



Australian  
Pharmaceutical  
Industries Limited



Corporate Governance Statement 2020



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# CORPORATE GOVERNANCE STATEMENT

This statement has been approved by the Board and is current as at 2 December 2020.

The Board recognises the importance of a strong governance framework and culture throughout the organisation. During the year ended 31 August 2020, the Board continued to build on and enhance the established corporate governance framework.

The roles and responsibilities of the Board are set out in the Board Charter. This is in the corporate governance section of the API website ([www.api.net.au](http://www.api.net.au)). To assist with the execution of its responsibilities, the Board has established a Remuneration Committee, an Audit and Risk Committee and a Nomination Committee. All committees have documented charters, which are also available through the API website.

The Directors have implemented internal control processes for identifying, evaluating and managing significant risks to the achievement of the Group's objectives. These internal control processes cover financial, operating and compliance risks.

The Directors have received and considered declarations by the Chief Executive Officer and the Chief Financial Officer concerning the Group's 2020 half-year and full year financial statements in accordance with section 295A of the Corporations Act.

Throughout the reporting period, Australian Pharmaceutical Industries Limited (the **Company**) along with its controlled entities (the **Group**) complied with the ASX Corporate Governance Council's *ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)* (**Principles**) in all material respects and this Report explains that compliance.

The ASX's updated Principles come into force for financial years commencing on or after 1 January 2020. The Group has updated its corporate governance systems and frameworks in anticipation of this update and API's Corporate Governance Statement for its financial year ending 31 August 2021 will explain compliance with the 4<sup>th</sup> edition of the Principles.

The Board comprises a majority of independent Directors. All Board Committees have independent Chairpersons and a majority of independent Directors as members.

Also available on the API website are the following policies:

- Code of Conduct and Ethics;
- Continuous Disclosure;
- Securities Trading;
- Shareholder Communication;
- Diversity;
- Compliance;
- Privacy; and
- Whistleblower.

The key initiatives completed, or in progress during the current year, include:

- financial and operational policies and procedures being continually reviewed and updated where appropriate by management, prior to review and approval by the Audit and Risk Committee.
- a review of all Board charters and significant Group policies considering the pending 4th edition of the Principles;
- launch of a Supplier Code of Conduct;
- establishment and approval of a Risk Appetite Statement; and
- an independent review of the Board.

# CORPORATE GOVERNANCE STATEMENT

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The table below is provided to facilitate an understanding of the Group's compliance with the Principles.

## Principle 1 - Lay solid foundations for management and oversight

RECOMMENDATION	COMMENTARY
<b>Recommendation 1.1:</b>	
Roles and responsibilities of Board and management	<p>The Board's primary objective is to create and maintain sustainable value for shareholders.</p> <p>To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including:</p> <ul style="list-style-type: none"> <li>– setting its strategic direction;</li> <li>– instilling the Group's values;</li> <li>– selecting and appointing the Chief Executive Officer and Managing Director (<b>Managing Director</b>); and</li> <li>– overseeing the Group's management and business affairs.</li> </ul> <p>The Board is required to take account of the legitimate interests of interested parties and Directors are required to undertake their activities as Directors with honesty, integrity, care and diligence, reflecting the highest standards of governance.</p> <p>The Board has delegated responsibility for operation and administration of the Group to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.</p> <p>The Board has adopted a formal Charter which outlines the Board's key roles and responsibilities. This charter is available on the API website. There are other specific powers reserved to the Board including but not limited to:</p> <ul style="list-style-type: none"> <li>– appointment and removal of the Managing Director, including determination of his remuneration and conditions of service (including incentives);</li> <li>– appointment and removal of the Chief Financial Officer and the Company Secretary;</li> <li>– authorising the issue of any shares, options, equity instruments or other securities;</li> <li>– authorising expenditure in excess of discretionary limits delegated at any time to the Managing Director;</li> <li>– appointing additional or replacement Directors;</li> <li>– establishing procedures which ensure that the Board is able to exercise its powers as set out in the Board Charter;</li> <li>– approving: <ul style="list-style-type: none"> <li>– the strategic plan (at least annually);</li> <li>– budgets (at least annually);</li> <li>– appointment and removal of executives who report to the Managing Director;</li> <li>– recruitment, retention and termination policies for senior executives;</li> <li>– design of any short or long term incentive plans;</li> <li>– senior management succession plans and significant organisational changes;</li> <li>– acquisition establishment, disposal or cessation of any significant business of the Group;</li> <li>– appointment of the external auditor;</li> <li>– annual and half-year financial reports;</li> <li>– information for disclosure to the market;</li> <li>– borrowings other than in the ordinary course of business;</li> <li>– changes to the authority delegated to the Managing Director;</li> <li>– the statement of values; and</li> <li>– the Code of Conduct and Ethics and other policies of Group-wide or general application.</li> </ul> </li> </ul>

# CORPORATE GOVERNANCE STATEMENT

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## RECOMMENDATION

## COMMENTARY

### Recommendation 1.1: (continued)

- appointing additional or replacement non-executive Directors;
- appointing or removing a Lead Independent Director;
- establishing Board procedures; and
- establishing policies and procedures which are consistent with the Principles.

