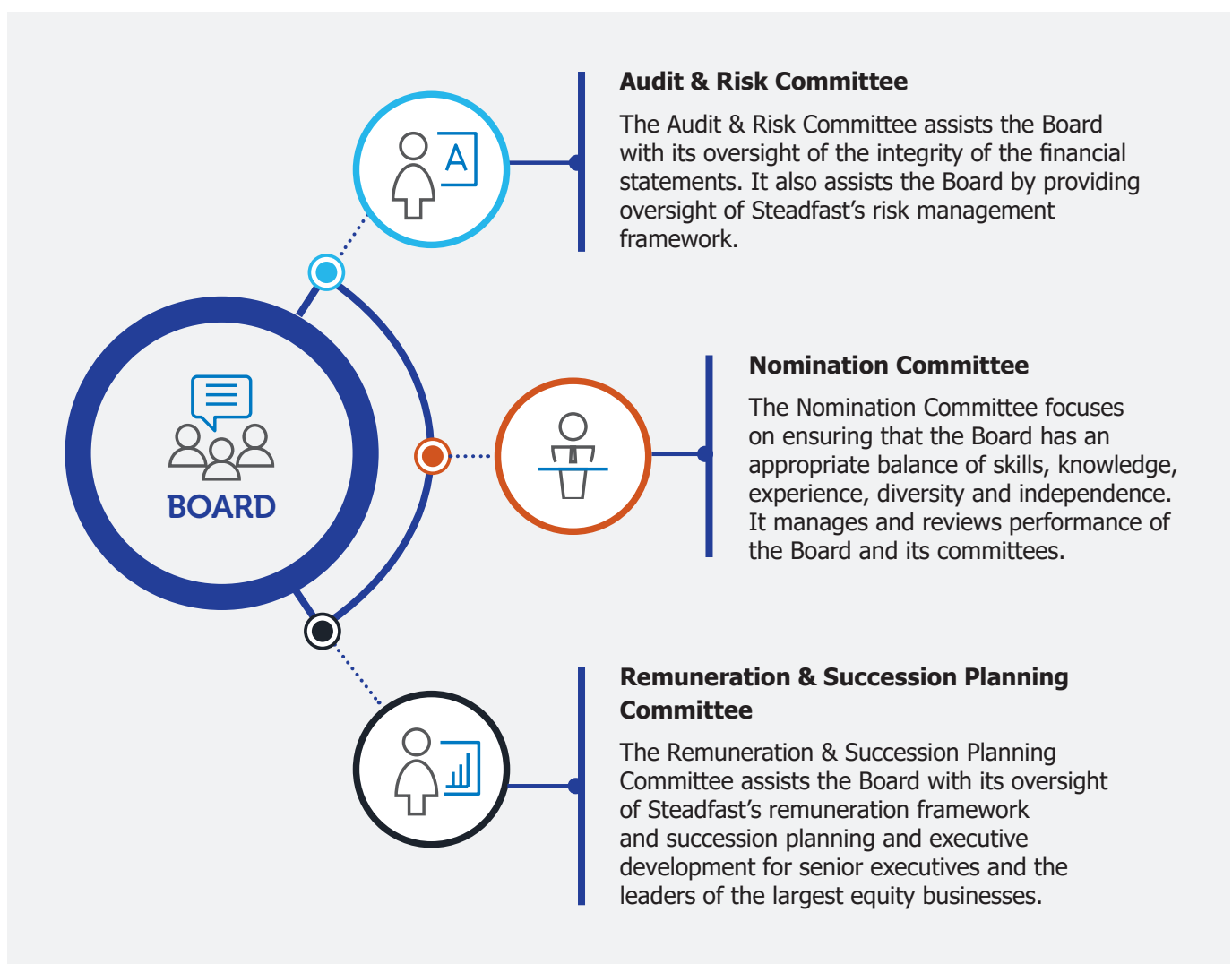
Board Committees

Steadfast’s three Board Committees assist the Board in its oversight role. All NEDs are members of each Board Committee. The common membership is feasible in light of the size of the Board and allows all NEDs to have direct input into the work of the Board Committees.

The Board has established the following committees:

- ▶ Audit & Risk Committee
- ▶ Nomination Committee; and
- ▶ Remuneration & Succession Planning Committee.

The following diagram provides a summary of the allocation of responsibilities between Board committees:



The Board Committee Charters, outlining the roles and responsibilities of each Committee are available on the [Steadfast Investor website](#).

Responsibilities of Management

The Board delegates authority, within parameters and in accordance with formal delegations, to the Managing Director & CEO for the executive management and day to day operations of Steadfast. The Board regularly reviews the division of functions between the Board and management to ensure it continues to be appropriate to the needs of Steadfast.

The Managing Director & CEO has been granted authority for matters not reserved for the Board or a Board Committee. The senior management team assists in the exercise of the Managing Director & CEO's delegated authority. It is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Members of the senior management team usually attend Board meetings. This assists in facilitating open communication between the Board and the senior management team including in relation to Board expectations.

The Managing Director & CEO and the Chief Financial Officer report to the Board at each meeting. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The senior management team focuses on achieving the business plan, strategic issues, operational issues, strategic relationships, acquisitions and hubbing, other material transactions, the management of risk, staff development and reviewing the performance of Steadfast including its subsidiaries.

Diversity

Steadfast believes in the organisational strength of its diverse and inclusive workforce. We greatly value the innovation and creativity that diversity brings. This flows naturally from our values and is an important part of our culture. Steadfast believes that we perform better as a business with diverse people and an inclusive culture. It helps us attract, retain and motivate the best people.

We are proud of our considerable gender, ethnic and age diversity and are committed to inclusion at all levels regardless of gender identity, age, disability, ethnicity, religious beliefs, cultural background or socio-economic background. We do not tolerate discrimination, harassment or vilification and staff undergo training to support our commitment to inclusion.

