

# 2019 ENVIRONMENTAL SOCIAL & GOVERNANCE REPORT

# **ENVIRONMENTAL SOCIAL GOVERNANCE**

This Environmental, Social and Governance (ESG) Report, which incorporates Serko's Corporate Governance Statement, was approved by the Board of Serko Limited on 21 May 2019 and is accurate as at that date. The Board does not undertake any obligation to revise this Report to reflect events or circumstances after 21 May 2019 (other than in accordance with the continuous disclosure requirements of the applicable Listing Rules).

## CONTENTS

Introduction	4
Environmental	6
Social	8
Governance	12
Risk Management	25

# INTRODUCTION

Serko aims to be a successful growth company. To realise this ambition we must do the right thing by our people, customers, community and our shareholders.

We aim to achieve this through:

- 1) Focusing on long-term growth and business sustainability;
- 2) Applying best practice governance and risk management procedures;
- 3) Cultivating an inclusive workplace of diverse and engaged staff; and
- 4) Enabling environmentally sustainable choices through technology.

Serko is committed to developing long-term value creation and making positive improvements in social, economic and environmental outcomes.

Further information and our full Annual Report can be found on the investor centre of Serko's website.

Serko's first Environmental Social and Governance (ESG) Report was produced in 2018. The United Nations (UN) Sustainable Development Goals (SDGs) have been adopted for Serko's ESG initiatives to be reported against. Serko's ESG framework remains under development and will continue to be progressed over time.

The SDGs are a set of global initiatives set by the UN for everyone to contribute to. For Serko, the SDGs are a way to see which areas of sustainability we are directly contributing to and how our community initiatives relate to a larger vision for positive change.

The UN SDGs relevant to Serko and our actions are as follows:



## People:

### Good health and well-being

Health and safety policies



### Quality education

Training and intern programmes



### Gender equality

Diversity and inclusion policies



### Decent work and economic growth

Remuneration policies



### Reduced inequalities

Diversity and inclusion policies



## Customers:

### Industry, innovation and infrastructure

Industry recognition for innovation



### Responsible consumption and production

Privacy and security policies



## Community:

### Sustainable cities and communities

Sponsorships and donations



### Climate action

Environmental practices



**ENVIRONMENTAL**

## ENVIRONMENTAL

Serko recognises that it has a responsibility to the environment beyond legal and regulatory requirements. We are committed to reducing our environmental impact and continually improving our environmental performance as an integral part of our business strategy and operating methods, with regular review points. We encourage customers, suppliers and other stakeholders to do the same.

As a software development company Serko has a low environmental impact. But where possible Serko aims to reduce this to the minimum level practical. We encourage recycling at our offices. We are conscientious when booking travel and plan ahead to ensure we combine meetings to minimise our trips and resulting emissions.

While Serko, as a company providing travel-related booking tools and information, is not a high producer of carbon through its activities, it could play a role in helping to provide information on travel-related CO2 emissions to its customers. Serko could also become the medium by which travellers could pay carbon offsets. These environmental initiatives will be considered as part of the product innovation road-map.

### We are committed to reducing our environmental impact

Serko's current environmental goal is to continually look to reduce the impact of our business on the environment, and as we grow as an organisation to ensure that any negative impact on the environment is minimised.

#### SERKO'S ENVIRONMENTAL GOALS FOR FY19

During FY19, Serko drafted a manual and procedures outlining Serko's environmental goals, including in respect of:

- Recycling;
- Committing our people to undertake only essential travel;
- Minimising paper usage; and
- Identifying ways that our technology can assist our clients to minimise their impact on the environment further.

For FY20, Serko plans to obtain internal feedback on this and gain employee commitment to its goals.

Serko sees these goals as being important to the sustainability of our business and, with the possibility of reducing financial expenditure and potentially providing a new revenue stream, the return to shareholders is maximised.

**SOCIAL**



## SOCIAL

Serko operates in an industry that is highly competitive for talent. We aim to provide an environment and culture and promote social conscience that means that people want to be part of our team – and those who do work for us, choose to stay. This choice is a conscious decision, it's not words on a wall, but a way of working throughout our organisation that encourages and enables people to be the best they can be and to do so in an environment of fun, performance focus and energy. There are a variety of initiatives that contribute to our culture – each of which are underpinned by our values and contributed to by the diversity of perspectives that make us who we are.

As a result Serko has low employee turnover (10% rolling annual turnover measured at 31 March 2019) and high employee engagement scores relative to industry norms. Serko's employees (known in-house as Serkodians) are generally motivated, excited about our future and feel our organisation is a great place to work. As an example, more than 97% of our employees reported that they strive to do their best work every day for Serko as they want the company to be successful.

### SERKO CULTURE AND VALUES

Serko's culture is upbeat, nimble, dynamic and inclusive. We hire top talent from the technology and travel industries to ensure that our people (Serkodians) have the skills and astute judgement to make smart decisions that lead us to success – within a strategic framework established collaboratively with our leadership group, Executive Team and Board.

Serko's people are incentivised for achieving exceptional results. We have established OKRs (Objectives and Key Results) throughout all teams and are supporting our people with learning and development initiatives to encourage us to keep finding new ways to innovate.

To articulate our culture, we developed the following eight values that not only describe what is important to us but also provide a code for how we behave toward each other,

influencing decisions such as who we hire, how people select what they work on and how our people are led. As a result, we have a highly engaged, energised culture resulting in high employee engagement.

<b>Mastery</b>	Serkodians continuously strive to become masters of what they do
<b>Autonomy</b>	Serkodians are able to work independently and make decisions for themselves
<b>Teamwork</b>	Serkodians work well with people not just in their own teams but in teams across the organisation
<b>Passion</b>	Serkodians are passionate about what they do and what Serko does
<b>Integrity</b>	Serkodians are honest, respectful of others, deliver on their commitments and make ethical business decisions
<b>Success</b>	Serkodians strive toward their goals to ensure Serko reaches its goals
<b>Family</b>	Serkodians are valued as part of the Serko family and Serko recognises the importance of their families to them
<b>Fun</b>	We value humour, laughter and enjoying our time at Serko

### DIVERSITY & INCLUSION

Serko is committed to providing equal employment opportunities and, as such, has a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences. The company works to ensure that its selection processes for recruitment and employee development opportunities are free from bias and are based on merit. The Board recognises that building diversity across Serko will deliver enhanced business performance.

