

Austock Group Limited

Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance and the extent to which the Company has sought to comply with the recommendations for each. This statement has been approved by the Board of Austock Group Limited and is current as at 22 August 2017.

Principle 1: Lay solid foundations for management and oversight

This Principle requires the Company to establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

ASX recommendation / disclosure obligation	Company's response
<p>1.1 Disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management</p>	<p>The Board has clear policies and processes to delineate the respective functions, roles and responsibilities of the Board and Management.</p> <p>The Board has adopted a Board Charter that sets out the role, composition and responsibilities reserved by the Board, those delegated to the Chief Executive Officer ("CEO"), and those specific to the Executive Chairman. The conduct of the Board is also governed by the Constitution of the Company. The Board has also adopted a Delegations Policy which formalises and discloses the functions delegated to senior management, principally to the Executive Committee, from the Board.</p> <p>In fulfilling their duties, each Director and Executive Committee member may obtain independent professional advice at the expense of the Company, subject to prior approval of the Executive Chairman, whose approval will not be unreasonably withheld.</p> <p>A copy of the Board Charter and Constitution is available on the Company's website.</p>
<p>1.2(a) Undertake appropriate checks before appointing a person as a director or putting them forward to shareholders as a candidate for election</p>	<p>A range of background checks are conducted upon the appointment of new directors to the Board of Austock Group and its subsidiaries. These include criminal record, bankruptcy, education, character and reference checks.</p>
<p>1.2(b) Provide shareholders with material information relevant to a decision whether or not to elect or re-elect a director</p>	<p>With regards to candidates standing for election or re-election as a director at the Company's annual general meeting, the Company will include in its notice of meeting, information which it considers relevant to a decision whether or not to elect or re-elect the person. This includes biographical details, details of other directorships held, independence status and a statement by the Board as to whether it supports the candidate's election or re-election. Any material adverse information revealed by a background check would also be provided.</p>
<p>1.3 Have a written agreement with each director and senior executive setting out terms of their appointment</p>	<p>The Company has entered into a comprehensive letter of appointment with each of its non-executive directors. Service contracts have also been entered into with the Executive Chairman, CEO and other senior executives.</p>

1.4 Company secretary should be accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board	<p>The Company Secretary has been appointed to this position by a resolution of the Board. The Company Secretary oversees all board and governance matters and is directly accountable to the Board on matters relating to the proper functioning of the Board.</p>						
1.5(a) and (b) Maintain and disclose a Diversity Policy	<p>The Board has adopted a Diversity Policy, a copy of which is available on the Company's website.</p>						
1.5(c) Disclose measurable objectives for achieving gender diversity and progress towards achieving them	<p>The Board has not set any measurable objectives for achieving gender diversity as it does not consider it necessary or appropriate while employee numbers remain low. However, as Board and employee vacancies are filled, attention will be given to identifying opportunities for improving gender diversity across the organisation.</p>						
1.5(c)(1) Disclose respective proportions of men and women on the board, in senior executive positions and across the whole organisation	<p>The Company provides the following information in relation to the proportion of women employed within the Austock Group:</p> <table data-bbox="405 772 1479 952"> <tr> <td>Women in organisation:</td> <td>38%</td> </tr> <tr> <td>Women in senior executive positions (being members of Executive Committee):</td> <td>25%</td> </tr> <tr> <td>Women on Board:</td> <td>0%</td> </tr> </table>	Women in organisation:	38%	Women in senior executive positions (being members of Executive Committee):	25%	Women on Board:	0%
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1.6 Maintain and disclose process for periodically evaluating the performance of the board, committees and individual directors and disclose whether performance evaluation undertaken during the period	<p>The Board has adopted a Board and Committee Performance Evaluation Policy, a copy of which is available on the Company's website. This Policy outlines the process for evaluating the performance of the Board, its committees and individual directors.</p> <p>A performance evaluation was not undertaken during the financial year due to changes in both executive and non-executive directors on the Board. It is anticipated that a performance evaluation will be undertaken once the existing Board has been in office for some period of time.</p>						
1.7 Maintain and disclose process for periodically evaluating the performance of senior executives and disclose whether performance evaluation undertaken during the period	<p>There are 4 components to evaluating the performance of senior executives.</p> <p>Prior to the commencement of the financial year, a Budget/strategy session is held involving the CEO, Chief Financial Officer ("CFO") and the Managing Director of Austock Life ("MD") and a business plan for the forthcoming year is agreed with the CEO. Annual performance appraisals of the CFO and MD are conducted in June/ July and agreed targets or KPIs are filtered down to individual team members. Biannual reviews are conducted to provide formal feedback to the CFO and MD regarding their individual and team's performance and to plan for the next 6 months. Performance is regularly reviewed at meetings between the CFO and MD and the CEO.</p> <p>Adopting this process, the performance of senior executives was evaluated during the financial year.</p>						