Steadfast's Diversity Policy is available on the [Steadfast Investor website](#).

In accordance with its Diversity Policy described in further detail under Ethical and Responsible Culture, the Board annually considers measurable objectives for achieving diversity that are appropriate for Steadfast and in the financial year are as follows:

- ▶ maintain appropriate female and other diversity participation at all levels of the organisation having regard to the industry; and
- ▶ actively promote the development of diversity in the executive team by supporting appropriate initiatives.

The Board also receives an annual report from management on the progress against these objectives. The report for the period shows that Steadfast has met its diversity objectives. Details of Steadfast's diversity are included in the Annual Report.

The Board is Structured to Add Value

Board Diversity and Composition

The Board is comprised of seven Directors, six of whom are non-executive independent Directors, including the Chairman.

The role of Chairman and the role of Managing Director & CEO are exercised by different individuals, being Mr Frank O'Halloran AM and Mr Robert Kelly, respectively. This year, the Board also created the position of Deputy Chairman and appointed Mr David Liddy AM to this role. The Board considered, having reviewed market practice, that having a senior independent director clearly designated as the Deputy Chairman would assist the effective operation of the Board as the Deputy Chairman can assist the Chairman and step in if he is unavailable.

The Board considers that it is an appropriate size to enable it to fulfil its duties and responsibilities, but not so large as to be unwieldy. Board renewal is a particular focus as many of the Directors were appointed at a similar time preceding the initial public offering in 2013. Meanwhile the long serving Managing Director & CEO has stated his intent to remain in his role until the end of 2022.

Board Skills and Experience

The Board believes that its membership should comprise high calibre directors from a variety of professional backgrounds who collectively possess the skills, knowledge, experience, diversity and independence that allow the directors individually and collectively, to:

- ▶ discharge their responsibilities and duties under the law effectively and efficiently
- ▶ understand Steadfast's business and the environment in which it operates so as to be able to set, with management, the key goals and strategies to drive continuous improvement in shareholder value
- ▶ assess the performance of management in meeting those key goals and strategies including the culture and effective management of risk; and
- ▶ oversee the development of the skills and experience of senior executives.

The Board uses a skills matrix which identifies the competencies and diversity required to enable the Board to fulfil its responsibilities, including a deep understanding of the insurance industry, corporate management and operational and financial matters. The Board regularly reviews its competencies and composition to ensure it collectively covers the skills needed to address existing and emerging business and governance issues. Each Director brings a range of experience and expertise to the Board and devotes significant time and resources to the discharge of their duties.



Average tenure of NEDs is **6.4 years**



Steadfast appointed its **inaugural Deputy Chairman in FY20**



30% of Directors are female



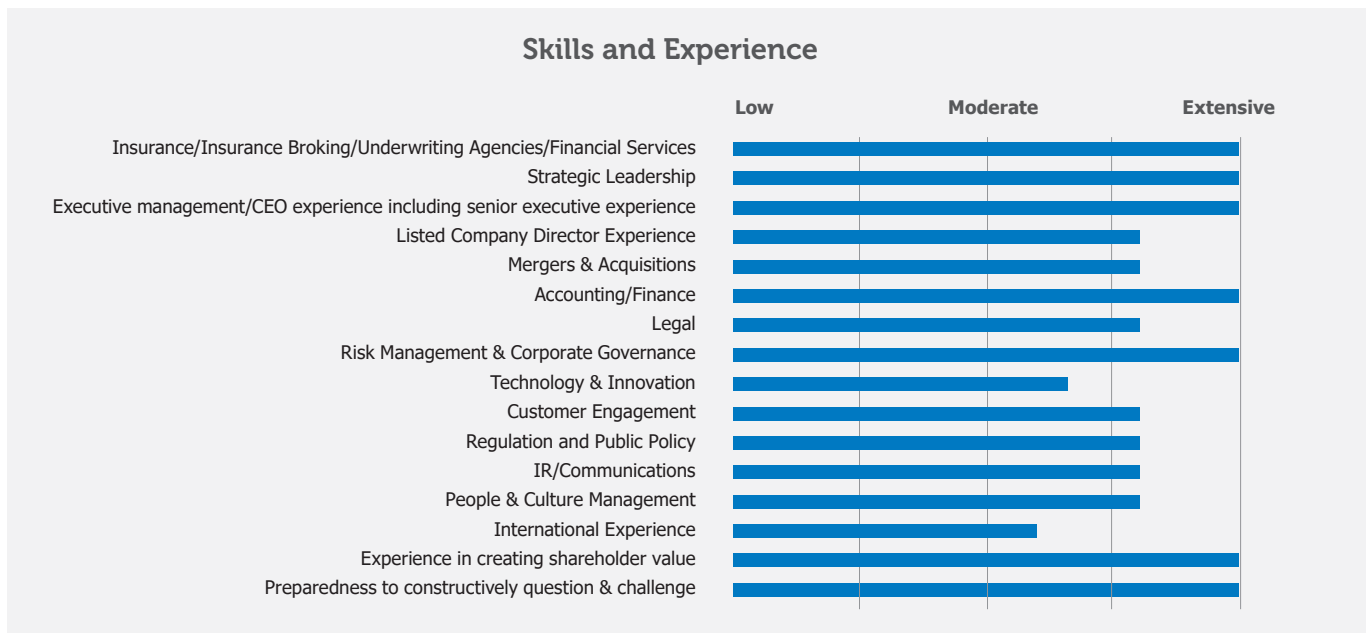
30% of NEDs have been CEOs of ASX100 financial services businesses



67% of NEDs have extensive experience in risk management and governance of listed entities

Collective Board skills matrix

Together, the Directors contribute the following key skills and experience identified in the Board skills matrix:



SKILLS AND EXPERIENCE

Insurance/Insurance Broking/Underwriting Agencies/Financial Services Experience in a senior position within an insurance, insurance broking, underwriting agency or other financial services environment including developing, implementing and assessing strategies and operating plans.