Serko has adopted a Diversity and Inclusion Policy and is committed to achieving diversity in the skills, attributes and experience of its Board members, management and staff across a broad range of criteria (including, but not limited to, culture, gender and age). The Board as a whole is responsible for overseeing and implementing the Diversity and Inclusion Policy but has delegated to the Remuneration and Nominations Committee the responsibility to develop and to recommend measurable objectives to the Board that are designed to adhere to Serko's Diversity and Inclusion Policy.

As at 31 March 2019, Serko employees represented 22 different nationalities. Serko believes this diversity is critical for encouraging awareness of cultural experiences as we expand into different markets. Serko's employees range in age from early 20s to mid 60s, with the spread peaking in early 30s.

## DIVERSITY OBJECTIVES

Serko has set measurable objectives to reinforce its commitment to diversity. The Board's evaluation of Serko's performance with respect to the objectives set in accordance with its Diversity and Inclusion Policy during the financial period are set out below:

Objective	Progress
Facilitate and promote equal employment opportunities, including (but not limited to) diversity of culture, gender and age when considering opportunities for new and existing Serko people. At the end of each year report the statistics relating to new hires to demonstrate a continuation of our current diverse talent pool, including ensuring a diverse range of cultures, ages and gender is maintained (or strengthened) with the long-term goal of having 50% of the Board, Executive and Leadership team being women.	During the year, 1 April 2018 to 31 March 2019 (FY19) we hired 78 people from a diverse range of cultures and nationalities. Both our diversity of age and diversity of cultural origin have increased this year. During the past financial year we found it difficult to attract female candidates to apply for our technology roles. This resulted in a lower proportion of women being hired during the year. To help address this issue we have introduced an intern programme and have attracted female technologists to the organisation as a result. Our intent is to build this programme into a graduate programme to retain this talent for the future. Serko has a strong culture that is supportive of women at work. Policies include flexibility of working hours, focus on women in leadership and promotion of female talent. Serko is proud to have one of NZX's few female Chief Financial Officers.
Promote a merit-based environment in which employees have the opportunity to develop and perform to their full potential, in alignment with the company's commitment to the ongoing training and wellbeing of its employees. Measure and report on the gender composition of internal movements/promotions of our people to help achieve greater diversity at leadership levels.	During the past year many internal opportunities were provided to people as we grew our team both within Australasia and by growing internationally, particularly the US Market, supporting the development of our people and retaining our talent. In addition, resilience and other wellness initiatives were run to support our people while we scale.
Reward excellence and ensure employees are treated fairly, evaluated objectively and promoted on the basis of their performance. Conduct an annual pay parity audit to ensure that groups are not being disadvantaged on the basis of their gender. Ensure this covers both internal pay equity and application of budget for pay reviews.	Serko applies particular scrutiny to both salaries that individuals are appointed at, and also during the pay review process to ensure parity is provided based on genders. We will continue to assess this as we enter this year's pay review process.

During FY20, Serko's diversity objectives are to continue to:

- 1) Facilitate and promote equal employment opportunities, including (but not limited to) diversity of culture, gender and age when considering opportunities for new and existing Serko people. At the end of each year, report the statistics relating to new hires to demonstrate a continuation of our current diverse talent pool, including ensuring a diverse range of cultures, ages and gender is maintained (or strengthened) with the long-term goal of having 50% of the Board, Executive and Leadership team being women.

This year's activity to improve our performance in this area will include a focus on attracting female talent from the technology industry, using a targeted marketing campaign to ensure diversity of thought remains a focus for our organisation. This diversity will form one of the underlying themes of our employer branding initiatives where Serko becomes an employer of choice, not just for technology leaders but, in particular, technology leaders who can bring to us a diversity of thought.

- 2) Promote a merit-based environment in which employees have the opportunity to develop and perform to their full potential, in alignment with the company's commitment to the ongoing training and wellbeing of its employees. Measure and report on the gender composition of internal movements/promotions of our people to help achieve greater diversity at leadership levels. This year's focus will be on developing our learning and development initiatives, and in particular given the high rate of growth Serko is experiencing, ensuring an innovative global onboarding programme is produced to escalate the time to efficiency of our new employees.
- 3) Reward excellence and ensure employees are treated fairly, evaluated objectively and promoted on the basis of their performance. Conduct an annual pay parity audit to ensure that groups are not being disadvantaged on the basis of their gender. Ensure this covers both internal pay equity and application of budget for pay reviews. As with prior years, we will continue to conduct our pay parity audit to ensure equity provided to our team.

## GENDER COMPOSITION OF SERKO WORKFORCE AND DIVERSITY

The respective numbers and proportions of men and women at various levels within the Serko workforce as at 31 March 2019 and 31 March 2018 are set out in the table below:

	Female				Male			
	2019		2018		2019		2018	
	no.	%	no.	%	no.	%	no.	%
All Directors	1	20%	1	20%	4	80%	4	80%
Non-Executive Directors	1	33%	1	33%	2	66%	2	66%
Officers <sup>1</sup>	1	14%	1	20%	6	86%	4	80%
Senior Employees <sup>2</sup>	4	29%	4	33%	10	71%	8	67%
Remaining Workforce	66	38%	35	39%	110	62%	54	61%

1. Officers are considered to be the Chief Executive Officer and his direct reports (the Executive Team). Note that Chief Executive Officer, Darrin Grafton and Chief of Strategy, Bob Shaw, are included in both the number of directors and Officers reported.

2. Direct reports to the Executive Team with managerial responsibilities.

# GOVERNANCE

## GOVERNANCE

The Board and management of Serko are very committed to ensuring that Serko maintains corporate governance practices that are in line with or, where possible, exceed best practice and that Serko adheres to the highest ethical standards.

The Board has had regard to the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including the revised NZX Corporate Governance Code 1 January 2019 (NZX Code) and the Third Edition of the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations.

