

## CORPORATE GOVERNANCE STATEMENT

As at 30 June 2019

The Board is committed to achieving and maintaining high standards of corporate governance. This Corporate Governance Statement sets out the extent to which Service Stream Limited's (**Company**) corporate governance practices for the year ended 30 June 2019 comply with the third edition of the ASX Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (**ASX Principles**). This statement addresses:

- the Company's corporate governance framework; and
- key risks and the Company's response to mitigating these risks.

This Corporate Governance Statement was approved by the Board.

The Company has followed the recommendations set by the ASX Corporate Governance Council for the year ended 30 June 2019.

### ASX Principle 1 – Lay solid foundations for management and oversight

The Board Charter sets out the Board's structure, along with its key roles and responsibilities. The Board Charter is available on the Company's website: <https://www.servicestream.com.au/investors/corporate-governance>.

The Board has also adopted a Reserved Powers Policy that sets out matters specifically reserved for determination by the Board. The Reserved Powers Policy is available on the Company's website: <https://www.servicestream.com.au/investors/corporate-governance>. The Board's focus is on representing and serving the interests of shareholders by approving the strategic direction for, and policies of, the Company and overseeing performance. Matters specifically referred to the Board for approval include Company strategy, financial plans, major policies, capital structure, major capital expenditure, appointment of the Managing Director and external auditor, ASX disclosures and matters involving amounts over specified limits or with potential to have a material impact on the financial position or reputation of the Company.

Responsibility for the Company's day-to-day operations, administration and management is delegated by the Board to the Managing Director. The Board has approved the Authority Delegation Policy to govern the delegation of the Managing Director's authorities to members of the Senior Executive Team and other levels of management throughout the Company as appropriate. The Authority Delegation Policy is available on the Company's website: <https://www.servicestream.com.au/investors/corporate-governance>.

### Appointment of Directors and performance assessment

The Board actively and regularly considers the composition of the Board, taking into account the duration of each Director's tenure and the competencies required by the Company. The Board's Remuneration and Nomination Committee deals with the nomination and appointment of Directors and Board succession planning. When nominating and appointing Directors, the Board takes into account its diversity objectives and seeks a balanced mix of qualifications, age, skill, gender and experience to achieve the most favourable outcome for the Company and its shareholders. Furthermore, appropriate checks are made by the Company prior to appointing a Director or putting forward their nomination for election by shareholders. The Company has written agreements with each Director setting out the terms of their appointment.

Apart from the role of Managing Director, all Directors are subject to re-election by rotation at least every three years. Shareholders are provided with all material information in the Company's possession relevant to this decision.

At the end of each financial year, the Board assesses its performance and that of its Committees and individual members, to ensure its effectiveness in meeting shareholder expectations. In FY19 this was undertaken by a formal internal process including the use of surveys.

## Diversity

The Company is comprised of men and women of varying ages, ethnicities and cultural backgrounds. The Company has a Diversity Policy and an Inclusion Committee which is made up of representatives from across the business and is chaired by the Executive General Manager for People and Culture. The Inclusion Committee formally reports to the Remuneration and Nomination Committee.

The Inclusion Committee has further expanded its scope to a wider diversity focus, including gender, cultural heritage, indigenous people and people living and working with disabilities.

Revised measurable objectives for improving diversity and inclusion were agreed and outcomes achieved during FY19 include:

1. **Embed inclusion into all policies, programs and procurement.**
  - The Company continues to identify key talent via the Talent and Succession Program implemented in FY15, now including all levels.
  - 29% of promotions in FY19 were awarded to women.
  - Spend within indigenous suppliers has increased by 18% in FY19 supported by continued membership of 'Supply Nation'.
2. **Build a workplace free of harassment and discrimination.**
  - Observance of and participation in National Days such as "Harmony Day" and "International Women's Day".
  - Cultural awareness training.
  - Average gender pay disparity of only 9%.
  - Disability awareness training and placement of individuals living with a disability.
3. **Leverage the diversity of all employees and respond to the changing social environment.**
  - Sponsorship of local indigenous initiatives.
  - Specific targeted campaigns to recruit and train indigenous employees.
4. **Invest in the capability of our managers, fostering inclusive leaders.**
  - Implementation of a revised Talent Program, with an increased focus on leadership, talent development and inclusion. 36% of participants are female.

