



Australian Pharmaceutical Industries Limited

CORPORATE GOVERNANCE STATEMENT 2021



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CORPORATE GOVERNANCE STATEMENT

This statement has been approved by the Board and is current as at 29 November 2021.

The Board recognises the importance of a strong governance framework and culture throughout the organisation. During the year ended 31 August 2021, 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). To assist with the execution of its responsibilities, the Board has established a People and 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 2021 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 (4th Edition)* (**Principles**) in all material respects and this Report explains that compliance.

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:

- Anti-Bribery and Corruption;
- Code of Conduct and Ethics;
- Compliance;
- Continuous Disclosure;
- Securities Trading;
- Shareholder Communication;
- Diversity;
- 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 and update of the People and Remuneration Committee Charter;
- An update of the Audit & Risk Committee Charter; and
- establishment and approval of a stand alone Anti-Bribery and Corruption Policy.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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
Recommendation 1.1:	
Roles and responsibilities of Board and management	<p>The Board's primary objective is to create and maintain sustainable value for shareholders. Further, where it is consistent with that objective, the legitimate interests of other interested or affected parties should be taken into account.</p> <p>To fulfil this role, the Board is responsible for the overall corporate governance of the Group. This includes:</p> <ul style="list-style-type: none"> – setting its strategic direction; – instilling the Group's values; – selecting and appointing the Chief Executive Officer and Managing Director (Managing Director); and – overseeing the Group's management and business affairs. <p>The Board has adopted a formal Charter which outlines its key roles and responsibilities. This charter is available on the API website. The Board's specific powers include (among others):</p> <ul style="list-style-type: none"> – authorising the appointment and removal of the Chief Financial Officer and the Company Secretary (and of other executives); – authorising the issue of any shares, options, equity instruments or other securities; – appointing additional or replacement Directors; – establishing procedures which ensure that the Board is able to exercise its powers as set out in the Board Charter; and – approving (among other things): <ul style="list-style-type: none"> – the strategic plan and budgets (at least annually); – recruitment, retention and termination policies for senior executives; – senior management succession plans and significant structural changes to the organisation; – acquisition, establishment, disposal or cessation of any significant business of the Group; – appointment of the external auditor; – annual and half-year financial reports; – information for disclosure to the market; and – the Code of Conduct and Ethics and other policies of Group-wide or general application.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

RECOMMENDATION

COMMENTARY

Recommendation 1.1: (continued)

The Board monitors management's performance, encourages a culture that is consistent with Group values, sets and reviews the Group's risk appetite and reviews outcomes and lessons of decisions and strategies.

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

To assist in the execution of its responsibilities, the Board has established a People and Remuneration Committee, an Audit and Risk Committee and a Nomination Committee. These Committees have written charters (all of which are available on API's website).

The Board currently holds ten to 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).

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 and senior executives

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 appointments of 3 non-executive directors during the 2021 financial year, these processes were followed.

The appointment of senior executives is also undertaken with appropriate checks and an external search firm where appropriate. There were no senior executives appointed during the 2021 financial year.

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 8-9 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 written 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.

CORPORATE GOVERNANCE STATEMENT

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RECOMMENDATION

COMMENTARY

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 works closely with the Board including providing advice on governance matters, the application of relevant policies and procedures, and the timely provision of information to the Board.

Recommendation 1.5:

Diversity

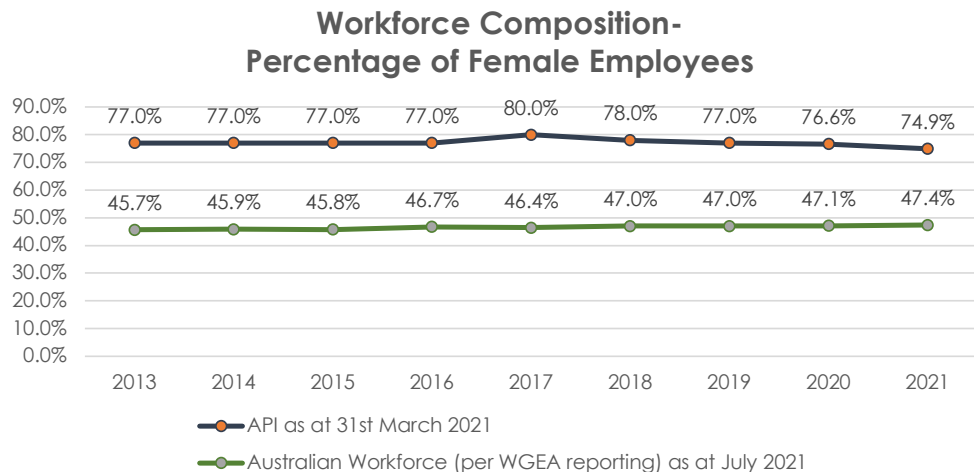
The Group has a Diversity, Equity and Inclusion Policy which is designed to clarify the Group's commitment to an inclusive workforce that embraces and promotes diversity in all respects. Diversity of thought drives innovation, engagement and better customer outcomes and includes diversity across gender, 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.