### Serko aims to exceed corporate governance best practices

The NZX Listing Rules require Serko to formally report its compliance against the recommendations contained in the NZX Code. How Serko has implemented these recommendations is set out in this Corporate Governance Statement. The Board considers that Serko's corporate governance structures, practices and processes have followed all of the recommendations in the NZX Code during the financial year ended 31 March 2019.

Serko's governance charters and policies can be found on the investor centre of the company's website. Go to: [www.serko.com/investor-centre/](http://www.serko.com/investor-centre/). Serko's corporate governance charters and policies have been approved by the Board and are regularly reviewed by the Board and amended (as appropriate) to reflect developments in corporate governance practices.

## STOCK EXCHANGE LISTINGS

Serko is listed on the New Zealand Stock Exchange (NZX Main Board) and on the Australian Securities Exchange (ASX) as an ASX Foreign Exempt Listing. As an ASX Foreign Exempt Listing, Serko needs to comply with the NZX Listing Rules (other than as waived by NZX) but does not need to comply with the vast majority of the ASX Listing Rule obligations.

Serko is incorporated in New Zealand.

## OVERVIEW OF SERKO'S GOVERNANCE STRUCTURE

The Serko Board has been appointed by shareholders to protect and enhance the long-term value of Serko and to act in the best interests of Serko and its shareholders. The Board is the ultimate decision-making body of the company and is responsible for the corporate governance of the company. The role and responsibilities of the Board are set out in the Board Charter, which can be found on the investor centre of the company's website.

The Board currently comprises an independent non-executive Chair, two independent non-executive directors and two executive directors, as detailed on the investor centre of the company's website and the latest Annual Report.

The Board has established two standing Board Committees to assist in the execution of the Board's responsibilities:

- **Audit and Risk Committee** – The current members of the Committee are Clyde McConaghy (Chair), Simon Botherway and Claudia Batten. All members are independent, non-executive directors. Their qualifications and experience is set out in the latest Annual Report.
- **Remuneration and Nominations Committee** – The current members of the Committee are Claudia Batten (Chair), Simon Botherway and Clyde McConaghy. All members are independent, non-executive directors. Their qualifications and experience is set out in the latest Annual Report.

# Principle 1

**Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.**

## CODE OF ETHICS

The Board recognises that high ethical standards and behaviours are central to good corporate governance and has implemented a Code of Ethics (Code) to guide the behaviour of its directors and employees.

Serko's Code of Ethics establishes the framework by which directors and staff of Serko are expected to conduct their professional lives by facilitating behaviour and decision-making that meets Serko's business goals and is consistent with Serko's values, policies and legal obligations. Serko's Code of Ethics is available to staff on Serko's intranet and forms part of the induction process for new employees. Regular reminders are provided to staff about the application of the Code of Ethics.

Serko regularly reminds staff of their obligation to report any concerns they have about compliance with the Code of Ethics, Serko policies or legal obligations via staff-wide communications on the Code and has established a designated email address, accessible only by non-executive directors, for staff to confidentially raise any concerns they may have. The Board reviews the Code at least six-monthly and also expects any incidents arising under the Code to be brought to directors' attention immediately. Serko's process for managing any alleged breach of the Code is detailed in the Code.

The Code of Ethics addresses:

- Serko's Values (see page 9 of this Report)
- Conflicts of interest
- Receipt of gifts
- Proper use of Serko property and information
- Confidentiality
- Expected behaviours
- Compliance with laws and Serko policies
- Additional director responsibilities
- Delegated Authority
- Reporting issues regarding breaches of the Code, legal obligations or other Serko policies.

Serko's Code of Ethics is available on the investor section of the Company's website.

## SECURITIES TRADING POLICY

Serko is committed to complying with legal and statutory requirements with respect to ensuring directors and employees do not trade Serko securities while in possession of inside information.

Serko's Securities Trading Policy and Guidelines apply to all directors, officers, employees and contractors of Serko and its subsidiaries. This Policy seeks to ensure that those subject to the Policy do not trade in Serko securities if they hold undisclosed price-sensitive information. The Policy sets out additional rules, which includes the requirement to seek company consent before trading, and prescribes certain black-out periods during which trading is prohibited.

Compliance with the Securities Trading Policy is monitored through the consent process, through education and via notification by Serko's share registrar when any Director or Senior Manager trades in Serko securities. All trading by directors and senior managers (as defined by the Financial Markets Conduct Act 2013) is required to be reported to NZX and recorded in Serko's securities trading registers.

## Principle 2

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

### ROLE OF THE BOARD

The Board of Directors (the Board) is elected by shareholders to govern Serko in the interests of shareholders and to protect and enhance the value of Serko's assets. The Board is responsible for corporate governance and Serko's overall strategic direction and is the overall and final body responsible for all decision-making within Serko. The Board Charter describes the Board's roles and responsibilities and regulates internal Board procedure.

The Board has delegated a number of its responsibilities to Board committees. The role of each committee is described below.

To enhance efficiency, remain agile and ensure decision-making occurs at the right level, the Board has also delegated to the Chief Executive Officer the day-to-day leadership and management of Serko. The Chief Executive Officer has formally delegated certain authorities to his direct reports within set limits. The Board regularly monitors and reviews management's performance in the execution of its delegated responsibilities and the appropriateness of its Delegation of Authority Policy.

As detailed in the table below, the Board met for regularly scheduled meetings during the financial year. In addition to formally scheduled Board meetings, the directors met for additional special meetings and regularly engaged with management on areas of focus and to undertake strategic planning for the business.

### BOARD AND COMMITTEE ATTENDANCE

The table below shows the Board and Committee meeting attendance during the year ended 31 March 2019:

Director attendance	Board	Special Meetings	Sub-Committee Meetings	Audit & Risk Committee	Remuneration & Nominations Committee
Darrin Grafton	12/12	6/8	3/3	*	*
Bob Shaw	11/12	6/8	-	*	*
Simon Botherway	12/12	8/8	3/3	5/5	4/4
Clyde McConaghy	11/12	6/8	1/1	5/5	3/4
Claudia Batten	12/12	7/8	-	5/5	4/4

\*Indicates the director is not a member of the Committee (although they were in attendance for these meetings).