Except as reserved by the provisions of the Board Charter, the Board has delegated responsibility for the management of the Group's business and affairs to the Managing Director. Specific delegations of authority to the Managing Director and other senior executives are reviewed as required, documented and approved by the Board.

#### Other matters that are set out in the Board Charter include but are not limited to:

- Chair's responsibilities;
- Board's responsibilities; for example:
  - monitoring management's performance and ensuring appropriate resources are available;
  - reviewing the performance of the Managing Director through the Chair;
  - encouraging a culture which is consistent with the Group's statement of values and promotes ethical decision-making;
  - setting the risk appetite and reviewing systems of risk management, conduct and ethics;
  - establishing and monitoring measurable objectives for achieving diversity;
  - contributing to strategy and performance objectives
  - formulate appropriate Board policies;
  - reviewing health safety and environmental practices;
  - satisfying itself as to financial statements and disclosures and appropriate audit arrangements;
  - satisfying itself that the Group's remuneration practices are aligned with the Group's purpose, values, strategic objectives and risk appetite;
  - adopting and monitoring a continuous disclosure policy;
  - reviewing executive planning and development;
  - reviewing outcomes and lessons of decisions and strategies;
  - satisfying itself that relevant information is reported to the Board
  - wherever required, appropriately challenging management;
  - satisfying itself that processes are in place to ensure orderly succession of non-executive Directors; and
  - ensuring governance of subsidiaries.
- Board composition and selection of Directors;
- Role and appointment of non-executive Directors;
- Board and Director processes including continuing education and conflict management;
- Meeting processes and site visits;
- Director access to information and advice;
- Board Committees and delegation to the Committees (being the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee);
- Board performance and evaluation; and
- Review of the Charter.

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee, an Audit and Risk Committee and a Nomination Committee. These Committees have written charters. The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

## CORPORATE GOVERNANCE STATEMENT

CONTINUED

### RECOMMENDATION

### COMMENTARY

#### Recommendation 1.1: (continued)

The Board currently holds ten-twelve scheduled meetings each year, as well as other meetings to address special matters that may arise.

The agenda for meetings is prepared in consultation with the Chair, the Managing Director and the Company Secretary. Standing items include the Managing Director's report (which includes updates on key projects and strategic matters), financial reports (including legal and compliance matters). Papers are circulated in advance. Executives are regularly involved in Board discussions, by invitation.

Each Director has the right of access to all relevant Group information and to the Company's executives and, subject to prior consultation with the Chair, may seek independent professional advice from a suitably qualified adviser at the Company's expense. A copy of the advice received by the Director is to be made available to all other members of the Board.

#### Recommendation 1.2:

Checks and Information  
about Directors

In the exercise of its powers under the Board Charter, the Board undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. The Board also assesses skills, knowledge and experience which a candidate will bring, as well as time commitment and independence.

As appropriate, the Board will use an external search firm to assist in the identification and assessment of candidates before appointment to the Board. In respect of the recent appointment of Janine Allis, these processes have been followed.

The biographical details of each Director (including relevant qualifications, experience, skills and other material directorships) are set out in the Directors' Report of the Annual Report at pages 10-11 and in each Notice of Annual General Meeting at which a Director is being put forward (with the support of the Nomination Committee and the Board) for election or re-election as the case may be.

#### Recommendation 1.3:

Agreements with Directors  
and senior executives

The Group has agreements with each Director and senior executive setting out the terms of their appointment. The terms and conditions of appointment of non-executive Directors are set out in an offer letter which incorporates information regarding entitlements, details of the Director's Access, Insurance and Indemnity Deed and general duties and obligations.

In addition, new Directors receive electronic access to important information and documents including the Company Constitution, the Board Charter, all Committee charters, and key Group policies. The terms and conditions of employment with senior executives are set out in executive service agreements.

#### Recommendation 1.4:

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. In this role, the Company Secretary provides advice on governance matters, the application of relevant policies and procedures, and the timely provision of information to the Board.



# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## RECOMMENDATION

## COMMENTARY

### Recommendation 1.5:

#### Diversity

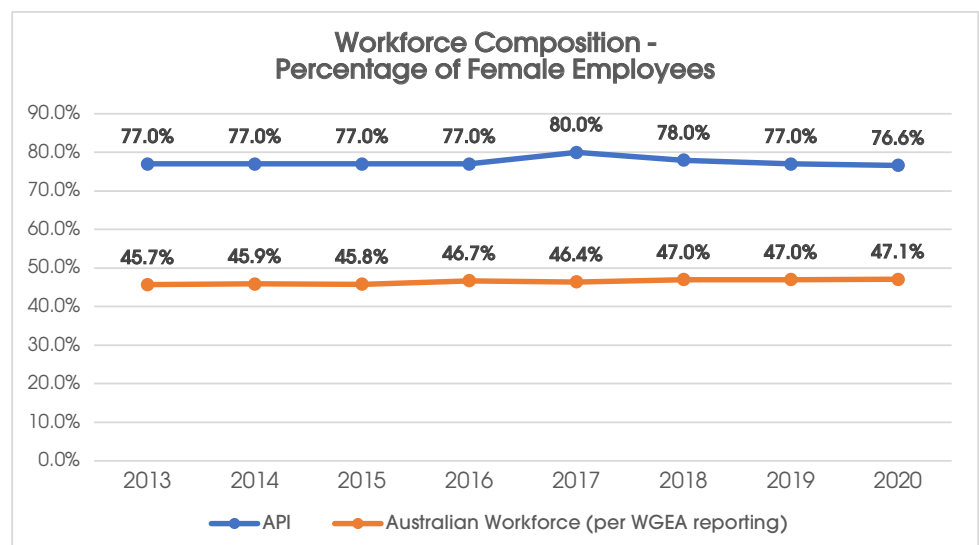
The Group has a Diversity Policy which is designed to clarify the Group's commitment to an inclusive workforce that embraces and promotes diversity in all respects, including gender, age, race, ethnicity, disability and culture. This policy is available on the API website.

The Board believes that diversity will strengthen the Group's capacity to meet its objectives. The Group is committed to rewarding performance and providing opportunities that allow all individuals to reach their full potential irrespective of background, difference or gender, and the Group's strong commitment to diversity is demonstrated at all levels of the Group.

The Diversity Policy is available to all Directors, officers and employees through publication on the Group's intranet and website. It is to be read in conjunction with other relevant Group policies.

#### API Female Representation

Representation of women at all levels in API\* continues to be higher than that of the total Australian labour force.\*\*



\* Women employees includes both employees and contractors engaged by API

\*\* Source: WGEA Gender workplace statistics 2013-2020 (as at July 2020)

## CORPORATE GOVERNANCE STATEMENT

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### RECOMMENDATION

#### Recommendation 1.5: (continued)

### COMMENTARY

API is required to annually report its female participation and compliance with gender equity indicators to the Workplace Gender Equality Agency (WGEA). A copy of the Group's current report to WGEA can be found on the API website under "Corporate Governance".

Set out below is a breakdown of gender across levels in the organisation at 1 March 2020:

API Employees	Female	Male	Total
Non-executive Directors	2	3	5
CEO & KMPs	0	1	1
Other Executives	3	7	10
Senior Managers	5	7	12
Other Managers	220	112	332
Professionals	109	94	203
Clerical and administrative	121	11	132
Sales	1404	71	1475
Labourers	395	382	777
Machinery operators & drivers		2	2
<b>Total Employees<sup>1</sup></b>	<b>2259</b>	<b>690</b>	<b>2949</b>

<sup>1</sup> Including full time, part time and casual employees – head count numbers



# CORPORATE GOVERNANCE STATEMENT

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## RECOMMENDATION

### Recommendation 1.5: (continued)

## COMMENTARY

### Measurable Objectives and Progress

The Board has the responsibility of establishing and reviewing measurable objectives for achieving diversity. The measurable objectives are reviewed regularly and performance against those objectives will be measured at least annually.

The measurable objectives and progress on performance against achieving these objectives for the year ending 31 August 2020 are as follows:

OBJECTIVES	PROGRESS REVIEW
Continue to aim for a higher rate of female representation across all areas of API's workforce than that of the total Australian labour force.	API continues to have a higher proportion of females employed than the female participation rate in the Australian workforce.  API has recently increased the proportion of females on its Board. API continues to increase its female participation in the Senior and Other Manager categories and will continue its focus on retaining and developing female talent for more senior roles.
Continue to ensure that API identifies, attracts and retains female talent for Board and senior management vacancies. To support this objective, ensure that for all Board and senior management vacancies the long list of applicants includes at least a 50% female representation.	API's diversity objectives will be taken into consideration when looking to permanently fill any senior management and/or Board vacancies.  API will continue to maintain its focus on attracting female talent, including in respect of any Board vacancies.
To support the development of women into senior roles by ensuring all women in the leadership pipeline are invited to participate in API's Leadership Development Program (LDP).	85% of promotions during the year ended 31 August 2020 were awarded to women and 15% were awarded to men, with 92.3% of all manager promotions awarded to women. API continues to focus on the participation of women in API's Leadership Development Program.
Continue to use an objective process in valuing roles and setting of comparative male and female remuneration for salaried positions.	API continues to use the gender neutral Korn Ferry Hay Group Job Evaluation methodology, an objective process in the valuing of roles and setting of remuneration.
Continue to promote holistic working practices, including, but not limited to, continuing to offer employee assistance programs (EAP), childcare and eldercare information, supporting parental leave return to work arrangements.	API continues to promote flexibility in work practices and a focus on employee well-being, including the provision of an employee assistance program (EAP) to all employees and their families and access to detailed childcare and eldercare information and a range of well-being development initiatives.
Conduct a diversity review to determine whether diversity discrepancies exist within API's business units/functions.	Work on this objective continues during 2020/2021.
Implement sourcing, recruitment and selection principles to further support diversity.	Work on this objective continues during 2020/2021.