Gender Diversity

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



* Female employees includes both employees and contractors engaged by API

** Source: WGEA Gender workplace statistics 2013-2021 (as at July 2021)

CORPORATE GOVERNANCE STATEMENT

CONTINUED

RECOMMENDATION

COMMENTARY

Recommendation 1.5: (continued)

Set out below is a breakdown of gender across levels in the organisation at 31 March 2021:

API Employees	Female	Male	Total
Non-executive Directors	3	3	6
CEO & KMPs	0	2	2
Other Executives	2	6	8
Senior Managers	6	6	12
Other Managers	186	88	274
Professionals	119	104	223
Clerical and administrative	114	22	136
Sales	1,133	66	1,199
Labourers	386	356	742
Machinery operators & drivers	0	2	2
Total Employees²	1,946	652	2,598

2 Including full time, part time and casual employees – head count numbers, excluding non-executive directors.

Separately, 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".

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 in the composition of its board, senior executives and workforce generally. 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 2021 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.	<p>API continues to have a higher proportion of females employed than the female participation rate in the Australian workforce.</p> <p>API's Board now comprises 3 women and 4 men (including the Managing Director). API continues to increase its female participation in the 'Senior' and 'Other Manager' categories of the WGEA reporting and will continue its focus on retaining and developing female talent for more senior roles.</p>
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.	<p>API's diversity objectives will be taken into consideration when looking to permanently fill any senior management and/or Board vacancies.</p> <p>API will continue to maintain its focus on attracting female talent, including in respect of any Board vacancies.</p>
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).	<p>73.91% of promotions during the year ended 31 August 2021 were awarded to women and 26.09% were awarded to men, with 30.43% of all manager promotions awarded to women. API continues to focus on the participation of women in API's Leadership Development Program.</p>
Continue to use an objective process in valuing roles and setting of comparative male and female remuneration for salaried positions.	<p>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.</p>
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.	<p>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.</p>
Conduct a diversity review to determine whether diversity discrepancies exist within API's business units/functions.	<p>API continues its work in this space.</p>
Implement sourcing, recruitment and selection principles to further support diversity.	<p>API continues its work in this space.</p>

Under the Workplace Gender Equality Act, the Group reports its "Gender Equality Indicators", as defined in and published under that Act.

CORPORATE GOVERNANCE STATEMENT

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RECOMMENDATION

COMMENTARY

Recommendation 1.6:

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 (approximately every two years) as required. The last review was conducted during 2019 by an independent consultant. The evaluation provided recommendations which have been implemented. The review due in 2021 has been deferred due to COVID restrictions and in light of the large number of newly appointed Directors.

Recommendation 1.7:

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 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).

The Short Term Incentive Plan, in which senior executives participate, has recently been revised to incorporate non-financial metrics. This provides an additional method of evaluating executive performance against financial and non-financial metrics.

Principle 2 – Structure the Board to be effective and add value

RECOMMENDATION

COMMENTARY

Recommendation 2.1:

Nomination Committee

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 2021 were:

- Ms L Ausburn (Chair) – independent non-executive Director; appointed to the Committee on 15 August 2012. Appointed Chair of the Committee 8 April 2015; and
- Mr K Gunderson-Briggs – independent non-executive Director; appointed to the Committee on 3 August 2020.

During the 2021 Financial Year, the Nomination Committee comprised two non-executive Directors. The Board has considered this number and determined that in all the circumstances of the Company and the requirements of the Board, two members of the Committee is sufficient, noting that all Directors are involved in the interview process for any new non-executive director.

The Nomination Committee monitors and advises the Board on:

- Board composition, competencies and diversity;
- Board succession plans, Director induction programs and continuing development;
- the process for evaluating the performance of the Board, the Committees of the Board and individual Directors;
- Board appointments, re-elections and terminations; and
- other matters referred to the Committee by the Board.