Strategic Leadership Experience developing strategic plans and successful implementation of plans, including the identification and assessment of different strategic options, risks associated with a course of action, and the appropriate allocation of resources to support strategic objectives.

Executive management/CEO experience including senior executive experience Having executive management experience including as a CEO or senior executive, run a large business or significant business line 'end to end' or having general management experience at a senior level requiring a holistic view of business and broad financial acumen.

Listed Company Director Experience Experience as a director in another listed company.

Mergers & Acquisitions Senior leadership experience in assessing, negotiating and executing mergers and acquisitions.

Accounting/Finance Having financial expertise in overseeing the integrity of financial reporting.

Legal Having expertise in the legal responsibilities of directors and the identification and management of legal and compliance risk generally.

SKILLS AND EXPERIENCE

Risk Management & Corporate Governance	Experience in developing and implementing of frameworks for the identification, evaluation and management of risk and experience in implementing and strengthening corporate governance for a listed company.
Technology & Innovation	Having one of more of the following: <ul style="list-style-type: none"> - Experience in developing and implementing strategies with respect to technology and innovation that supports overall corporate objectives and vision including dealing with evolving digital technology - Capacity to contribute to the selection and implementation of enterprise-wide information technology systems - Technical experience in areas such as cyber security, network protocols, systems architecture, cloud computing; and - Experience in managing IT and cyber risk.
Customer Engagement	Experience in developing strategies and operational requirements for understanding customer needs, and transforming and delivering customer experience and engagement.
Regulation & Public Policy	Experience in working or interacting with government, government organisations and regulators relevant to the business.
IR/Communications	Experience in investor relations and stakeholder communications.
People & Culture Management	Experience in developing people management strategies and operational requirements, including the attraction, retention and development of talent, appropriate remuneration incentive structures and cultural frameworks to drive increased performance and engagement.
International Experience	Experience in a senior executive role operating in and dealing with different cultures, business conditions and regulatory regimes.
Experience in creating shareholder value	Experience in creating shareholder value.
Preparedness to constructively question & challenge	Bringing a mindset of question and challenge in a constructive manner to Board activities and deliberations.

Director Independence

The Board considers that all of the NEDs are independent. Steadfast recognises that independent directors contribute to good governance and deliver better outcomes for all stakeholders by acting in the best interests of Steadfast independently of management and encouraging constructive challenge of management. Directors meet regularly in the absence of management and are also able to consult independent experts at Steadfast's expense, subject to the estimated costs being approved by the Chairman in advance as being reasonable.

The Board takes a qualitative approach to materiality of interests and assesses independence on a case by case basis, by reference to each Director's particular circumstances rather than applying strict quantitative thresholds.

When reviewing the independence of Directors, the Board rebased tenure from 2013 in view of the significant changes in the Group's operations following its restructure and listing in 2013. Mr Rynenberg owns and manages a broker business in the Steadfast Network and an underwriting agency which provides services to Steadfast Network brokers. Steadfast does not have an equity interest in Mr Rynenberg's businesses and these businesses are not material to Steadfast. The Board has carefully considered the independence of Mr Rynenberg as required by ASX CGC Recommendation 2.3 and has assessed that Mr Rynenberg remains independent. The Board appreciates the deep understanding and perspectives as the owner of independent insurance services businesses that Mr Rynenberg brings to the Board.



**100% of NEDs
are independent**

Director Appointment, Induction and Development

The Board routinely assesses the skills, knowledge, experience, diversity and independence required collectively for the Board to effectively fulfil its role. Steadfast undertakes appropriate checks prior to the Board appointing a Director. Steadfast provides shareholders with material information relevant to a decision on whether to elect a Director including their skills, experience, other directorships and an acknowledgement that they will have sufficient time to fulfil their responsibilities as a Director. Steadfast has in place a written agreement with each appointed Director and senior executive that sets out the terms of their appointment to enable a clear understanding of roles, responsibilities and expectations. This agreement was refreshed in 2020 for Directors.

Upon appointment, each Director undertakes induction training covering relevant matters such as Board practices and procedures and briefings with senior executives. Steadfast will continue to refine its program for inducting new directors.

As appropriate, the Board considers what training or development could be undertaken to fill any gaps in the skills, knowledge and familiarity with Steadfast and its operating environment required of the Directors as a group to fulfil their role on the Board and on Board committees effectively.

The Board receives ongoing briefings on developments in accounting standards and legal developments. As appropriate, the Board provides resources to help develop and maintain Directors' skills and knowledge.

Board Performance

The Chairman oversees the performance of the Board, its committees and each NED. The Board charter provides that the Board is responsible for developing and implementing a formal process to assess its own performance. The Board, and each committee established by the Board, reviews its performance by reference to its charter, and the performance of each NED, on an annual basis. The Chairman conducts one-on-one interviews with each NED and the Deputy Chairman reviews the performance of the Chairman.

Each NED also self-evaluates in the form of a questionnaire to cover matters such as:

- ▶ the Board’s performance in relation to its objectives
- ▶ the Board’s oversight of business performance, strategy, compliance, risk controls and management
- ▶ interaction between the Board and management; and
- ▶ composition and operation of the Board, including conduct of Board meetings and behaviours.

Recommendations are then agreed and implemented as necessary. Performance evaluations were undertaken for the financial year in accordance with the process described above. After consideration, the Board decided that it was not necessary to use an external facilitator for this financial year.