Under the Workplace Gender Equality Act, the Group reports its "Gender Equality Indicators", as defined in and published under that Act. The most recent reported indicators are detailed on page 13 of the Group's 2020 Sustainability Report.

## CORPORATE GOVERNANCE STATEMENT

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RECOMMENDATION	COMMENTARY
<b>Recommendation 1.6:</b>	
Evaluating Board, Committee and Director performance	The Board undertakes an evaluation of its performance (and that of Directors and Committees) with the assistance of an external consultant on a periodic basis as required. The last review was conducted during 2019 by an independent consultant. The evaluation provided recommendations which have been implemented.
<b>Recommendation 1.7:</b>	
Evaluating senior executive performance	The Group has a comprehensive process for evaluating, at least annually, the performance of senior executives. A performance planning and review process is commenced in September of each year and is structured to measure personal performance against agreed key result areas (including but not limited to safety, compliance, budget and other measures relevant to the responsibilities of the senior executive) and performance against a range of capabilities required to perform the relevant role (including but not limited to personal leadership, team leadership, business leadership and community leadership). This process was most recently undertaken in September - October 2020.

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

RECOMMENDATION	COMMENTARY
<b>Recommendation 2.1:</b>	
Nomination Committee	<p>The Board has established a Nomination Committee which has a documented Charter approved by the Board. The charter which is available on the Group's website sets out purpose, committee membership and structure, duties and responsibilities, committee meeting procedure, access to information and independent advice and committee performance. The members of the Nomination Committee during the year ended 31 August 2018 were:</p> <ul style="list-style-type: none"> <li>– Ms L Ausburn – independent non-executive Director; appointed to the Committee on 15 August 2012. Appointed Chair of the Committee 8 April 2015;</li> <li>– Mr G J Masters – independent non-executive Director; appointed to the Committee on 15 August 2012 and retired from the Board and the Committee on 22 January 2020;</li> <li>– Mr R D Millner – non-executive Director; appointed to the Committee on 15 August 2012 and retired from the Board and the Committee on 9 July 2020; and</li> <li>– Mr K Gunderson-Briggs – independent non-executive Director; appointed to the Committee on 3 August 2020.</li> </ul> <p>The Nomination Committee monitors and advises the Board on:</p> <ul style="list-style-type: none"> <li>– Board composition, competencies and diversity;</li> <li>– Board succession plans, Director induction programs and continuing development;</li> <li>– the process for evaluating the performance of the Board, the Committees of the Board and individual Directors;</li> <li>– Board appointments, re-elections and terminations; and</li> <li>– other matters referred to the Committee by the Board.</li> </ul>

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## RECOMMENDATION

## COMMENTARY

### Recommendation 2.1: (continued)

The skills, experience and expertise relevant to each member of the Nomination Committee are included in the Directors' Report of the Annual Report at pages 10-11, along with the number of meetings held and attended during the year at page 12.

The Nomination Committee, and ultimately the Board, is responsible for succession planning, identification and appointment of new Board members and regular reviews of Board membership. The Nomination Committee oversees the appointment and induction process for Directors, and the Board oversees the selection, appointment and succession planning process of the Group's Managing Director.

The Nomination Committee considers the appropriate skill mix, personal qualities, expertise and diversity of Board and committee positions, based on the broad criteria outlined in the response to Recommendation 2.2 below. The Nomination Committee identifies potential candidates with advice from an external consultant from time to time. Directors appointed by the Board must stand for election by shareholders at the Company's next annual general meeting.

Non-executive Directors are requested to inform the Chair of the Board and the Chair of the Nominations Committee before accepting any new appointment of another listed entity, any other material directorship or any other position with a time commitment attached.

### Recommendation 2.2:

Board skills matrix

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report at pages 10-11 of the Annual Report.