As at May 2019 women constituted 20% (FY18 – 24%) of the Company's employees, 29% (FY18 - 33%) of the Board and 9% (FY18 - 10%) of the Senior Executive Team.

The Company's Workplace Gender Equality Agency 2018-19 Public Report, which was lodged with the Workplace Gender Equality Agency on 20<sup>th</sup> May 2019, can be found on the Company's website: <https://www.servicestream.com.au/employment/workplace-gender-equality>.

## Performance and accountability of the Managing Director and Senior Executive Team

Upon appointment, each member of the Senior Executive Team signs a letter of engagement and is provided with an Induction Manual containing key information about the Company and its policies. Letters of engagement include terms and conditions in relation to duties, rights and responsibilities and termination.

The performance of the Managing Director and each Senior Executive Team member against key performance indicators and other performance criteria has been reviewed during FY19.

The Remuneration and Nomination Committee considers the performance of the Managing Director and members of the Senior Executive Team when formulating remuneration arrangements. During FY19 eligible members of the Senior Executive Team (including the Managing Director) participated in the Executive Share-based Incentive Plan (ESBIP) in lieu of participation in short-term and long-term incentive plans. The ESBIP was intended to ensure that the relevant participants were rewarded over the medium term in broadly the same manner as the Company's shareholders. Members of the Senior Executive Team who were not participants of the ESBIP participated in the short-term and long-term incentive plans. The short-term incentive plan contains measurable key performance indicators with respect to the financial year budget that are approved by the Board, along with individual goals. The long-term incentive plan contains incentive targets for the financial years to which each offer made under the plan applies. With the cessation of the ESBIP at 30 June 2019, Senior Executive Team members who were ESBIP participants will now participate in the short-term and long-term incentive plans.

The Diversity Policy and Board Charter are available on the Company's website:  
<https://www.servicestream.com.au/investors/corporate-governance>.

## ASX Principle 2 – Structure the Board to add value

The Board is comprised of a Non-Executive Independent Chairman (Brett Gallagher), four Non-Executive Independent Directors (Peter Dempsey, Greg Adcock, Raelene Murphy and Deborah Page) and the Managing Director (Leigh Mackender). The Board also has one non-Independent, Non-Executive Director (Tom Coen). The Board regularly reviews its composition and skills. The Board believes that the current mix of Directors bring a broad range of complementary skills and experience to their responsibility of governing the Company. Further information about the Board (and the Company Secretary) is set out in the Directors' Report in the Company's FY19 Financial Statements.

The Company Secretary plays a role in supporting the effectiveness of the Board and its Committees and is directly accountable to the Board through the Chairman.

### Committees

The Board has established three key Committees to assist in the execution of its duties and functions:

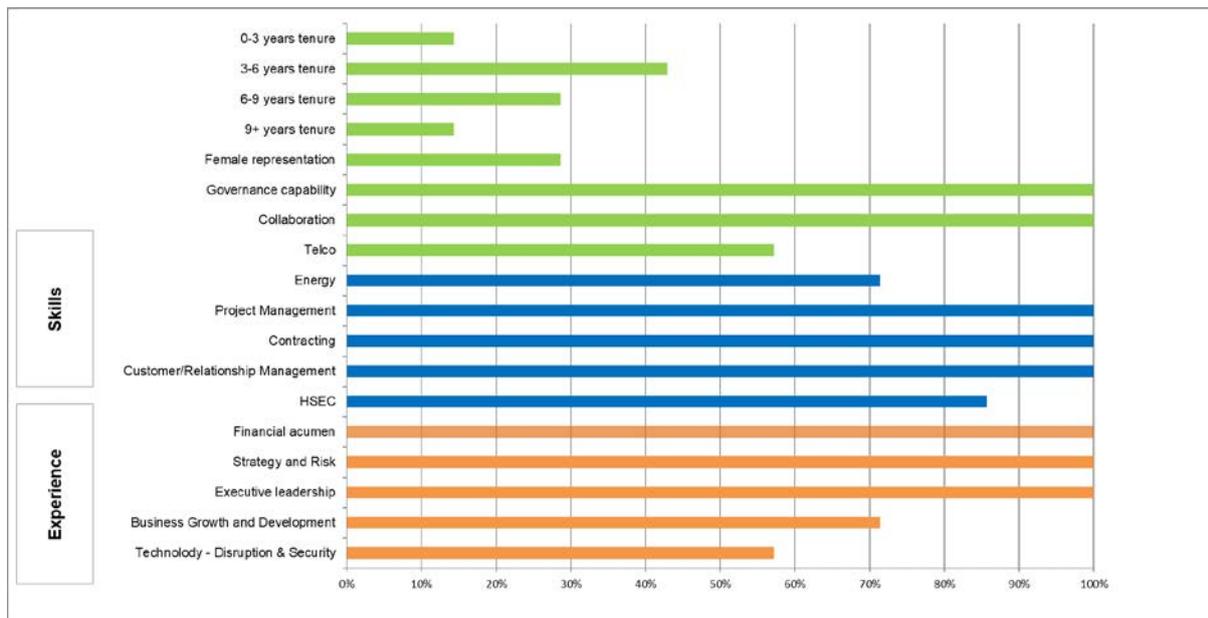
- ▶ Sustainability, Safety, Health and Environment Committee
- ▶ Audit and Risk Committee
- ▶ Remuneration and Nomination Committee

Each of the above Committees has its own Charter approved by the Board. For details of membership and attendance at Committee meetings please refer to the Directors' Report in the Company's FY19 Financial Statements.

The Committee Charters are available on the Company's website:  
<https://www.servicestream.com.au/investors/corporate-governance>.

### *Board Skills Matrix*

The Board is committed to ensuring a diversity of skills, attributes and experience relevant to the organisation for the provision of effective governance. The Board's objective is to have at least 40% representation in each of the identified skills and areas of experience, a variety of tenures and at least 30% female representation. The composition of the current Board substantially achieves these objectives as outlined below.



## Director independence

The Board regularly assesses whether a Director is independent by reference to the independence and materiality criteria set out in the ASX Principles. The Board has a policy of separating the role of Chairman and Managing Director and this policy is reflected in the Board's current practice with Mr Gallagher in the role of Chairman and Mr Mackender in the role of Managing Director. From the 1<sup>st</sup> of January 2018, Mr Gallagher was deemed an Independent Non-Executive Director, as it had been three years since Mr Gallagher resigned from his Executive Director role. All Non-Executive Directors have been assessed as Independent Non-Executive Directors for FY19, other than Mr Coen, who was a director and shareholder of Comdain Nominees Pty Ltd. Comdain Nominees Pty Ltd was a substantial shareholder of Comdain Infrastructure Pty Ltd (**Comdain**) until the Company acquired Comdain in January 2019. Comdain Nominees Pty Ltd is now a substantial shareholder of the Company.

## Director's induction and professional development

The Company has a program for inducting new Directors and provides appropriate professional development opportunities via training provided by external parties, updates on developments in accounting standards and safety laws.

## ASX Principle 3 – Act ethically and responsibly

The Company is committed to being a socially responsible corporate citizen.

The Board has ultimate responsibility for resolving all matters concerning ethical and responsible decision-making, with policies and practices designed to ensure the integrity of the Company is maintained and investor confidence is enhanced.

The Company has a Standards of Behaviour Policy which contains a Code of Conduct that sets out expectations in relation to matters such as honesty, protecting the environment, relations with customers, prevention of fraud, conflicts of interest, sexual harassment and discrimination, disputes with fellow employees and the protection of information. The Board and the Senior Executive Team, through their own actions, promote and foster an ethical corporate culture for the entire Company.

The Company has a Whistleblower Policy to encourage a culture of reporting matters that may cause the Company financial loss or damage to its reputation. In addition, national legal governance training is conducted on an annual basis for senior staff across the Company, covering topics such as the Whistleblower Policy, the Code of Conduct, Delegation of authorities, and new or revised laws and employee obligations.