## BOARD MEMBERSHIP, SIZE AND COMPOSITION

The size of the Board is determined by the Board from time to time, in accordance with the limitations prescribed in the NZX Listing Rules, and in accordance with the provisions of Serko's Constitution and the Board Charter.

As at 31 March 2019, the Board comprised five directors – being the two co-founders and executive directors, Darrin Grafton and Robert Shaw; and three independent non-executive directors – Simon Botherway, Claudia Batten and Clyde McConaghy. A biography of each director can be found on the investor section of the company's website.

The Remuneration and Nominations Committee is responsible for making recommendations to the Board regarding the Board's size and composition. When recommending candidates to act as director, the Committee will take into account factors as it deems appropriate, including the diversity of background, experience and qualifications of the candidate. When appointing directors, the Board undertakes appropriate background checks.

The Board's broader commitment to diversity includes building diversity of thought within the Board. The current Board has a broad range of experience and skills, both locally and internationally, that are appropriate to meet its objectives.

To assist in maintaining an appropriate mix of experience, the Board has developed a skills matrix. Areas of expertise and experience that have been identified as relevant to governing Serko's business include, among other skills:

- Innovation, entrepreneurship and partnership;
- Digital business and high-growth technology;
- International travel industry knowledge;
- Marketing, sales and channel management in core markets;
- Governance, legal and compliance;
- Strategy and operations;
- Finance, accounting and risk management;
- Capital markets; and
- Public company director experience.

The Board regularly reviews the skills matrix as part of its succession planning.

## BOARD APPOINTMENT, TRAINING AND EVALUATION

The procedure for the appointment and removal of directors is ultimately governed by the company's Constitution and relevant NZX Listing Rules. A director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy. Every director appointed by the Board must submit himself or herself for reappointment by shareholders at the next annual meeting following his or her appointment. Directors are subject to the rotation requirements set out in the NZX Listing Rules.

At the time of appointment, each new director signs a comprehensive letter of appointment setting out the terms of their appointment, including their duties and expectations in the role. Each director also receives a copy of Serko's Corporate Governance Manual (comprising all of Serko's core governance documents) and is introduced to the business through a specifically tailored induction programme. All directors are regularly updated on relevant industry and company issues and are expected to undertake training to remain current on how to best perform their duties as directors of Serko. During the Board's annual evaluation process, training needs are considered to assist directors to remain upskilled on the business, industry and legislative developments.

All directors have access to senior management to discuss issues or obtain information on specific areas or items to be considered at Board meetings and each director actively utilises this access to support the company and its executives.

The Board, Board committees and each director have the right to seek independent professional advice at Serko's expense to assist them in carrying out their responsibilities.

The Board undertakes a regular review of its own and its committees' performance. This is to ensure it has the right composition and appropriate skills, qualifications, experience and background to effectively govern Serko and to monitor Serko's performance in the interests of shareholders. During the financial period ended 31 March 2019, performance reviews took place in accordance with that process.



## INDEPENDENCE OF DIRECTORS

A majority of Serko's directors are independent. The factors the company takes into account when assessing the independence of its directors are set out in the revised NZX Code and the Board Charter. Generally speaking, a director is considered to be independent if that director is not an employee of Serko and if the director has no direct or indirect interest or relationship that could reasonably influence or be perceived to influence, in a material way, the director's decisions in relation to Serko.

The Board has determined that each of the non-executive directors are independent directors for the purposes of the NZX Listing Rules and in accordance with the Board Charter criteria.

The Board will review any determination it makes on a director's independence on becoming aware of any new information that may affect that director's independence. For this purpose, directors are required to ensure they immediately advise Serko of any new or changed relationship that may affect their independence or result in a conflict of interest.

The Board supports the separation of the role of Chairman and Chief Executive Officer. The current Chairman has been elected by the Board from the independent directors, in accordance with the terms of the Board Charter. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer.

## CONFLICTS OF INTEREST

The Board is conscious of its obligations to ensure that directors avoid conflicts of interest (both real and perceived) between their duty to Serko and their own interests. The Board Charter outlines the Board's policy on conflicts of interest. Serko maintains an interests' register in which relevant disclosures of interest and securities dealings by the directors are recorded.

## COMPANY SECRETARY

The Company Secretary is responsible for supporting the effectiveness of the Board by ensuring that its policies and

procedures are followed and for coordinating the completion and dispatch of the Board agendas and papers. The Company Secretary is accountable to the Board, via the Chairman, on all governance matters.

## DIVERSITY & INCLUSION

Serko has adopted a Diversity and Inclusion Policy and is committed to achieving diversity in the skills, attributes and experience of its Board members, management and staff across a broad range of criteria (including, but not limited to, culture, gender and age). The Board as a whole is responsible for overseeing and implementing the Diversity and Inclusion Policy but has delegated to the Remuneration and Nominations Committee the responsibility to develop and to recommend measurable objectives to the Board that are designed to adhere to Serko's Diversity and Inclusion Policy. See page 10-11 of this Report for further information regarding Diversity and Inclusion.

## Principle 3

**The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.**

The Board uses committees to deal with issues requiring detailed consideration, thereby enhancing the efficiency and effectiveness of the Board. However, the Board retains ultimate responsibility for the functions of its committees and determines each committee's roles and responsibilities.

The current standing committees of the Board are:

- Audit and Risk Committee; and
- Remuneration and Nominations Committee.

Details of the roles and responsibilities of these committees are described in their respective charters and summarised below. From time to time the Board may constitute an ad-hoc committee to deal with a particular issue that requires specialised knowledge and experience.

## AUDIT AND RISK COMMITTEE

The primary function of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities relating to Serko's risk management and internal control framework, the integrity of its financial reporting and its auditing processes.

Under the Audit and Risk Committee Charter, the Committee must be comprised of a minimum of three members who are each non-executive directors, the majority of whom are also independent directors, and at least one director with an accounting or financial background. Further, the Chairman of the Committee is required to be independent and not be the Chairman of the Board. The Chairman of the Committee is not permitted to have been an audit partner or senior manager at Serko's external audit firm within the past three years.