The composition of the Board is determined using the following principles:

- a minimum of three Directors, with a broad range of expertise in the industries in which the Group operates and government regulation of those industries, and in significant aspects of accounting and finance and risk management;
- a majority of independent non-executive Directors;
- a Chair with experience in the industry in which the Company operates;
- enough Directors to serve on various committees without compromising their ability to discharge their responsibilities; and
- re-election of each Director (except the Managing Director) every three years or earlier.

The Board and the Nomination Committee have regard to the necessary balance of skills and diversity the Board needs for succession purposes. The Board Charter requires Board composition to be reviewed regularly to ensure the non-executive Directors between them bring the range of skills, knowledge and experience necessary to direct the Group.

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## RECOMMENDATION

### Recommendation 2.2: (continued)

## COMMENTARY

The Board and the Nomination Committee have established a skills matrix as set out below.

### BOARD SKILLS MATRIX

<b>Risk &amp; Compliance</b>	Ability to identify, monitor and manage risks. Knowledge of legal and regulatory requirements.
<b>Financial &amp; Audit</b>	Ability to analyse financial statements and funding arrangements, assess financial viability, provide input into and monitor budgets. An understanding of mergers and acquisitions.
<b>Strategy</b>	Ability to provide input into strategy development and to monitor strategy implementation.
<b>Policy Development</b>	Ability to develop appropriate policy parameters within which the organisation should operate.
<b>Technology</b>	Knowledge of IT governance, risk management and the emerging digital environment.
<b>Talent Management</b>	Knowledge of performance management of key executives, succession planning, development of a high performing organisation. Knowledge of change management and industrial relations.

### INDUSTRY SPECIFIC SKILLS

**Wholesaling/Distribution**

**Retail/Franchising**

**Pharmaceutical**

### INTERPERSONAL/BEHAVIOURAL SKILLS

<b>Leadership</b>	Make decisions and take necessary actions in the best interest of the organisation and represent the organisation favourably. Analyse issues and contribute at board level to solutions.
<b>Ethics and Integrity</b>	Acts ethically and with integrity. Understands role as Director and continue to self-educate on legal responsibility, ability to maintain board confidentiality, declare any conflicts.
<b>Contribution</b>	Ability to constructively contribute to board discussions and communicate effectively with management and other Directors.
<b>Diversity</b>	Promote equal gender diversity and age diversity to bring different perspectives to the Board.
<b>Previous Board Experience</b>	Previous experience and formal governance training.

Following the resignation or retirement from the Board of Mr Masters, Mr Millner and Mr Smith during the year, and having regard to the above matrix (which had been reviewed and updated by the Nomination Committee beforehand), the Nomination Committee recommended to the Board, and the Board appointed, Ms Janine Allis as a non-executive Director of the Board with effect on 23 October 2020.

The membership of the current Board has a mix of skills, qualifications and experience (as disclosed in the Directors' Report) which, as a whole, the Board believes, will enable it to successfully discharge its responsibilities.

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## RECOMMENDATION

## COMMENTARY

### Recommendation 2.3:

#### Independent Directors

The Board accepts the definition of "independence" in the Principles. The Board's view is that an independent Director is a Director who is not a member of management (a non-executive Director) and who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder;
- has not within the last three years been employed in an executive capacity by the Group, or been a Director after ceasing to hold any such employment;
- is not and has not within the last three years been a partner, director or senior employee of a provider of material professional services to the Group;
- is not and has not within the last three years, been in a material business relationship (e.g. as a supplier or customer) with the Group, or an officer of, or otherwise associated with, someone with such a relationship;
- has no material contractual relationship with the Group other than as a Director of the Group;
- does not have close family ties with any person who falls within any of the categories described above; and
- has not been a Director for such a period that his or her independence may have been compromised.

The Board considers 'material' in this context, where any Director-related business relationship has represented, or is likely in future to represent the lesser of at least 10% of the relevant segment's or the director-related business revenue. The Board considered the nature of the Group's competition, alternative available services or supplies and the size and nature of each Director-related business relationship, in arriving at this threshold. All current non-executive Directors meet the stated requirements for independence.

(Mr Robert Millner was a Director until 9 July 2020, when he resigned from the Board. Mr Millner was, and remains, a director of the Company's major shareholder, Washington H Soul Pattinson and Company Limited. The Board did not consider that this relationship impacted on his ability to bring an independent mind and judgment to the Board as a Director and to the extent there was any conflict, he was excused from relevant decisions.)

The Board recognises that length of tenure is a factor that may influence independence of a director. The term of office held by each non-executive Director in office at the date of this Statement is as follows:

- Ms L Ausburn – 12 years (appointed 7 October 2008)
- Mr K W Gunderson-Briggs – 6.5 years (appointed 6 May 2014 and appointed Interim Chair of the Board on 4 September 2020)
- Ms Jennifer Macdonald – 2 years (appointed 9 November 2017)
- Ms Janine Allis – 2 months (appointed 23 October 2020)

Attendance at Board meetings is set out at page 12 of the Directors' Report.