In response to the Mandatory Data Breach Notification law which commenced on 22 February 2018, the Company developed an appropriate plan in respect of any potential data breaches,

Directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with that of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and does not participate when the relevant item is considered or voted on.

The Code of Conduct and Whistleblower Policy can be found on the Company's website:

<https://www.servicestream.com.au/investors/corporate-governance>.

### **ASX Principle 4 – Safeguard integrity in corporate reporting**

The Audit and Risk Committee assists the Board in providing shareholders and regulatory authorities with timely and reliable financial reports of the Company. The Committee is currently comprised of three independent Non-Executive Directors. The Committee is chaired by Mrs Page who is an independent Non-Executive Director and not the Chairman of the Board. For further details on the membership of this Committee, the qualifications of members and the attendance at the meetings, please refer to the Directors' Report in the Company's FY19 Financial Statements.

Among other things, the Committee reviews audit scope, assesses the performance of and fees paid to the external auditor, liaises with the external auditor to ensure that the annual audit and half-year review are conducted in an effective, accurate and timely manner and considers whether non-audit services provided by the external auditors are consistent with maintaining the external auditor's independence. The Committee reports to the Board on financial and audit matters at each relevant Board meeting.

The Company engages PricewaterhouseCoopers as its external auditor and the policy on the procedure for the selection and appointment of external auditors and rotation of the external audit engagement partner can be found on the Company's website. PricewaterhouseCoopers attends the Company's Annual General Meeting (AGM) each year at which it is available to answer questions of shareholders relevant to the audit.

Prior to the approval of the financial statements the Managing Director and Chief Financial Officer provide a declaration to the Board that in their opinion the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards, and give a true and fair view of the financial position and performance of the entity, and that this opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Further information with respect to safeguarding the integrity of financial reporting is provided in the Company's FY19 Financial Statements.

The Audit and Risk Committee Charter can be found on the Company's website:

<https://www.servicestream.com.au/investors/corporate-governance>.

### **ASX Principle 5 – Make timely and balanced disclosure**

The Company is committed to providing timely and accurate disclosure to the market of all material matters concerning the Company. The Company's Continuous Disclosure Policy seeks to ensure that its shareholders and the market have equal access to information issued by the Company.

The Continuous Disclosure Policy identifies Disclosure Officers, being the Managing Director, Chief Financial Officer and Company Secretary. The Disclosure Officers are responsible for managing compliance with the Company's disclosure obligations, including, if required, announcing information through the ASX. However, it is a reserved power of the Board that all ASX announcements obtain Board approval prior to their disclosure.

The Company's Continuous Disclosure Policy can be found on the Company's website:  
<https://www.servicestream.com.au/investors/corporate-governance>.

## ASX Principle 6 – Respect the rights of shareholders

The Company respects the rights of its shareholders and provides them with appropriate information and facilities to allow them to exercise their rights. The Company provides information about itself on the Company's website, in particular the "Investors" section, which includes a Corporate Governance page: <https://www.servicestream.com.au/investors>.

Furthermore, the Company has an investor relations program to facilitate effective two-way communication with shareholders using various methods such as:

- ▶ Annual Reports which are made available to shareholders;
- ▶ Disclosures made to the ASX;
- ▶ Notices of meeting and explanatory memorandum in relation to resolutions to be put to a vote of shareholders;
- ▶ AGMs at which shareholders are given an opportunity to ask questions about, and comment on, the performance and operations of the Company and its subsidiaries and to vote on other items of business including Director appointments. Key aspects of recent AGMs have been recorded and made available online for shareholders who were unable to attend the meeting. Furthermore, shareholders who are unable to attend in person have the ability to ask questions ahead of the meeting via email. Where appropriate, these questions will be answered at the meeting;
- ▶ Responding to communications from shareholders in a timely and responsive manner; and
- ▶ Periodic investor presentations and briefings.

All shareholders have the option to receive communications from, and send communications to, the Company and its share registrar Computershare electronically.

## ASX Principle 7 – Recognise and manage risk

The Company has an Audit and Risk Committee to assist the Board in identifying, assessing, monitoring and controlling the Company's material business risks. Further information about the Audit and Risk Committee was provided in relation to ASX Principle 4.