Principle 2: Structure the board to add value

This Principle requires the Company to have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX recommendation / disclosure obligation	Company's response					
2.1 (a) Maintain a Nomination Committee	The Company does not presently have a Nomination Committee. Having regard to the current size and composition of the Board a separate Committee structure is considered to be unnecessary.					
2.1(b) Disclose processes it employs to address board succession issues and ensure board has appropriate balance to enable it to discharge its duties and responsibilities effectively	The Board has adopted a Selection and Appointment of Non-Executive Directors' Policy, a copy of which is available on the Company's website. This Policy outlines the procedure for selecting and appointing non-executive directors and for re-appointing incumbent non-executive directors.					
2.2 Maintain and disclose a board skills matrix setting out the mix of skills and diversity that the board has or is looking to achieve in its membership	<p>The Board considers that collectively its directors have a level of skill, knowledge and experience that enables the Board to effectively discharge its responsibilities and duties. The directors have extensive experience spanning a diverse range of activities and industries, as set out below.</p> <table border="1" data-bbox="411 748 1471 1066"> <thead> <tr> <th data-bbox="411 748 963 792">Expertise</th> <th data-bbox="971 748 1471 792">Industry Experience</th> </tr> </thead> <tbody> <tr> <td data-bbox="411 804 963 1066"> <ul style="list-style-type: none"> • Financial and taxation • Legal, governance and compliance • Risk management • Strategy • Corporate advisory and business recovery • Product development • Executive leadership • Commercial acumen </td> <td data-bbox="971 804 1471 1066"> <ul style="list-style-type: none"> • Financial services • Funds management • Superannuation • Financial planning • Life companies and friendly societies </td> </tr> </tbody> </table>		Expertise	Industry Experience	<ul style="list-style-type: none"> • Financial and taxation • Legal, governance and compliance • Risk management • Strategy • Corporate advisory and business recovery • Product development • Executive leadership • Commercial acumen 	<ul style="list-style-type: none"> • Financial services • Funds management • Superannuation • Financial planning • Life companies and friendly societies
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2.3 Disclose independence of directors, their interests and associations and their length of service	<p>The Board comprises six directors as follows:</p> <p>Rob Coombe <i>Executive Chairman</i> Rob is not regarded as independent as he is an executive and substantial shareholder of the Company. He has been a director and Chairman since July 2017.</p> <p>Bill Bessemer <i>Chief Executive Officer and Executive Director</i> Bill is not regarded as independent as he is an executive of the Company and is an associate of a substantial shareholder of the Company. He was a director of Austock from 1999-2009 and more recently from February 2012 to the present time.</p> <p>Ross Higgins <i>Executive Director</i> Ross is not regarded as independent as he is the Managing Director of Austock Life. He has been a director of Austock Group since March 2016 and a director of Austock Life since July 2002.</p> <p>Eric Barr <i>Independent Non-Executive Director</i> Eric has been a director of Austock Group since March 2017 and a director of Austock Life since March 2015. He was acting Chairman of Austock Group from March 2017 to July 2017.</p> <p>Jonathan Tooth <i>Non-Executive Director</i> Jonathan is not regarded as independent as he is a substantial shareholder of the Company. He has been a director of Austock Group since May 2012 and prior to that was an employee of the business for over 10 years. He has been a director of Austock Life since October 2012.</p> <p>John Wheeler <i>Non-Executive Director</i> John is not regarded as independent as he is a substantial shareholder of the Company. He has been a director of Austock Group since March 2017 and prior to that was CEO of Austock Group from 1998-2007.</p>					