Executive Performance

Steadfast conducts performance evaluations for senior executives, including 360-degree evaluations, through a performance management process with key performance objectives and weightings established for all senior executives including a culture and values-based KPI. This year, all senior executives had 360-degree reviews. The Managing Director & CEO evaluates the performance of the key senior executives and provides the evaluation to the Board. The Chairman annually reviews the performance of the Managing Director & CEO with input from the Board and recommendations are formulated and implemented as necessary. Evaluations in accordance with this process occurred this year.

Nomination Committee

The Board has established a Nomination Committee which is currently comprised of the full Board, and accordingly, has at least three members, a majority of whom are independent Directors. The Chairman of the Nomination Committee is the Chairman of the Board, being Frank O’Halloran AM (who is an independent Director).

The Nomination Committee assists the Board in satisfying itself that it has an appropriate balance of skills, knowledge, experience, diversity and independence to be an effective decision-making body and to provide successful oversight of Steadfast Group. In doing so, the Nomination Committee has regard to the results of the annual appraisal of the Board’s performance, the performance of each Director and ongoing Board and committee succession planning.

The Board’s nomination functions were included in the Board Charter for the financial year which set out the Nomination Committee’s roles, responsibilities, composition and structure. As at 1 July 2020, a separate Nomination Committee charter has been approved. The Charter is available on the **Steadfast Investor website**.

Ethical and Responsible Culture

Steadfast strives to act ethically, legally and responsibly and in accordance with the expectations of its shareholders and other stakeholders. Steadfast has policies in key compliance areas, including conflicts of interest, anti-bribery and corruption, whistleblowing, diversity, securities trading and modern slavery. Steadfast’s culture and values are represented by:

TOGETHER



- Team
- Ownership
- Goals
- Entrepreneurial
- Trust
- Humility
- Ethical
- Relationships

None of us is as good as all of us



The Board receives regular reports from management including quantifiable metrics to enable the Board to assess culture

Code of Conduct

Steadfast is committed to maintaining high ethical standards in how we conduct our business. Material breaches of our Code of Conduct carry serious consequences and are reported to the Board. The Code is periodically reviewed for any updates required to ensure that it operates effectively.

Steadfast's Code of Conduct is available on the [Steadfast Investor website](#).

Conflicts of Interest

In accordance with Steadfast's Code of Conduct, applicable laws and regulations, Steadfast seeks to manage conflicts of interest appropriately. Steadfast's Code of Conduct sets out the framework for identifying, preventing and mitigating conflicts of interest - actual, perceived or potential. Our people are expected to avoid any conflicts of interest between Steadfast and their own interests. Companies within the Steadfast Group act in their own best corporate interests within a normal commercial framework having regard to the interests of insureds (for brokers), contractual commitments, binding arrangements with underwriters and regulatory and other requirements. Companies within the Steadfast Group are not required to act against their own interests in favour of other Group companies.

Anti-Bribery & Corruption Policy

Steadfast prohibits the giving of bribes or other improper payments to public officials as these are serious criminal offences and can damage our reputation and are contrary to our legal, ethical and responsible culture. Steadfast has controls around the giving and receiving of gifts and hospitality and provides training for staff about how to recognise and deal with bribery or corruption. Material breaches of the policy carry serious consequences and are reported to the Board. The policy is periodically reviewed for any required changes to ensure that it operates effectively.

Steadfast's Anti-Bribery & Corruption Policy is available on the [Steadfast Investor website](#).

Whistleblowing Policy

Steadfast encourages employees to speak up when they see wrongdoing. We are committed to maintaining and continuously improving our strong legal, ethical and responsible culture. Whistleblowing plays an important role in increasing transparency and improving our culture. Our whistleblower policy sets out how employees can report concerns they may have about misconduct involving Steadfast or any of its related companies. It also sets out our approach to supporting whistleblowers and how Steadfast will protect them from harm. It explains what steps Steadfast will take to investigate a whistleblower's concerns.

Steadfast's Whistleblower Policy is available on the [Steadfast Investor website](#).

Securities Trading Policy

Steadfast's Securities Trading Policy sets out the restrictions that apply to dealing in Steadfast securities by Directors, senior executives and staff. The key principles of Steadfast's Securities Trading Policy include:

- ▶ trading prohibition while in possession of non-public information that may be market sensitive
- ▶ designated trading windows, typically, the 30-day period beginning on the business day after Steadfast's announcement of its interim results, full year results and AGM
- ▶ excluded dealings
- ▶ pre-clearance of securities trading by designated individuals; and
- ▶ hedging prohibition on shareholdings and deferred and unvested equity awards.

Steadfast's Securities Trading Policy is available on the [Steadfast Investor website](#).



The Board monitors **whistleblower reports** as an important metric to assess risk and culture

Compliance with Law

Steadfast is subject to extensive legal and regulatory requirements and obligations, and business and ethical standards across our business activities. Compliance with these is critical to enable us to deliver our strategy and create long term value for our shareholders. Our people must comply with all relevant laws and regulations as well as the technical and ethical requirements of relevant regulatory and professional bodies. Steadfast provides mandatory compliance training so that our employees understand all relevant laws, regulations and internal policies and how to adhere to them and apply them in their daily work. Employees must report all actual and potential breaches of law or regulations immediately.

Integrity in Reporting

Steadfast has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Audit & Risk Committee

The Audit & Risk Committee meets quarterly to assist the Board with its oversight of the integrity of its financial reports. The Committee reviews the adequacy of Steadfast's financial reporting processes and internal control framework. In addition, the Committee monitors:

- ▶ the integrity of Steadfast's financial reporting
- ▶ the independence of the external auditor
- ▶ engagement and performance of the internal and external audit functions and reviews their audit findings; and
- ▶ Steadfast's control framework for financial reporting and ensures adequate risk management processes in place.

The Audit & Risk Committee is currently comprised of all NEDs, each of whom is independent including the Chair, Anne O'Driscoll.