The Managing Director, the Audit and Risk Committee and the Board recognise that they have ultimate responsibility for ensuring that the risk mitigation actions and internal control environment of the Company is fit for purpose and adequate in terms of safeguarding shareholder value. The Company has put in place a comprehensive risk management framework that has been developed in line with the recommendations contained within the AS/NZS ISO 31000: 2009 Risk Management - Principles and Guidelines standard.

As part of its risk management framework, the Board has adopted a Risk Management Policy to:

- ▶ Implement a standard structured group-wide approach to risk management;
- ▶ Promote a culture that accepts both good and bad news, encourages personal responsibility and expects proactive identification and management of risks and opportunities; and
- ▶ Monitor, address and report on risk management performance measures.

In accordance with its risk management framework, the Company has in place various processes and internal controls designed to safeguard the Company's assets, minimise its liabilities and to ensure the integrity of its reporting. The identification, assessment, monitoring and management of business risks and the internal controls environment is undertaken by the Senior Executive Team and reported to the Board on an on-going basis.

The Company has a Business Resilience Policy, Business Continuity Plans (including Technology Recovery Plans and Facility Recovery Plans) and a Crisis Management Plan, which assist the Company to respond effectively to potential disruptions to the business.

The Audit and Risk Committee reviews the Company's risk management framework and the Board's risk appetite statement annually. This last occurred in December 2018 and no material changes were made to the principles of each document. The Risk Management Road Map was updated in May 2019 to align with the revised ISO Risk Management Standard.

The Company's internal audit function broadly has the purpose of providing analysis, testing, opinion and recommendations concerning the adequacy and effectiveness of the Company's internal controls. The head of the function has a direct line of access to the Chairman of the Audit and Risk Committee and all Internal Audit reports are provided to the Audit and Risk Committee along with the status of recommendations flowing from the reviews.

The Board and Management have formed the view that the Company does not currently have a material exposure to social sustainability risks. All risks relevant to economic sustainability and the environment are outlined in the Directors' Report in the Company's FY19 Financial Statements along with strategies for their management. In FY18 the Company released a Sustainability Statement for the first time, outlining the Company's commitment to sustainable business practices. The Sustainability Statement has now been expanded into a Sustainability Report.

The Risk Management Policy and Sustainability Report can be found on the Company's website: <https://www.servicestream.com.au/investors/corporate-governance>.

## **ASX Principle 8 – Remunerate fairly and responsibly**

The Company has a Remuneration and Nomination Committee. The Committee is currently comprised of four Non-Executive Directors (all independent). The Committee is chaired by Mr Dempsey who is an independent Non-Executive Director. For further details on the membership of this Committee, the qualifications of members and the attendance at the meetings, please refer to the Directors' Report in the Company's FY19 Financial Statements.

The Committee has responsibility for reviewing and making recommendations to the Board in relation to remuneration, in particular, ensuring that the Company offers remuneration which is fair and competitive, which is appropriately linked to performance and which motivates the Senior Executive Team to pursue the long-term growth and success of the Company. The Committee also reviews senior management succession plans and monitors the level and nature of Directors' remuneration to ensure it is in line with current standards. The Committee provides recommendations to the Board which, in turn, has ultimate responsibility for fair and responsible remuneration for Company personnel. To ensure the remuneration of employees is in line with market practices, from time to time the Company engages the services of remuneration consultants to undertake salary benchmarking exercises for the Board, key management personnel and the job evaluations/role bandings used by the Company. No Executive participates in any decision relating to their own remuneration.

Non-Executive Directors are remunerated by way of cash fees and statutory superannuation.

The Senior Executive Team is remunerated by way of a combination of fixed salary, share-based and cash incentives and superannuation.

The offer documents for all share based incentive arrangements include a prohibition against entering into transactions which limit the economic risk of participating in the plan. Furthermore, the Board has established a Securities Trading Policy which governs dealings in securities to ensure the highest standards of corporate conduct and governance. The Securities Trading Policy can be found on the Company's website: <https://www.servicestream.com.au/investors/corporate-governance>.

The remuneration report contained in the Company's FY19 Financial Statements details the remuneration of Directors and Senior Executive Management.