2.4 Majority of Board should be independent directors	The majority of the Board are not independent directors (see 2.3 above). However, the Board is of the opinion that there is an adequate and broad mix of skills and experience amongst the directors such that each is capable of acting in an independent manner and in the best interests of the Company and its shareholders.
2.5 Chair should be an independent director and not the CEO	Mr Rob Coombe assumed the position of Executive Chairman in July 2017 and is not considered independent, however the roles of Chairman and Chief Executive Officer are not held by the same individual. The Board has determined that the interests of the Company and its shareholders are better served by having Mr Coombe in an executive role to assist management with growing the business and improving its financial performance. During the financial year, the Company maintained an Independent Chairman at all times – Mr George Beaumont until March 2017 and thereafter Mr Eric Barr until July 2017.
2.6 Maintain a program for inducting new directors and provide professional development opportunities	The Company does not presently have a formal induction or professional development program for directors. To date, such programs have been considered unnecessary as the current Directors are experienced and skilled and well-acquainted with the Austock Group.

Principle 3: Act ethically and responsibly

This Principle requires the Company to act ethically and responsibly.

ASX recommendation / disclosure obligation	Company's response
3.1 Maintain and disclose a Code of Conduct	The Board believes that the success of the Company will be enhanced by a strong ethical culture within the organisation. To this end, the Board has adopted a Code of Conduct, a copy of which is available on the Company's website.

Principle 4: Safeguard integrity in corporate reporting

This Principle requires the Company to have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX recommendation / disclosure obligation	Company's response
4.1(a) Maintain an Audit Committee	The Company does not presently have an Audit Committee. Having regard to the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. In addition, the Company's main operating division Austock Life has its own audit committee which exercises financial oversight over that business.
4.1(b) Disclose 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	In the absence of an Audit Committee, the Board is responsible for verifying and safeguarding the integrity of corporate reporting. Rigorous processes are employed to ensure Austock Group's financial reports present a true and fair view and that its accounting methods are relevant, comprehensive and comply with applicable accounting rules and policies. The Board is responsible for appointing the external auditor, subject to confirmation by shareholders at the Company's annual general meeting. In selecting an auditor, the Board will implement a selection and assessment process, which takes into account a number of key criteria, including audit approach and methodology, internal quality control procedures, resources, key personnel and cost. The Board will annually review the external auditor's performance and independence. In line with current professional standards, the external auditor is required to rotate the Austock Group audit lead engagement partner at least once every 5 years.

4.2 Receive a declaration from the CEO and CFO as to the financial statements	Prior to approving the annual and interim financial statements, the Board receives a declaration from the CEO and CFO that in their opinion the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standard and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3 Ensure external auditor attends AGM and is available to answer questions from shareholders relevant to the audit	At the Company's request, the external auditor attends the Annual General Meeting each year and is available to answer questions from shareholders in relation to the audit.

Principle 5: Make timely and balanced disclosure

This Principle requires the Company to make timely and balanced disclosure on all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its shares.

ASX recommendation / disclosure obligation	Company's response
5.1 Maintain and disclose a continuous disclosure policy	The Board has adopted a Continuous Disclosure Policy, a copy of which is available on the Company's website. This Policy reflects the Board's commitment to ensuring that information that is expected to have a material effect on the price or value of the Company's securities is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Principle 6: Respect the rights of shareholders

This Principle requires the Company to respect the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASX recommendation / disclosure obligation	Company's response
6.1 Maintain a website with information about itself and its governance	The Company maintains a website with a dedicated governance section.
6.2 Design and implement an investor relations program	Having regard to the number and nature of its shareholders, the Company does not consider it necessary to have a formal investor relations program. The Company's Executive Chairman Rob Coombe is the Company's primary investor relations contact and actively engages with shareholders to facilitate effective two-way communication with them. The views of shareholders are regularly conveyed to the Board.
6.3 Disclose policies and processes in place to facilitate and encourage participation at shareholder meetings	<p>The Company holds its annual general meeting at its registered office in Melbourne. Given the relatively small number of shareholders and the fact that a large proportion are domiciled in Victoria, the holding of meetings across multiple venues and the use of technology such as live webcasting has been considered unnecessary to facilitate greater shareholder participation in meetings.</p> <p>Shareholders may ask questions about or make comments on the management of the Company ahead of any annual general meeting. These questions or comments will be addressed at the meeting.</p>

6.4 Give shareholders the option to give and receive communications electronically	Through the Company's share registry Boardroom Pty Ltd, shareholders may elect to receive certain communications electronically.