CORPORATE GOVERNANCE STATEMENT

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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 8- 9, along with the number of meetings held and attended during the year at page 10.

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 effectiveness of the induction program), and the Board oversees the selection, appointment and succession planning process of the Group's Chief Executive Officer and 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 8-9 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;
- an Independent 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, competencies and diversity 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

Risk & Compliance	Ability to identify, monitor and manage risks. Knowledge of legal and regulatory requirements. Knowledge of ESG (environmental, social and governance) principles.
Financial & Audit	Ability to analyse financial statements and funding arrangements, assess financial viability, provide input into and monitor budgets. Understanding of mergers and acquisitions.
Strategy	Ability to provide input into strategy development and to monitor strategy implementation.
Policy Development	Ability to develop appropriate policy parameters within which the organisation should operate.
Technology	Knowledge of IT governance, risk management and the emerging digital environment.
Talent Management	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

Leadership	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.
Ethics and Integrity	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.
Contribution	Ability to constructively contribute to Board discussions and communicate effectively with management and other Directors.
Diversity	Promote diversity to bring different perspectives to the Board.
Previous Board Experience	Previous experience and formal governance training.

Following the resignation from the Board of Mr Masters, Mr Millner and the resignation and passing of Mr Smith during 2020, having regard to the Board Skills Matrix, the Board appointed Ms Allis and Mr Stiff in late 2020 (with shareholders confirming those appointments at the January 2021 AGM) and Mr Tambassis in June 2021, as non-executive Directors.

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

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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.

The Board acknowledges that George Tambassis, board member since June 2021, has disclosed to the Board that he is a Priceline Pharmacy Franchise Partner and a wholesale Customer of API. There are protocols in place to manage any conflict of interest which may arise in respect the work performed by Mr Tambassis as a member of the Board.

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 – 13 years, 2 months (appointed 7 October 2008)
- Mr K W Gunderson-Briggs – 7 years, 7 months (appointed 6 May 2014 appointed Interim Chair of the Board on 4 September 2020 and Chair of the Board on 4 December 2020)
- Ms Jennifer Macdonald – 4 years, 1 month (appointed 9 November 2017)
- Ms Janine Allis – 1 year, 2 months (appointed 23 October 2020)
- Mr Clive Stiff – 1 year (appointed 4 December 2020)
- Mr George Tambassis – 6 months (appointed 7 June 2021)

Attendance at Board meetings is set out at page 10 of the Directors' Report in the Annual 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

Recommendation 2.4:

Majority of independent directors

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.

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.

Recommendation 2.5:

Chair of the Board

Following the retirement and unfortunate passing of Mr Mark Smith as Chair, Mr Gunderson-Briggs, an independent non-executive Director, served as Interim Chair of the Board from 4 September 2020 until 4 December 2020, when he was appointed Chair of the Board.

Recommendation 2.6:

Director induction and professional development

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 during 2020 and provided to each of the three non-executive Directors appointed during the 2021 financial year.

Directors can visit business operations and meet with management, employees and other stakeholders, to gain a better understanding of business operations. This has been restricted during the COVID-19 pandemic due to Government travel restrictions and mandated retail business closures. Based on periodic reviews, Directors are also given access to continuing education opportunities to update and enhance their skills and knowledge.

Principle 3 – Instil a culture of acting lawfully, ethically and responsibly

RECOMMENDATION

COMMENTARY

Recommendation 3.1:

Values

The Group's Vision is 'Enriching Life'. This reflects its aspiration as an organisation that embodies holistic growth in health care, including health and beauty.

The Group achieves its vision by embracing four ways of working. These being: 'Be Well', 'Show you Care', 'Make it Better' and 'Act Now'. These values are reinforced throughout the business on a consistent and regular basis through practical and demonstrated leadership and management.

The Vision and Ways of Working policy is available on the API website.

Recommendation 3.2:

Code of Conduct

The Group has advised each Director, manager and employee that they must comply with the Code of Conduct and Ethics. API expects the highest standard of integrity and conduct at all times and the Code sets out API's expectations on key matters.