The current members of the Committee are Clyde McConaghy (Chair), Simon Botherway and Claudia Batten. All members are independent, non-executive directors. Their qualifications and experience is set out in the latest Annual Report.

## REMUNERATION AND NOMINATIONS COMMITTEE

The primary function of the Remuneration and Nominations Committee is to oversee remuneration policies and practices at Serko, oversee management succession planning, consider the composition of the Board and recommend candidates to fill Board vacancies as and when they arise. The Committee is also tasked with annually monitoring and evaluating the company's performance with respect to its Diversity and Inclusion Policy.

Under the Remuneration and Nominations Committee Charter, the Committee must be comprised of a minimum of three members, a majority of whom are independent directors. All members of the Committee are currently independent directors. The Chairman of the Committee is required to be independent.

The current members of the Committee are Claudia Batten (Chair), Simon Botherway and Clyde McConaghy. All members are independent, non-executive directors. Their qualifications and experience is set out in the latest Annual Report.

## TAKEOVER RESPONSE GUIDELINES

Serko's independent directors have received comprehensive legal advice on their directors' duties, and the process to be followed, in the event of a takeover offer. The Board has formally adopted this advice as the guidelines to be applied in the event of a takeover offer.

## Principle 4

**The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.**

Serko is committed to the promotion of investor confidence by ensuring that the trading of company shares takes place in an efficient, competitive and informed market. The Board is tasked with ensuring the integrity of financial and non-financial reporting to shareholders.

## MARKET DISCLOSURE POLICY

Serko has adopted a Market Disclosure Policy that guides the company's compliance with the continuous disclosure requirements of the NZX Main Board. In addition, directors and management consider at each Board meeting whether there are any issues that have arisen that require disclosure to the market.

Serko has established a Disclosure Committee whose role it is to determine whether information is 'material information' and whether the material information is required to be released to the NZX. The Disclosure Committee comprises the Board Chairman, the Audit and Risk Committee Chairman, the Chief Executive Officer and the Chief Financial Officer (the Disclosure Officer).

## GOVERNANCE POLICIES AND PROCEDURES

Serko's governance charters and policies can be found on the investor centre of the company's website.

## FINANCIAL REPORTING

The Board is responsible for ensuring the integrity of its financial reporting. The Audit and Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit and Risk Committee, with the assistance of management, also works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As part of this process, the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that, to the best of their knowledge, the company's financial reports: (1) present a true and fair view of the company's financial condition and operational results; (2) are prepared in accordance with the relevant accounting standards; and (3) are founded on a sound system of risk management and internal control that is operating effectively.

## NON-FINANCIAL REPORTING

To assist shareholders to make meaningful investment decisions, in addition to reporting historical statutory financial information, Serko is committed to providing shareholders with a balanced and understandable assessment of its performance, business model, strategic objectives and progress against meeting those objectives at each earnings announcement and in its half-year and full-year reports.

Serko is committed to developing long-term value creation. As part of this commitment, Serko's Board is focused on delivering a sustainable future for its business, people, customers and communities by doing what is right. To demonstrate this, Serko has chosen to report against the UN Sustainable Development Goals (SDGs). SDGs are a set of global initiatives set by the United Nations for everyone to contribute to.

For Serko the SDGs are a way to see which areas of sustainability it is directly contributing to and how its community initiatives relate to a larger vision for positive change. Information about the commencement of Serko's ESG initiatives are set out in this Report. Serko's ESG framework remains under development and will continue to be progressed over time.

1. Approximately NZ\$320,000, subject to exchange rate fluctuations.

## Principle 5

**The remuneration of directors and executives should be transparent, fair and reasonable.**

Serko is committed to remunerating its non-executive directors, executive directors and employees fairly, transparently and reasonably.

### NON-EXECUTIVE DIRECTOR REMUNERATION

Serko's shareholders have approved a total cap of \$350,000 per annum for non-executive directors' fees, for the purposes of the NZX Listing Rules. This annual fee pool has not been increased since it was approved by shareholders in 2014 but will be reviewed this calendar year with a view to providing flexibility for Serko to appoint an additional non-executive director in the future. Serko currently pays directors' fees that, in aggregate, amount to AUD\$300,000<sup>1</sup> per annum as detailed below. This represents an increase from the fees paid in FY18 (totalling ~NZ\$250,000 per annum) to reflect the time commitment and responsibilities required of Serko's non-executive directors as the company expands internationally.

No equity-based remuneration is paid to non-executive directors, nor do the non-executive-directors receive any performance-based remuneration. However, directors may hold shares in the company, details of which are set out in the Annual Report. It is Serko's policy to encourage directors to hold shares in the company.

In addition to the remuneration detailed above, at the time of the initial public listing (IPO), the Board introduced (with the approval of Serko's existing shareholders) a loan facility for the independent directors, which enabled non-executive directors to acquire a specified number of Serko shares at the time of the IPO (Director Loan Shares). This loan was extended in June 2017 for a further three years.

During FY18, a fixed trading plan (Plan) was established in accordance with section 260 of the Financial Markets Conduct Act 2013 to enable non-executive directors to invest a portion of their annual directors' fees in Serko shares on a monthly basis and over a fixed term of three years (Term). Under the Plan, an independent broker automatically applies

the designated fees to the monthly acquisition of shares on-market during the Term. Once a non-executive director has entered the Plan, they have no ability to influence share trading decisions and no ability to withdraw from the Plan before the end of the Term. Further, the directors are not permitted to trade any shares acquired under the Plan for the duration of their tenure as directors of Serko (except in the event of a takeover). The Plan is intended to further align non-executive directors' interests with those of the shareholders of the company and demonstrate non-executive directors' support of Serko's long-term strategy.

The non-executive directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with Serko's business. Due to Australian legislative requirements, superannuation is payable to our Australian resident non-executive director for time dedicated to Serko while working in Australia. No retirement benefits will be paid to other non-executive directors on their retirement.