Meetings of the Committee are also usually attended by the Managing Director & CEO, the Chief Financial Officer, the Chief Operating Officer, the Group Company Secretary & Corporate Counsel and the Chief Risk Officer. However, the Committee Chair regularly meets with the external auditor in the absence of management. The external auditor is invited to all the meetings of the Committee. Twice a year, before the consideration of the full year and half-year financial statements, the external auditor meets with the Committee without senior management being present.

A Disclosure Committee in relation to ASX announcements has been established in accordance with the Disclosure and Communications Policy. The Audit & Risk Committee annually reviews the operation of the Disclosure Committee.

The Audit & Risk Committee Charter is available on the [Steadfast Investor website](#).

Managing Director & CEO and Chief Financial Officer Declaration

Prior to the Board's approval of the financial statements for a financial period, it receives a declaration from each of the Managing Director & CEO and Chief Financial Officer that, in their opinion, the financial records of the Group 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 Group. The Board also receives assurance from the Managing Director & CEO and the Chief Financial Officer on the veracity of various representations made within the financial statements and to the auditors.



100% of Audit & Risk Committee members are independent

Auditor Independence

Prior to the approval of the interim and year-end financial reports, the Audit & Risk Committee reviews the independence of the external auditor. The external auditor attends the AGM and is available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Steadfast firmly believes that the external auditor must be, and must be seen to be, independent. The Committee annually reviews the independence of the external auditor.

Steadfast considers it appropriate to utilise the external audit firm for some non-audit services given the external auditor's extensive knowledge of Steadfast. Steadfast may engage the external auditor for non-audit services subject to the approval of the Committee. The Board has imposed a limit on the quantum of non-audit fees which may be incurred with Steadfast's auditors, namely that non-audit fees may not exceed audit fees in a financial year. Under Australian legal requirements, the lead auditor must be rotated every five years. The external auditor was appointed in 2012 and the lead partner changed in 2018 following the retirement of the former lead partner. There are not yet concerns about length of tenure affecting independence of the firm and it is not considered necessary to conduct a tender at this time. However, to the extent that the Committee considered it appropriate to consider changing the firm undertaking Steadfast's external audit, it would conduct an appropriate process to receive competitive tenders.

The Committee has free and unfettered access to the external auditor who, together with the Chief Risk Officer, has free and unfettered access to the Committee.

Timely and balanced disclosure

Continuous Disclosure

Steadfast believes that stakeholders should be informed of all material business events and issues that influence Steadfast in a factual, timely and widely available manner. Steadfast has a Disclosure and Communication Policy which reflects its continuous disclosure obligations under the Corporations Act and ASX Listing Rules, including Principles 5 and 6 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Steadfast is required to immediately disclose to the ASX any information concerning Steadfast which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of Steadfast shares. The Chairman is consulted in advance of any market announcements to be released to ASX and he arranges for other Directors to be consulted, time permitting, on price sensitive announcements.

It is Steadfast's policy that any price-sensitive material for public announcement, including interim and annual results, financial reports and presentations to investors and analysts will:

- ▶ be factual and reviewed internally before issue
- ▶ not omit material information; and
- ▶ be timely and expressed in a clear and objective manner.

Steadfast's Disclosure and Communication Policy contains the processes to comply with its continuous disclosure obligations and the establishment of a Disclosure Committee which is available on the [Steadfast Investor website](#).

Respect the Rights of Shareholders

Shareholder Communications

The [Steadfast Investor website](#) contains recent announcements, past and current reports to shareholders, including summaries of financial information, and corporate governance policies.

Steadfast gives shareholders the option to receive communications from, and send communications to, Steadfast and its share registry electronically.

Steadfast has an investor relations program to facilitate effective two-way communication with investors and analysts and to provide a greater understanding of Steadfast's business, governance, financial performance and prospects.

The Managing Director & CEO and Chief Financial Officer or approved representatives engage with with institutional investors, private investors, sell-side analysts and buy-side analysts throughout the year via scheduled and ad hoc interactions, taking account of continuous disclosure requirements and regulatory guidelines.

Shareholder Meetings

Steadfast encourages shareholders to participate in general meetings, particularly the AGM, which is an important forum for two-way communication between Steadfast and shareholders. Shareholders can ask questions of the Chairman and the Board ahead of the AGM. Steadfast drafts clear and informative meeting notices and other communications to clearly and accurately explain the nature of the business of the meeting.

Steadfast seeks to conduct its shareholder meetings in a manner which is courteous for those attending. In the interests of attending shareholders, the chair of the meeting will exercise his or her powers as the chair to ensure that the meeting is conducted in an orderly and timely fashion.

The presentations on the 30 June and 31 December results, AGM addresses and other major presentations are sent to ASX before the presentations are delivered. They are made available promptly on Steadfast's website as are recordings of AGM and results presentation webcasts.