CORPORATE GOVERNANCE STATEMENT

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RECOMMENDATION	COMMENTARY
Recommendation 3.2: (continued)	<p>The Code, which is available on the API intranet and website, covers the following:</p> <ul style="list-style-type: none"> – 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; and – compliance with the Group's standards in respect of modern slavery; and compliance with laws and ethical standards and reporting suspected breaches of laws. <p>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.</p> <p>Material breaches of the Code of Conduct are reported to the Board.</p>
Recommendation 3.3:	
Whistleblower Policy	<p>The Group has a Whistleblower Policy and an independently managed Whistleblower hotline which is made available across the Group.</p> <p>A comprehensive Whistleblower Program operates within the Company to reinforce API's commitment to identifying and responding to concerns and fostering a culture of continuous improvement and to encourage employees to report suspected illegal or unethical behaviour or practice. The Whistleblower Policy provides a framework for Whistleblowers to make protected disclosure by providing reasonable protections for Whistleblowers and ensuring allegations of reportable conduct are properly investigated and addressed.</p> <p>A Company Whistleblower hotline is operated by an independent third party where reports can be made confidentially and anonymously. A Whistleblower Guide has been made available to those who receive reports under the Whistleblower Program. All reports made under the program are reviewed and assessed by the Group Manager of Audit, Risk and Compliance and material incidents are reported to the Audit and Risk Committee and the Board.</p>
Recommendation 3.4:	
Anti-Bribery and Corruption Policy	<p>A comprehensive Anti-Bribery and Corruption Program operates within the Company (and in conjunction with the Code of Conduct and Ethics) to educate our employees as to the significant risk that bribery and corruption presents to the business and its operations. The program ensures employees are equipped with the knowledge they need to be diligent in their efforts to address bribery and corruption risks. API's policy is to conduct all business in an open, honest and ethical manner and requires its employees to act, at all times, fairly, with honesty and integrity and to uphold our reputation maintain our vision and core values.</p> <p>The Company's Anti-Bribery and Corruption Policy and online Bribery and Corruption training course provides employees with guidance on preventing, detecting and managing bribery and corruption risks. It provides employees with directions on what they must do in the event, or suspicion of, a contravention of the policy. All reports made under the program are reviewed and assessed by the Group Manager of Audit, Risk and Compliance.</p>

CORPORATE GOVERNANCE STATEMENT

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Principle 4 – Safeguard the integrity of corporate reports

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, risk management and internal and external audit.

The Audit and Risk Committee is to comprise 3 non-executive directors, free of any relationship that would materially interfere with independence of judgment. The members of the Audit and Risk Committee during the year ended 31 August 2021 were:

- Ms J Macdonald (Chair) – independent non-executive Director; appointed to the Committee on 9 November 2017. Appointed Chair on 4 December 2020;
- Ms L Ausburn – independent non-executive Director; appointed to the Committee on 7 October 2008; and
- Mr Clive Stiff – independent non-executive Director appointed to the Committee on 1 January 2021;

Mr K W Gunderson Briggs ceased being a member of Audit and Risk Committee on 4 December 2020.

Representatives of the external auditor, the Managing Director, the Chief Financial Officer, Group Financial Controller, the Company Secretary and the Internal Auditor and representatives of the External Auditor, may attend meetings by invitation from the Chair of the Committee.

The Committee holds four meetings a year and such additional meetings as required. The Secretary of the Audit and Risk Committee is the Company Secretary.

The primary responsibilities of the Audit and Risk Committee are to review and make recommendations to the Board on matters in respect of financial reporting, internal control, risk management, compliance management, internal audit and external audit. Key responsibilities and duties include:

- consideration of accounting policies & principles (in consultation with management and the external auditor);
- considering and testing financial statements (including decisions requiring judgement by management, clarity of disclosure, compliance with accounting standards and legal regulations, among other things);
- receiving statements by the CEO & CFO made pursuant to internal policies and laws and practice;
- assessing significant estimates and judgements (by enquiring of Management and discussing with external auditor);
- assessing information from the external auditor;
- assessing disclosure of non-financial information in documents; and
- recommending to the Board the financial and non-financial statements for approval and signature;

The Committee is also responsible for internal controls and risk management including (among others):

- assessing processes for monitoring and managing risk;
- considering adequacy of accounting controls;
- assessing completeness and accuracy of reporting for corporate governance practices;
- assessing that a regular program of audit is undertaken to test internal controls and compliance;
- considering the impact of changes in key laws, regulations and accounting standards;
- considering the Board's risk appetite; and
- assessing effectiveness of compliance with Code of Conduct and Ethics, Whistleblower Policy and Anti-Bribery and Corruption Policy.