The Board has agreed that the following fixed annual fees will apply to all non-executive directors during FY20:

	Position	Fees per annum
<b>Board of Directors</b>	Chair	AUD\$120,000
	Non-executive Directors	AUD\$75,000
<b>Audit &amp; Risk Committee</b>	Committee Chair	AUD\$15,000
	Committee Member	-
<b>Remuneration &amp; Nominations Committee</b>	Committee Chair	AUD\$15,000
	Committee Member	-

Actual fees paid to non-executive directors during FY18 are set out in Serko's latest Annual Report.

## REMUNERATION POLICY

Serko has adopted a Remuneration Policy. The purpose of the Policy is to outline the remuneration principles that apply to all directors and employees to ensure that remuneration practices within Serko are fair and appropriate and there is a clear link between remuneration and employee performance.

Serko's Remuneration Policy supports the company to attract, retain and motivate high-calibre people to achieve the company's business objectives and create shareholder value.

Serko's Remuneration Policy is guided by the principles that remuneration practice should:

- Be clearly aligned with Serko's values, culture and corporate strategy;
- Support the attraction, retention and engagement of employees;
- Be understood by employees;

- Be equitable and flexible;
- Appropriately reflect market conditions and organisational context;
- Recognise individual performance and competency, rewarding individuals for achieving high performance; and
- Recognise team and company performance and the creation of shareholder value.

The Remuneration Policy is available on the investor section of the company's website.

Under Serko's remuneration framework, remuneration paid to the Chief Executive Officer and senior officers includes a mix of the following fixed and variable components:

- Fixed remuneration, which includes base salary and employer KiwiSaver (or overseas equivalent) contributions (where relevant).

- A discretionary short-term incentive (STI) may be offered for permanent employees, at the discretion of the Chief Executive Officer (or the Board in the Chief Executive Officer's and Chief Strategy Officer's case). Serko's STI is performance based, with any STI payment being conditional on satisfaction of pre-determined company and individual performance objectives.
- A discretionary sales/business development incentive (SIP) may be offered to sales and business development staff, at the discretion of the Chief Executive Officer. The structure of such incentives is approved by the Board. The SIP is designed to incentivise sales and business development staff to meet or exceed sales/business development targets.
- A long-term incentive (LTI) may be offered, as approved by the Board. Serko operates a long-term incentive scheme in the form of a Restricted Share Scheme and has recently introduced a United States (US) Share Incentive Plan, under which it plans to offer US-based employees options to acquire shares.

In addition, Serko may offer provisions that have a monetary benefit to employees but which are not considered part of remuneration.

Each year a review is carried out to benchmark salaries, with market increases and adjustments made accordingly.

The Remuneration and Nominations Committee is responsible for reviewing the remuneration of the company's senior executives in consultation with the Chief Executive Officer. The company's senior executives are subject to regular performance reviews. The performance of senior executives is reviewed by the Chief Executive Officer who meets with each senior executive to discuss their performance, as measured against key performance targets (both financial and non-financial) previously established and agreed with that executive. During the year ended 31 March 2019, performance reviews took place in accordance with that process.

## LONG-TERM INCENTIVE SCHEMES

Both the Restricted Share Scheme and the US Share Incentive Plan are designed to: attract and retain key people within the business; to align senior managers' remuneration with long-term shareholder value; and to reward the achievement of Serko's strategies and business plans.

Under the Restricted Share Scheme, participants are offered ordinary shares with restrictive conditions. Restricted share allocations generally vest three years after the allocation date.

Under the US Share Incentive Plan, participants are offered options to acquire ordinary shares upon exercise of their options. Options generally vest (meaning they are able to be exercised) in four tranches commencing two-years after they are granted, subject to continued employment.

With respect to Serko's LTI Schemes, no director or employee is permitted to enter into financial products or arrangements that operate to limit the economic risk of their vested or unvested entitlements.

## EXECUTIVE DIRECTOR REMUNERATION

The executive directors, Darrin Grafton and Bob Shaw, receive remuneration and other benefits in their respective executive roles as Chief Executive Officer and Chief Strategy Officer and, accordingly, do not receive director fees.

The FY19 remuneration mix for the executive directors included: a base salary, a short-term incentive up to a maximum target value of 40% of base salary; and a long-term incentive up to a maximum target value of 100% of base salary.

This remuneration composition will carry forward into the FY20 year.

The table below (and accompanying notes) sets out the total remuneration and value of other benefits earned by, or paid to, each executive director of Serko during, and in respect of, the financial period ended 31 March 2019:

	Base salary <sup>1</sup>	Taxable benefits <sup>2</sup>	Subtotal	Pay for performance			Total remuneration
				STI	LTI <sup>5</sup>	Subtotal	
Darrin Grafton	\$350,334	\$30,000	\$380,334	\$50,400 <sup>3</sup>	\$200,000 in the form of 43,252 restricted shares	\$250,400	\$630,734
Bob Shaw	\$254,229	\$30,000	\$284,229	\$21,600 <sup>4</sup>	\$125,000 in the form of 24,921 restricted shares	\$146,600	\$430,829

1. Base salary includes employer contributions towards KiwiSaver at 3%.

2. Taxable benefits include a car allowance, carpark and medical insurance.

3. The short-term incentive stated was earned in FY19 and will be paid in FY20. Darrin Grafton's potential short-term incentive payment for FY19 was \$140,000. During the financial period, Darrin Grafton also received a short-term incentive of \$85,000, which was earned in FY18 and paid in FY19.

4. The short-term incentive stated was earned in FY19 and will be paid in FY20. During the financial period, Bob Shaw also received a short-term incentive of \$50,000, which was earned in FY18 and paid in FY19.

5. The FY19 long-term incentive was granted in July 2018, following partial achievement of pre-grant performance targets based on FY18 performance. The restricted shares will vest three years after the allocation date. The value stated is the gross amount earned.

During the period ended 31 March 2019, both Darrin Grafton's and Bob Shaw's variable remuneration components were based on key performance indicators (KPIs) relating to:

- Delivery of operational value drivers linked to Serko's strategy;
- Delivering shareholder value;
- Meeting performance targets in respect of customer satisfaction and retention; and
- Maintaining a positive culture and safe working environment.

Delivery of these KPIs is used to assess whether pre-performance hurdles are met in relation to the granting of

long-term incentives for the FY20 year and determining the individual component of any short-term incentive payable for the FY19 year. In addition, pay-out of any short-term incentive is dependent on meeting pre-determined revenue and EBITDA\* targets during the financial period.