Principle 7: Recognise and manage risk

This Principle requires the Company to establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX recommendation / disclosure obligation	Company's response
7.1 (a) Maintain a Risk Committee	The Company does not presently have a Risk Committee. Having regard to the current size and composition of the Board, a separate committee structure is considered to be unnecessary. In addition, the Company's main operating subsidiary, Austock Life Limited, has its own risk committee as required by APRA Prudential Standards. It is comprised of four Austock Life non-executive directors, three of whom are considered independent, and its Chairman Eric Barr is an independent director.
7.1(b) Disclose the processes it employs for overseeing the Company's risk management framework	<p>To comply with APRA Prudential Standards, Austock Life Limited has appointed a Chief Risk Officer to oversee Austock Life's risk management framework. In this role, the Chief Risk Officer also oversees Austock Group's risk management framework.</p> <p>In accordance with the Company's Risk Management Program, Management undertakes an exercise of identifying and prioritising its material business risks. These risks are documented in a Risk Register and, where the level of risk is considered to be above the desired level, an action plan is developed to address and mitigate the risk.</p> <p>Risks, the effectiveness of mitigation strategies and the overall management system are regularly reviewed by Management to ensure changing circumstances do not alter the risk priorities. Management reports to the Board on the effectiveness of the Company's management of its material business risks.</p>
7.2 Review the risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether a review has taken place during the period	<p>The Board is confident that the Group's risk management framework is sound. Nevertheless, an internal review of the Group's risk management framework is underway to effect enhancements to the risk management program and framework.</p> <p>The Austock Life framework is reviewed once a year by Austock Life's internal auditor and once every three years by an independent, external party. A review was completed by the internal auditor during the period.</p>
7.3 Disclose whether it has an internal audit function, how it is structured and what role it performs	<p>The Company itself does not have an internal audit function.</p> <p>However, Austock Life maintains an independent internal audit function. The role of internal auditor is fulfilled by Dennis Clark who reports directly to the Austock Life Audit Committee. The internal auditor provides services in accordance with an internal audit plan approved by the Audit Committee each year.</p>
7.4 Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and how it manages those risks	<p>The Company has no material exposure to environmental or social sustainability risks.</p> <p>The Company considers that it faces a medium level of risk to economic conditions adversely impacting on the Austock Life business through reduced sales volumes and reduced growth in FUM. A number of key controls and management strategies are in place to mitigate this risk including:</p> <ul style="list-style-type: none"> • a financial adviser strategy-based distribution model with strong financial adviser relationships • an expansive investment menu with 33 portfolio options (including cash and tax paid term deposits options) and the ability to switch between options • healthy funds' growth and inflows • a product structure where the investment risk is carried by investors.

Principle 8: Remunerate fairly and responsibly

This Principle requires that the Company to pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for shareholders.

ASX recommendation / disclosure obligation	Company's response
8.1(a) Maintain a Remuneration Committee	The Company does not presently have a Remuneration Committee. Having regard to the current size and composition of the Board, a separate Committee structure is considered to be unnecessary. In addition, the Company's main operating division Austock Life has its own remuneration committee which makes recommendations in relation to the remuneration of the directors and employees of that business.
8.1(b) Disclose the processes it employs for setting level and composition of remuneration for directors and senior executives and ensuring that it is appropriate and not excessive	A Remuneration Report, which sets out information about the remuneration of the Company's directors and senior executives for the financial year is included in the Directors' Report.
8.2 Disclose policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives	<p>The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors are remunerated by way of fees in the form of cash, non-cash benefits and superannuation contributions. Typically, they do not receive options, bonus payments or shares from the Company. Non-executive directors do not normally participate in schemes designed solely for the remuneration of executives.</p> <p>Executive directors and senior executives' packages generally comprise fixed and performance-based remuneration components. The Company does not currently operate any equity-based remuneration schemes for Directors, Executives or Staff. A Long Term Incentive arrangement for Mr Ross Higgins has been in place since 2015.</p> <p>A Remuneration Report, which sets out information about the remuneration of the Company's directors and senior executives for the financial year is included in the Directors' Report.</p>
8.3 Disclose, if it has an equity-based remuneration scheme, its policy on participants entering into transactions which limit the economic risk of participating in the scheme	<p>The Company does not currently have any equity-based remuneration schemes in operation for Directors, Executives and Staff. A Long Term Incentive arrangement for Mr Ross Higgins has been in place since 2015.</p> <p>A Remuneration Report, which sets out information about the remuneration of the Company's directors and senior executives for the financial year is included in the Directors' Report.</p>