CORPORATE GOVERNANCE STATEMENT

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RECOMMENDATION	COMMENTARY
Recommendation 4.1: (continued)	<p>In relation to internal and external audit the Audit and Risk Committee:</p> <ul style="list-style-type: none"> – endorses the internal auditor's appointment and terms of reference; – reviews reports from the internal auditor; – considers the independence and effectiveness of the external auditor; – discusses matters with the external auditor relating to the conduct of the external audit; – recommends for approval by the Board, non-audit services to be performed by the external auditor; – reviews the performance of the external auditor (at least annually); – at least twice a year, meets with the external auditor without management to consider the adequacy of Management within finance function and other relevant matters. <p>The Committee has the authority to seek any additional information it requires from officers and employees and may also obtain external advice if necessary.</p> <p>The Audit and Risk Committee reports to the Board of Directors following each Audit and Risk Committee meeting to provide a summary of the work and deliberations of the Committee. This report is to include, among other things, all recommendations requiring Board approval.</p> <p>Attendance at Committee meetings is set out at page 10 of the Directors' Report in the Annual Report.</p>
Recommendation 4.2:	
CEO and CFO declarations	<p>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.</p>
Recommendation 4.3:	
Verification of periodic reports	<p>Each year the Company releases to the market a Sustainability Report, the content of which covers our five key sustainability principles which are to:</p> <ul style="list-style-type: none"> – contribute to the economy; – care for our people and our community; – help protect our planet; – be customer-centric; and – govern ourselves responsibly. <p>The Company's annual reports and half year reports are subject to audit and review respectively by its independent auditor. The Sustainability Report and the Modern Slavery Statement are reviewed and approved by the Board.</p>

CORPORATE GOVERNANCE STATEMENT

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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 the Corporations Act and 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.

Recommendation 5.2:

Market announcements

Announcements made to the ASX by the Company are distributed to all directors and published on the Company's website.

Recommendation 5.3:

Investor and analyst presentations

The Continuous Disclosure Policy outlines the process undertaken to ensure material market presentations are lodged first with ASX prior to each speech or presentation being made.

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 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 and encouraging 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:

Substantive resolutions decided by poll

It has been Company practice for voting on all resolutions to be conducted by a poll and it is intended that this practice will continue at the 2021 AGM.

Recommendation 6.5:

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 register 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 to Recommendation 4.1) is charged with the responsibility to assist the Board in the oversight of risk. It assists the Board to meet its responsibilities in relation to financial reporting, internal control and risk management.

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 Chief Executive Officer and Managing Director and the 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 governance, controls and risk environment.

Recommendation 7.4:

Material exposure to economic, environmental and sustainability risks

The Group has published a 2021 Sustainability Report which describes its management of sustainability issues, including economic, environmental, and governance 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 2021 Sustainability Report which is available on the API website.

Principle 8 – Remunerate fairly and responsibly

RECOMMENDATION

COMMENTARY

Recommendation 8.1:

People and Remuneration committee

The People and 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 director and executive remuneration packages, senior leadership capability, succession and talent management and corporate culture (including employee engagement), diversity and inclusion.

A majority of the members of the Committee must be independent directors and free from any business and other relationship that would prevent independent judgement.

The members of the People and Remuneration Committee during the year ended 31 August 2021 were:

- Ms L Ausburn (Chair) – independent non-executive Director appointed to the Committee on 3 August 2020. Appointed Chair on 4 December 2020;
- Ms J Macdonald – independent non-executive Director; appointed to the Committee and served as its Chair from 22 January 2020 to 4 December 2020; and
- Ms Janine Allis – independent non-executive Director; appointed to the Committee on 1 January 2021.

Mr K W Gunderson Briggs ceased being a member of the People and Remuneration Committee on 4 December 2020.

All Directors are invited to attend meetings of the People and Remuneration Committee, with the Managing Director absenting himself as appropriate. The Committee may obtain information from management and engage external consultants as necessary. The Committee reviews and makes recommendations to the Board in relation to remuneration policies, performance of the Group's executives and the annual Remuneration Report.

The People and Remuneration Committee formally meets at least twice a year and otherwise as required and regularly updates the Board about Committee activities. Attendance at Committee meetings is set out at page 10 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 People and 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.

The People and Remuneration Committee have regard to various principles when determining executive remuneration including that remuneration should be appropriate and not excessive, that remuneration ought to attract, retain and motivate, and the need to comply with relevant legal and regulatory requirements.

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 20.

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.



ABN 57 000 004 320

250 Camberwell Road, Camberwell, VIC 3124

api.net.au