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures that assist Directors to disclose potential conflicts of interest.

Where the Board believes that a conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is excused from attending a meeting whilst the item is considered.

## CORPORATE GOVERNANCE STATEMENT

CONTINUED

RECOMMENDATION	COMMENTARY
<b>Recommendation 2.4:</b>	
Majority of independent directors	<p>As required under the Board Charter, it is intended that the majority of the Board should be independent non-executive Directors. All Board members should bring an independent mind and judgment to bear in decision making.</p> <p>The Board is committed to regularly assessing the independence of each Director in light of interests disclosed by them. The Board currently has a majority of independent Directors. Non-executive Directors periodically confer between themselves and with the Group's auditors without the executive Director or other senior executives present.</p>
<b>Recommendation 2.5:</b>	
Chair of the Board	<p>The Chair of the Board (Mr Mark Smith), an independent non-executive Director, occupied this position from 24 January 2018. Mr Smith retired from the Board on 4 September 2020. The Board appointed Mr Ken Gunderson-Briggs, independent non-executive Director, as Interim Chair, with effect on 4 September 2020, pending the appointment of a person to succeed Mr Smith as Chair.</p>
<b>Recommendation 2.6:</b>	
Director induction	<p>The Group has an established process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning the performance of Directors. The induction program was updated and was provided to Ms Janine Allis, who was appointed as a non-executive Director with effect from 23 October 2020.</p> <p>Directors can visit business operations and meet with management, employees and other stakeholders, to gain a better understanding of business operations. This was restricted during the COVID-19 pandemic due to Government regulations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.</p>

# CORPORATE GOVERNANCE STATEMENT

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## Principle 3 – Act ethically and responsibly

### RECOMMENDATION

### COMMENTARY

#### Recommendation 3.1:

Code of conduct

The Group has advised each Director, manager and employee that they must comply with the Code of Conduct and Ethics. The Code, which is available on the API intranet and website, covers the following:

- aligning the behaviour of the Board and management with the Code of Conduct and Ethics by maintaining appropriate core Group values and objectives;
- protection of Company assets and maintaining appropriate accounting policies, practices and disclosure;
- fulfilling responsibilities to customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced;
- employment practices such as occupational health and safety, employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community, such as environmental protection policies, supporting community activities and sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information, gifts and anti-bribery and conflict resolution;
- authorisation of public statements;
- compliance with the Group's standards in respect of modern slavery; and compliance with laws and ethical standards and reporting suspected breaches of laws.

The Code also incorporates by reference the Group's policies and processes relating to risk management, continuous disclosure, securities trading, competition law compliance and privacy.

The Group also has a Securities Trading Policy. The key elements of that policy are:

- identification of those restricted from trading – generally those who possess information which is not generally available and which would be expected to have a material effect on the price or value of API shares – and prohibiting them from dealing in API securities.
- restricting Directors, officers and employees from dealing in shares in the Company other than:
  - during the period of 14 days after the Annual General Meeting;
  - during the period of 60 days following the issue of the annual results and half yearly results;
  - during the period of 60 days following the release of a prospectus by the Company relating to the issue of shares in the Company, provided they are not in possession of price sensitive information not yet released to the market.
- raising the awareness of legal prohibitions;
- requiring details of intended trading in the Company's shares to be provided; and
- identification of processes for unusual circumstances where discretions may be exercised.

Directors, officers and employees are prohibited from using margin loans to finance the purchase of shares in the Company or from trading in any financial product issued or created over the Company's shares.

The policy also details the insider trading provisions of the Corporations Act. The Group's policy is promoted to all Directors, officers and employees through publication on the API intranet and website.

The Group also has a Whistleblower Policy and an independently managed Whistleblower hotline which is made available across the Group.



## CORPORATE GOVERNANCE STATEMENT

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### Principle 4 – Safeguard integrity in corporate reporting

#### RECOMMENDATION

#### COMMENTARY

##### Recommendation 4.1:

##### Audit Committee

The Audit and Risk Committee has a documented charter, approved by the Board which is available on the API website. The Committee's objective is to assist the Board to meet its responsibilities in relation to financial reporting, internal control and risk management.

The members of the Audit and Risk Committee are three non-executive Directors. As at the date of this Statement these are:

- Mr K W Gunderson-Briggs independent non-executive Director; appointed to the Committee on 6 May 2014. Appointed Chair of the Committee on 25 January 2017
- Ms L Ausburn – independent non-executive Director; appointed to the Committee on 7 October 2008
- Ms J. Macdonald – independent non-executive Director; appointed to the Committee on 9 November 2017

Representatives of the external auditor, the Managing Director, the Chief Financial Officer, Group Financial Controller, the Company Secretary and the Group Manager Audit Risk and Compliance are invited to the Audit and Risk Committee meetings at the discretion of the Chair.