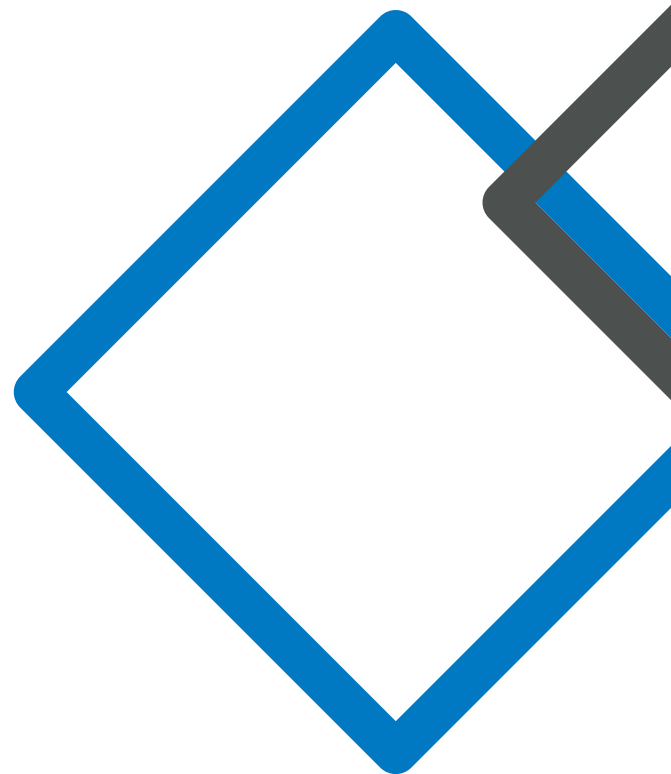
The Audit & Risk Committee monitors significant business risks and reviews how they are managed, recommends to the Board the risk appetite for Steadfast including applicable risk limits, determines delegations to management, oversees the risk management framework and satisfies itself that the framework continues to be sound. It is the responsibility of senior executives to report to the Audit & Risk Committee on the effectiveness of risk management, the implementation of internal control systems designed to address significant risks and to monitor and report on whether Steadfast is operating within the risk appetite set by the Board.

Information on the Audit & Risk Committee Charter, composition and operations is discussed above under Integrity in Reporting.

Recognise and Manage Risk

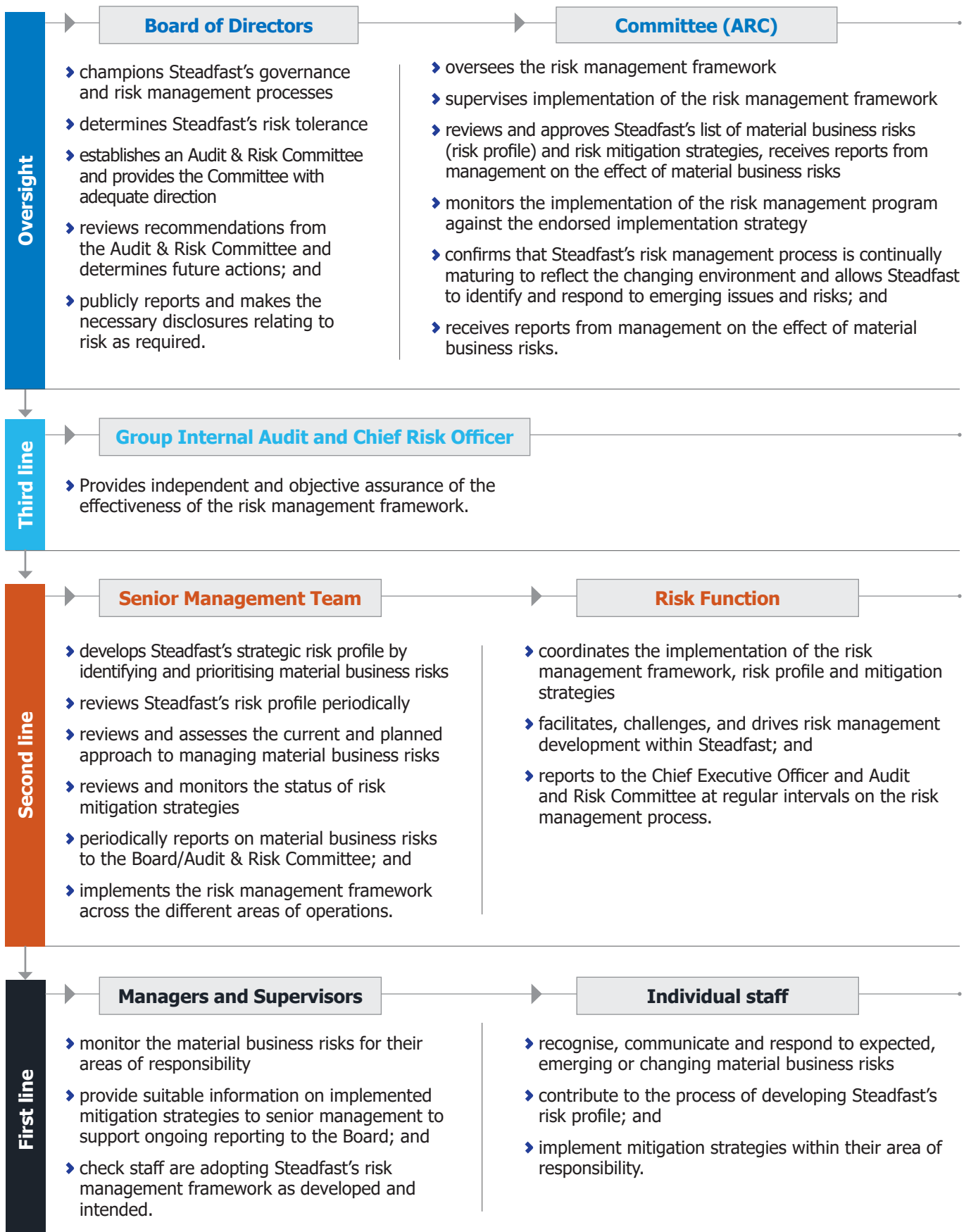
Risk Management Framework

Steadfast has a sound risk management framework and regularly reviews the effectiveness of that framework. The Audit & Risk Committee oversees risk, is chaired by an independent director and all members are independent directors. Steadfast considers that effectively recognising and managing risk is a crucial role of both the Board and management. Steadfast's approach to risk management is based on stable and effective core risk management principles. These are detailed in the Risk Management Policy (which is available on the [Steadfast Investor website](#)).



Roles and Responsibilities

The following table sets out the roles and responsibilities for risk management at Steadfast:



Steadfast's Risk Tolerance

Steadfast is committed to ensuring a disciplined approach to managing risk. The Board has set Steadfast's tolerance for risk as moderate, particularly having regard to its growth strategy and decentralised operations model. The Board considers this risk appetite is appropriate to drive shareholder value creation.