The executive directors' performance is reviewed by the Board annually. Following the financial period ended 31 March 2019, performance reviews took place in accordance with that process.

No termination payments are payable to the executive directors in the event of serious misconduct.

\*Earnings Before Interest, Taxation, Depreciation and Amortisation

## Principle 6

**Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.**

Serko Limited is committed to proactively and consistently managing risk to:

- Enhance and protect Serko's value by delivering on its commitments and meeting stakeholders' expectations;
- Allow Serko to pursue opportunities in an informed way and aligned with the Board's risk appetite; and
- Ensure a safe and secure environment for Serko people (employees and contractors) partners and customers.

Serko's Risk Management Policy is included in Serko's Corporate Governance Manual (published on Serko's website).

Serko has designed and implemented a comprehensive risk management framework for oversight and management of financial and non-financial business risks, as well as related internal compliance systems.

The Board has ultimate responsibility for Serko's risk management and internal control system, setting the 'tone at the top' with regards to risk culture. The Audit and Risk Committee, under delegation from the Board and in conjunction with management, regularly reports to the Board on the effectiveness of the company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating effectively and efficiently in all material respects. The Audit and Risk Committee conducts at least six-monthly reviews of Serko's risk management framework, risk appetite and principal risks, to satisfy itself that the company's approach to risk continues to be sound. Further details on Serko's risks and risk management processes are detailed on page 27 of this Report.

## Principle 7

**The Board should ensure the quality and independence of the external audit process.**

### EXTERNAL AUDITOR INDEPENDENCE

Serko has adopted an External Audit Independence Policy that requires, and sets out the criteria for, the external auditor to be independent. The Policy recognises the importance of the Board's role in facilitating frank dialogue among the Audit and Risk Committee, the auditor and management.

The Policy prescribes the services that can and cannot be undertaken by the external auditor, which are designed to ensure that services provided by Serko's external auditor are not perceived as conflicting with its independent role.

The Policy requires that the key audit partner is changed at least every five years so that no such persons shall be engaged in an audit of Serko for more than five consecutive years. In 2017, following a robust and competitive tender process, Serko rotated its audit firm, in accordance with this Policy and the NZX Listing Rules.

The Audit and Risk Committee Charter requires the Committee to facilitate the continuing independence of the external auditor by assessing the external auditor's independence and qualifications and overseeing and monitoring its performance. This involves monitoring all aspects of the external audit, including the appointment of the auditor, the nature and scope of its audit and reviewing the auditor's service delivery plan. In carrying out these responsibilities the Audit and Risk Committee meets regularly with the auditor without executive directors or management present and the lead audit partner has direct contact with the Chair of the Audit and Risk Committee.

The auditor is restricted in the non-audit work it may perform, as detailed in Serko's External Audit Independence Policy. In the last financial year, Serko's external auditor did not undertake non-audit work. For further details on the audit fees paid and work undertaken during the period, refer to the latest Annual Report. The Audit and Risk Committee regularly monitors the ratio of fees for audit to non-audit work.

## INTERNAL AUDIT FUNCTION

Serko does not have a dedicated internal auditor, instead internal controls are managed on a day-to-day basis by the finance team. Compliance with internal controls is reviewed annually by Serko's auditor.

## Principle 8

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

## INFORMATION FOR SHAREHOLDERS

Serko is committed to maintaining a full and open dialogue with its shareholders (and other interested stakeholders). The company has in place an investor relations programme to facilitate effective two-way communication with shareholders.

The aim of the company's communications programme is to provide shareholders with information about the company and to enable them to actively engage with the company and exercise their rights as shareholders in an informed manner.

The company facilitates communications with shareholders through written and electronic communications and by facilitating shareholder access to directors, management and the company's auditor.

The company provides shareholders with communication through the following channels:

- The investor section of the company's website;
- Full-year and half-year reporting;
- The annual shareholders' meeting;
- Regular disclosures on company performance and news via stock exchange online disclosure platforms; and
- Disclosure of presentations provided to analysts and investors during regular briefings.

Serko's website is an important part of the company's shareholder communications strategy. Included on the website is a range of information relevant to shareholders and others concerning the operation of the company. In addition, this year, Serko has prepared and published on its website this Corporate Governance Statement, outlining its governance practices.

Shareholders may, at any time, direct questions or requests for information to directors or management through Serko's website or by sending an email to [investorrelations@serko.com](mailto:investorrelations@serko.com).

Serko provides shareholders with the option to receive communications from, and send communications to, the Company and its share registrar electronically. A large number of Serko shareholders have elected to receive electronic communications.

## SHAREHOLDER VOTING RIGHTS

In accordance with the Companies Act 1993, Serko's Constitution and the NZX Listing rules, Serko refers major decisions that may change the nature of Serko to shareholders for approval.

Serko conducts voting at its shareholder meetings by way of polls, reflecting the principle of one share, one vote. Further information on shareholder voting rights is set out in Serko's Constitution.

## ANNUAL SHAREHOLDERS' MEETING

Serko's 2019 Annual Shareholders' Meeting will be held in Auckland on 21 August 2019. Shareholders will be given an opportunity at the meeting to ask questions and comment on relevant matters.

In addition, Serko's auditor, Deloitte, will be available to answer any questions about its audit report. A Notice of Meeting will be sent to shareholders in advance of the meeting.