The Audit and Risk Committee's Charter provides procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The responsibilities of the Audit and Risk Committee include considering, reporting and recommending to the Board as appropriate:

- the annual and half-year financial reports and other financial information, including financial information distributed externally. This includes considering the appropriateness of new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- risk and risk assessment and management processes;
- the internal audit function and its reports;
- compliance with internal controls and material incidents regarding fraud or misconduct; and
- the appointment, remuneration and effectiveness of performance of the external auditor;
- non-audit services provided by the external auditor for consistency with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the year-end audit or half year review; and
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act.

The Audit and Risk Committee reviews the performance of the external auditors on an annual basis and meets with the external auditors during the year to:

- discuss the external audit plans, identifying any significant changes in structure, operations, and internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed; and
- review the annual, half-year and preliminary final reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these reports prior to announcement of results.

Attendance at Committee meetings is set out at page 12 of the Directors' Report in the Annual Report.

## CORPORATE GOVERNANCE STATEMENT

CONTINUED

### RECOMMENDATION

### COMMENTARY

#### Recommendation 4.2:

CEO and CFO declarations

Before approving the Group's half-year and full year financial statements, the Board receives from the CEO and CFO a declaration that, in each of their opinions, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### Recommendation 4.3:

Auditor attending AGM

The Group's auditor attends all annual general meetings of the Company's shareholders and is available to answer questions from shareholders relevant to the audit.

## Principle 5 – Make timely and balanced disclosure

### RECOMMENDATION

### COMMENTARY

#### Recommendation 5.1:

Continuous disclosure policy

The Group has a Continuous Disclosure policy which is available on the API website. The purpose of the policy is to seek to ensure the Company meets its obligations under Listing Rules to keep the market informed of information which may have a material effect on the price or value of the Company's shares.

It is Group policy to comply with its legal obligations relating to continuous disclosure and it does so by releasing information to the ASX in various forms (letters, media releases, Annual Reports and results announcements) after appropriate vetting and authorisation. The Group will not release any price sensitive information to any person until it has first given the information to ASX and has received confirmation that ASX has released that information to the market.

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## Principle 6 – Respect the rights of shareholders

### RECOMMENDATION

### COMMENTARY

#### Recommendation 6.1:

Company information on website

The API website [www.api.net.au](http://www.api.net.au) provides information to investors and other stakeholders. An “Investor Relations” tab directs investors to a range of current and historical information including Annual Reports, ASX announcements, presentations, Corporate Governance (Charters and Policies), Share Registrar details and Board information. In addition, there is a facility for investors to “contact us” for any enquiries.

#### Recommendation 6.2:

Investor relations program

The Group has a broad investor relations program which allows for shareholders to engage with the Board and senior executives, including at the Annual General Meeting (**AGM**). Shareholders also can contact the Group directly with any enquiries. At appropriate times after half-year and full year results presentations to the market and at investor days, briefings are held with investors, investor representatives, analysts and the media.

#### Recommendation 6.3:

Facilitating participation at shareholder meetings

The Group has a Shareholder Communication Policy which is available on the API website. The policy is designed to:

- promote effective communication with both existing and potential shareholders;
- ensure ready access to understandable information about the Group including the existence of this policy; and
- encourage shareholders to participate at annual general meetings of shareholders.

Shareholders who are unable to attend an annual general meeting can access an audio webcast of proceedings and relevant presentations. Audio webcasts are also made available for half-year and full year results presentations.

#### Recommendation 6.4:

Electronic shareholder communications

The Group (through its share registry) actively promotes the benefits of shareholders receiving electronic communications from the Group. This includes Group information (Annual Reports, Notices of Meeting, letters from the Chair) and dividend payments and confirmations. Shareholders are invited to subscribe online to these services where they have the facility or desire to do so. In addition, there is a facility on the API website for investors to “contact us” for any enquiries.

# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## Principle 7 – Recognise and manage risk

### RECOMMENDATION

### COMMENTARY

#### Recommendation 7.1:

Risk committee

The Audit and Risk Committee (refer Recommendation 4.1) is charged with the responsibility to assist the Board in the oversight of risk.

#### Recommendation 7.2:

Review of risk management framework

The Board has overall responsibility for the Group's risk management and internal control framework. It oversees the establishment and implementation of, and at least annually reviews, the Group's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks for the consolidated entity.

The Board has delegated detailed review of these matters to the Audit and Risk Committee who reports material issues to the Board. The Group's internal compliance and control systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to identifying, assessing and managing risk across the Group's business activities. The internal control systems which have been adopted by the Group aim to develop a culture which is able to identify, communicate and manage material risk.