Steadfast has set a low tolerance for tax risk and seeks to comply with all applicable tax laws, regulations and disclosure requirements and to pay the amount that is legally required to be paid in all jurisdictions in which we operate. The Board has oversight of tax governance and the Chief Financial Officer is responsible for tax risk management and ensuring implementation of Steadfast's tax risk framework.

Chief Risk Officer and Internal Audit

The Chief Risk Officer reports to the Chief Financial Officer and has unrestricted access to the Audit & Risk Committee and its Chairman. Steadfast has combined the role of internal auditor and Chief Risk Officer as it sees internal audit as a key component of risk management in light of the nature of Steadfast's decentralised operations model. The Chief Risk Officer reports to the Audit & Risk Committee on risk and internal audit at each meeting.

The Committee monitors and reviews the performance of the internal auditor. Internal audit provides objective risk-based assurance that the financial and operational controls designed to manage risks and achieve our objectives are operating in an effective manner, through testing of key controls and processes, and follow-up on issues identified to ensure they are resolved. The internal audit function conducts audits of individual subsidiaries to ensure key controls are operating effectively and provides feedback to the Audit & Risk Committee and to senior management. The Audit & Risk Committee Chairman approves the appointment of the Chief Risk Officer.

The internal audit function assists Steadfast to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes.

Environmental, Social and Governance Risk

Steadfast's Board and management recognise the importance of identifying and managing Environmental, Social and Governance risks (ESG) as part of our responsibility to shareholders and the communities and environment in which we operate.

Steadfast's approach to ESG is evolving and includes four focus areas reflecting the risks and opportunities identified by the business and the issues of interest to Steadfast's stakeholders including:

- ▶ business conduct and ethics
- ▶ ESG risk management
- ▶ sustainability in direct operations; and
- ▶ people and workplace.

ESG Highlights

In the year ended 30 June 2020, highlights include:



Expanding our commitment to indigenous people:

- › **Launching** our first Reconciliation Action Plan
- › **Appointing** our Indigenous Engagement Ambassador, David Liddiard OAM; and
- › **Continuing** our investment in Origin Insurance, a majority indigenous-owned and operated insurance business.



Strengthening our management of human rights risks across our operations and supply chains and implementing commitments to identify and mitigate modern slavery risk



Ongoing investment

in our people in training, development and support including throughout the COVID-19 challenges



Ongoing contribution

on responding to climate change and the transition to a lower-carbon economy through our support of Steadfast's Sustainability Ambassador, Tim Jarvis AM



Expanding

our commitment to carbon neutrality across executive air travel and energy use in premises

Business conduct and ethics are a key component of our ESG approach and are detailed above under Ethical and Responsible Culture.

ESG Highlights continued

ESG Risk Management

Steadfast views management of ESG risks as a component of the broader risk management approach detailed above. Steadfast considers climate change and future carbon constraints within the existing risk framework. At this stage, senior management and the Audit & Risk Committee have assessed that the risks relating to climate change, including physical risks and transition risks, are not material to Steadfast. Nevertheless, we are committed to taking steps to manage our own footprint and to make a contribution to responding to climate change and the transition to a lower-carbon economy as articulated in ESG Highlights and in our Annual Report.

Sustainability in Direct Operations

Steadfast's direct environmental impacts predominately relate to the operation of Steadfast's offices, corporate air travel and the resources consumed by these activities. Many Steadfast businesses strive to integrate resource efficiency and sustainability into their day-to-day operations and adopt and refine initiatives to reduce resource usage, offset some carbon usage, occupy sustainable buildings and improve the sustainability of their supply chains.

Steadfast is aware of its energy usage and has switched to a green provider in its Sydney head office. Our refit project at Sydney head office has delivered more energy efficient premises and our IT projects are enabling rationalisation of servers. Curbing of corporate travel in response to COVID-19 has substantially reduced our corporate travel related carbon footprint and Steadfast envisages that continued use of virtual conferencing will help reduce the need for business travel going forward.

Steadfast has offset the carbon impact of corporate travel of senior executives by purchasing United Nations-endorsed carbon offsets for a cookstove project in Malawi, Africa which provides a solution to reduce carbon emissions and improve health and life outcomes for the communities in which they operate.

Steadfast and many of its businesses continue to roll out initiatives to improve resource efficiency including in relation to paper use and waste recycling. Where Steadfast businesses relocate office premises, buildings tend to be more sustainable and allow a reduction in direct resource consumption and greenhouse gas emissions.

As part of its contractual framework with suppliers and business partners, Steadfast includes clauses that require both parties to pay appropriate cognisance to the standards of behaviour we expect, as set out in our code of conduct and modern slavery policy, including our commitment to maintaining an ethical culture, respecting human rights and rejecting modern slavery.

Corporate and Social Responsibility

Steadfast's ESG approach overlaps with its corporate and social responsibility framework. Steadfast has considered how we can help make a difference to some of the world's most pressing environmental and social challenges through our corporate and social responsibility program to our business and sphere of influence. We have formulated five principles which align with our business and culture and where we can have the most impact: contribute to climate action, help reduce poverty, encourage health and wellbeing, promote gender equality and diversity and support work opportunity. Further information on our initiatives in these areas can be found in our Annual Report.

ESG Highlights continued



People and Workplace

Steadfast recognises that our most important assets are our people. Steadfast recruits people with drive, ambition and enthusiasm who can contribute to Steadfast's success and develop their skills and experience. We expect our people to embrace our values of TOGETHER (see further above under Ethical and Responsible Culture). Steadfast provides a broad range of opportunities, training and programs that support the development, diversity and wellbeing of our people. This ensures we have the resources to execute our strategy and create shareholder value.