# **RISK MANAGEMENT**

# RISK MANAGEMENT

## RISK MANAGEMENT

Serko Limited is committed to proactively and consistently managing risk to:

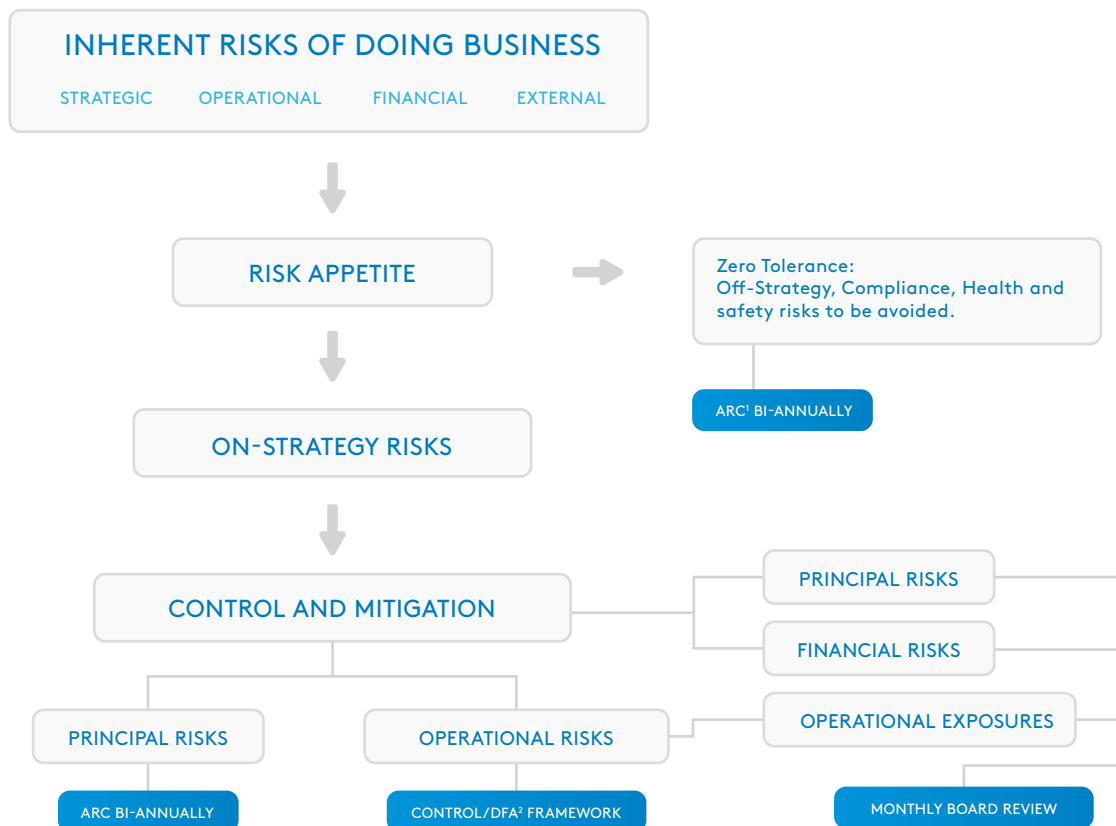
- Enhance and protect Serko's value by delivering on our commitments and meeting stakeholders' expectations;
- Allow Serko to pursue opportunities in an informed way and aligned with the Board's risk appetite; and
- Ensure a safe and secure environment for Serko people (employees and contractors), partners and customers.

Serko's Risk Management Policy is included in Serko's Corporate Governance Manual (published on Serko's website).

## RISK MANAGEMENT FRAMEWORK

Serko has designed and implemented a comprehensive risk management framework for the oversight and management of financial and non-financial business risks, as well as related internal compliance systems that are designed to:

- Optimise the return to, and protect the interests of, stakeholders;
- Safeguard the company's assets and maintain its reputation Improve the company's operating performance;
- Fulfill the company's strategic objectives; and
- Manage the risks associated with Serko's operations.



1. Audit and Risk Committee

2. Delegated Financial Authority

## PRINCIPAL BUSINESS RISKS:

Principal business risks for Serko are:

- Maintaining product integrity through protecting its intellectual property against competition, protecting the security of its systems and sensitive data against cyber-attacks and/or accidental disclosure and ensuring continuity of service;
- Remaining a leader in corporate travel technology and not being disrupted through the emergence of new technology or competition;
- Achieving a sustainable financial position, while growing into new markets, including the unpredictable sales cycle and lead-time for on-boarding of TMCs' corporate customers, managing the reliance on TMCs and the revenue concentration among the largest TMC customers;
- Retaining and attracting the resources and talent necessary to deliver enhancements and manage the growth; and
- Non-controllable global geopolitical or environmental impacts that could affect corporate travel volumes.

Serko has in place mitigation strategies, for managing each of these risks. In addition to its key mitigation strategies Serko maintains comprehensive insurance coverage. Serko manages these risks to within Board-defined tolerances based on the approved risk appetite statement.

## HEALTH AND SAFETY RISKS

The Board and management have sought to establish leading practices within Serko that promote a safe and healthy working environment for everyone working in, or interacting with, Serko's business. Serko adopted a Health and Safety Policy that requires Serko people to take all practicable steps to provide a working environment that promotes health and wellbeing, while minimising the potential for risk, personal injury, ill health or damage. The Board reviews health and safety reports at each Board meeting and oversees a detailed programme of work to ensure Serko remains compliant with its health and safety obligations under the Health and Safety at Work Act 2015. In addition, the Remuneration and Nominations Committee carries out a detailed review of health and safety risks and strategy each quarter.

During the year Serko has overachieved against its health and wellness targets of keeping sick leave taken to below four days per person per year and had an overall lost time to incidents rate of below 0.001 days per annum.

In addition to ensuring employee safety, Serko is very focused on the wellbeing of all Serko people. Serko supports its people with an outsourced globally accessible Employee Assistance Programme, which is promoted within the team to encourage usage. To support a busy workplace, with high ambitions and performance expectations, this year Serko ran a wellness programme focusing on improving individual resilience. This programme received very positive feedback from participants and is planned to be rolled-out to more staff in FY20.

## CYBER SECURITY RISKS

A key risk we face has been highlighted by the worldwide increase in cyber-attacks and several high-profile privacy data breaches. Regulators are appropriately responding by increasing penalties for such breaches and introducing new legislative protections for the handling of private information. Serko takes these risks seriously and has appointed a dedicated Security Officer to manage these risks. It is also ensuring its processes and software maintain best practice standards of protection. Serko maintains its software to be Payment Card Industry Data Security Standard (PCI) compliant and has put in place processes to meet the European Union's General Data Protection Regulation requirements which came into effect 25 May 2018.



Serko Environmental, Social & Governance Report 2019  
[www.serko.com](http://www.serko.com)