The Board has adopted an internal "Risk Appetite Statement" for the Group. The Group's risk appetite is integral to the Group's overall risk management processes. The Risk Appetite Statement sets forth the types and extent of risk that the Group is willing to accept in pursuit of its strategic objectives, while adhering to the Group's core values.

The risk assessment process involves identifying a 'risk universe' and documenting those factors which contribute to the inherent risk environment by business unit. Key risks identified and monitored include: regulatory reform, customer insolvency, competitor activity, disaster recovery, economic, cyber risk, supply chain disruption, natural disaster and network security.

An 'inherent risk rating' is calculated by combining 'likelihood' and 'consequence' assessments determined in the absence of any controls in the business. The current controls to manage risks are then identified to determine a 'control effectiveness rating'. Depending on the nature of the risk and the control effectiveness rating, treatment plans are then developed.

The Managing Director and Chief Financial Officer provide assurance to the Board in relation to the annual and half yearly financial reports with respect to:

- the financial reporting risk management and associated compliance and controls;
- the operational and other compliance risk management processes;
- the Group's books and records; and
- the Group's financial statements and notes compliance with accounting standards (and any further requirements in the Corporations Law), and applicable ASIC Class Orders.

The Group has a full time Group Manager – Audit, Risk and Compliance who continuously reviews risk management and compliance with internal controls. This function may be supplemented by assistance from external accounting firms specialising in risk management from time to time as necessary.

## CORPORATE GOVERNANCE STATEMENT

CONTINUED

### RECOMMENDATION

### COMMENTARY

#### Recommendation 7.3:

Internal audit function

The Group has an internal audit function headed by the Group Manager – Audit Risk and Compliance. The Group Manager – Audit Risk and Compliance reports to the Chief Financial Officer and the Chair of the Audit and Risk Committee. The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's internal controls and risk environment.

#### Recommendation 7.4:

Material exposure to economic, environmental and sustainability risks

The Group has published a Sustainability Report which describes its management of sustainability issues, including economic, environmental and social sustainability issues. Having regard to the nature of its operations, the Board considers that the Group's exposure to economic, environmental social and sustainability risks are being effectively managed. More information can be found in the 2020 Sustainability Report which is available on the API website.

## Principle 8 – Remunerate fairly and responsibly

### RECOMMENDATION

### COMMENTARY

#### Recommendation 8.1:

Remuneration committee

The Remuneration Committee has a documented charter approved by the Board, which is available on the API website. The Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and non-executive Directors. It is also responsible for share schemes, senior executive incentive programs and a range of employment related matters.

The members of the Remuneration Committee during the year ended 31 August 2020 were:

- Ms J Macdonald (Chair) - independent non-executive Director; appointed to the Committee and as its Chair on 22 January 2020
- Mr K W Gunderson-Briggs – independent non-executive Director; appointed to the Committee on 8 April 2015
- Ms L Ausburn - independent non-executive Director appointed to the Committee on 3 August 2020
- Mr G J Masters – independent non-executive Director and former Chair of the Committee; appointed to the Committee on 30 January 2014; retired from the Board and the Committee on 22 January 2020
- Mr R D Millner – non-executive Director; appointed to the Committee on 2 October 2007; retired from the Board and the Committee on 9 July 2020

All Directors are invited to attend meetings of the Remuneration Committee, with the Managing Director absenting himself as appropriate.

The Remuneration Committee formally meets twice a year and otherwise as required. Attendance at Committee meetings is set out at page 12 of the Directors' Report in the Annual Report.

## CORPORATE GOVERNANCE STATEMENT

CONTINUED

### RECOMMENDATION

### COMMENTARY

#### Recommendation 8.2:

Remuneration of directors and senior executives

The Group recognises the importance of appropriate remuneration and incentives and regular performance reviews. The Remuneration Committee is responsible for recommending to the Board remuneration for Directors, the Managing Director and senior executives. It is the Group's objective to retain a high quality Board and senior executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. As required, market remuneration data and advice from independent remuneration consultants is obtained from time to time. Full disclosure of the Group's remuneration philosophy and framework and a summary of remuneration received by Directors and Key Management Personnel for the financial year is set out in the Remuneration Report which is incorporated in the Annual Report commencing at page 23.

#### Recommendation 8.3:

Equity based remuneration

The Group has incentive plans in place for senior executives which entitle them to performance rights which vest and convert into shares in the Company if certain performance conditions are met. The Group has a Securities Trading Policy which is available on the API website. That policy prohibits employees who receive equity-based remuneration from dealing in financial products issued or created over or in respect of Company securities (e.g. hedges or derivatives), which have the effect of reducing or eliminating the risk associated with any equity incentives that the Group may offer from time to time.



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