Diversity and Inclusion

Steadfast's commitment to diversity is articulated above under Ethical and Responsible Culture and Solid Foundations for Management and Oversight. Steadfast values the organisational strength of its diverse and inclusive workforce and believes that we perform better as a business with diverse people and an inclusive culture.

Steadfast is proud of our considerable gender, ethnic and age diversity and we are committed to inclusion at all levels regardless of gender identity, age, disability, ethnicity, religious beliefs, cultural background or socio-economic background.

Learning and Development

Steadfast regards the development of its people as integral to its success. Our learning and development program helps to drive the development of our people and is important in embedding and reinforcing our culture. Steadfast appointed a full-time training and development manager this year to further expand and embed our learning and development program.

Steadfast provides targeted and role-specific learning opportunities, to meet the needs of our diverse team and to build the skills and experience for Steadfast's long-term organisational strength.

Commencing with the employee onboarding and orientation process, Steadfast recognises the importance of employee engagement. This is reflected in a series of learning and development activities, including regular townhalls, designed to communicate and embed the Steadfast culture and communicate Steadfast's strategy and performance. Training and development, in addition to bespoke opportunities, includes conferences, small and large group briefings and extensive online courses and knowledge tests (focussing on matters including fraud awareness, anti-bribery, cyber security, whistleblowing, ethical business practices and other compliance matters). Leadership development is a key focus as well as courses on specific matters such as mental health awareness training and work, health and safety obligations.

In addition to structured and formal training, our people derive benefits from skilled volunteering and wider community and industry engagement. Steadfast encourages this engagement and provides a volunteer day to assist in its facilitation. We also encourage our people to pursue development opportunities through further formal study with professional bodies and educational institutions.

ESG Highlights continued

Workplace, Health, Safety and Wellbeing

Steadfast underwent an external audit of our workplace health and safety framework during the financial year to ensure that framework remains appropriate and strong. Steadfast is committed to providing a safe workplace by identifying and endeavouring to mitigate risks of accidents and injury from work activities, engaging with employee representatives and training staff on safe work practices. Steadfast has a well-developed wellbeing program designed to support the physical and mental wellbeing of our people. The program is constantly refined to ensure it continues to meet the needs of our people and includes initiatives such as:

- ▶ Confidential counselling services (Employee Assistance Program)
- ▶ Educational seminars on matters such as mindfulness, resilience, life balance, sleep, diet and exercise
- ▶ Health screenings and assessments including executive health checks and flu vaccinations
- ▶ Wellbeing in working from home during the response to COVID-19; and
- ▶ Yoga classes.

Engaging Stakeholders

Clear dialogue with stakeholders is important to building strong relationships and our understanding of external dynamics, maintaining trust, enhancing business performance and evolving our ESG approach. Steadfast regularly engages with a broad range of stakeholders including shareholders, investors, analysts, our Network brokers, industry bodies, business partners, regulators and staff.

Industry Contribution

Steadfast believes it needs to be engaged and understand the evolving policy and regulatory environments in Australia as these impact our business. We support industry bodies in their role in these issues.

Further information on Steadfast's management of its environmental, social and governance risks is provided in Steadfast's Annual Report.

Fair and Responsible Remuneration

Oversight of Remuneration

The Remuneration & Succession Planning Committee assists the Board in its oversight role of Steadfast's remuneration framework. The Committee annually reviews Steadfast's remuneration approach to ensure it remains appropriate and aligns with the interests of shareholders. The Committee is comprised of the six NEDs, all of whom are independent including the Chair, David Liddy AM.

The Committee assesses the appropriateness of remuneration frameworks and practices in order to fairly and responsibly reward senior executives. The Committee seeks external advice from independent consultants as it considers appropriate.

The Committee Charter is available on [Steadfast's Investor website](#).

Remuneration Framework

Remuneration is a key focus for investors. Steadfast aims to reward its executives with a level of remuneration which is competitive and appropriate for the results delivered. The executive remuneration framework aligns executive reward with achievement of strategic objectives and the creation of sustainable long-term value for shareholders and conforms to market practice for delivery of remuneration. The executive incentive schemes are designed to incentivise performance that is better than market.

The Board embodies the following principles in its remuneration framework:

- ▶ a performance-based reward structure
- ▶ competitive and reasonable rewards to attract and retain high calibre executives
- ▶ strong links between executive rewards and creating long term shareholder value
- ▶ a significant proportion of executive remuneration is at risk, and is linked to achievement of pre-determined individual KPIs and financial performance targets; and
- ▶ transparent reward structures.



100% of Remuneration & Succession Planning Committee members are independent

Succession Planning

The Board recognises the importance of succession planning and executive development and is enhancing its focus and work in this area. Senior management is responsible for succession planning throughout the business. Succession planning and executive and employee development is critical for the long term success of Steadfast.

Non-Executive Director Remuneration

Remuneration of NEDs is fixed. Steadfast's Directors are remunerated for their services from the maximum aggregate annual amount approved by shareholders. NEDs do not have access to schemes for retirement benefits, other than compulsory superannuation contributions.

To align the interests of the Board with shareholders, NEDs are required to have a shareholding in Steadfast of an investment equivalent to their annual director fee. All directors meet this requirement. Details of NED remuneration and shareholdings are set out in the Annual Report.

Senior Executives

All senior executives receive an employment contract setting out the terms of their employment. Steadfast offers senior executives a mix of fixed and incentive-based remuneration in certain circumstances.

Details of Steadfast's approach and amount of remuneration paid to senior executives are contained Steadfast's Annual Report which is available on the [Steadfast Investor website](#).

Steadfast's approach to review of performance of its senior executives is described above under Structure the Board to Add Value.

Steadfast's Securities Trading Policy prohibits participants in equity-based remuneration schemes from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Securities Trading Policy is available on the [Steadfast Investor website](#). 