

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Australian Finance Group Ltd

ABN / ARBN:

11 066 385 822

Financial year ended:

30 June 2020

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

These pages of our annual report:

This URL on our website:

<https://investors.afgonline.com.au/investor/?page=corporate-governance>

The Corporate Governance Statement is accurate and up to date as at 27 August 2020 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:

27 August 2020

Name of Director or Secretary authorising  
lodgement:

Lisa Bevan, Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> in the Directors' Report forming part of the 2020 Annual Financial Statements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> as set out in the Remuneration Report forming part of the 2020 Annual Financial Statements ... and the length of service of each director: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at set out in the Remuneration Report forming part of the Directors Report in the 2020 Annual Financial Statements	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> in the Directors Report forming part of the 2020 Annual Financial Statements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement and <input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor">https://investors.afgonline.com.au/investor</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> in the Directors Report forming part of the 2020 Annual Financial Statements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>and</b></p> <p><input checked="" type="checkbox"/> in the Notes to the 2020 Annual Financial Statements</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> in the Directors Report forming part of the 2020 Annual Financial Statements</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> are set out in the Remuneration Report forming part of the Directors Report in the 2020 Annual Financial Statements</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://investors.afgonline.com.au/investor/?page=corporate-governance">https://investors.afgonline.com.au/investor/?page=corporate-governance</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

# 20

# 20

## CORPORATE GOVERNANCE

The Board of Directors ("Board") is committed to ensuring that Australian Finance Group Ltd ("AFG" or "the Company") is properly managed to protect and enhance shareholder interests, and that the Company, its directors, officers and employees operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing AFG, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for AFG's business and which are designed to promote the responsible management and conduct of the Company.

The Company listed on the Australian Securities Exchange ("ASX") on 22 May 2015. In establishing its corporate governance framework, the Board has referred to the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations ("ASX Principles & Recommendations").

AFG notes the publication of the 4th Edition of the ASX Principles & Recommendations, which take effect for the financial year ending 30 June 2021, and intends to report against the 4th Edition of the ASX Principles & Recommendations in its 2021 Corporate Governance Statement.

A statement of the corporate governance policies adopted by AFG are outlined below.

A copy of this statement and details of AFG's key policies and practices and the charters for the Board and each of its committees are available at [www.afgonline.com.au](http://www.afgonline.com.au).

The Corporate Governance Statement is accurate and up to date as at 31 July 2020 and has been approved by the Board.

# Principle 1 Lay solid foundations for management and oversight

## The Board's roles and responsibilities

The Company has established a Board Charter which provides a framework for the effective operation of the Board. The Board Charter sets out:

- the Board's composition and process;
- the Board's roles and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising AFG's strategies, policies and performance;
- review and oversee the performance of the Chief Executive Officer and the executive team;
- protect and optimise AFG's performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and AFG's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with AFG's values and governance framework (including establishing and observing high ethical standards); and
- keep shareholders informed of AFG's performance and major developments affecting it.

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of the Chief Executive Officer;
- appointment and removal of any direct report of the Chief Executive Officer (a matter for recommendation by the Chief Executive Officer). Approval shall not be withheld by the Board unless significant concerns have been raised with the Chief Executive Officer;
- appointment of directors to fill a vacancy or to add an additional director;
- establishment of Board committees, their membership and delegated authorities;

- approval of dividends and dividend policy;
- approval of major capital expenditure, acquisitions and divestments in excess of authority levels delegated to management;
- calling meetings of shareholders;
- succession planning for the Chief Executive Officer and other executives; and
- any other specific matters nominated by the Board from time to time.

The Board collectively, and each director individually, has the right to seek independent professional advice, subject to the approval of the Chair.

## Management's roles and responsibilities

The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board (and by other officers to whom the management function is properly delegated by the Chief Executive Officer).

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider appropriate.

## Information about Directors to Security Holders

The Company undertakes appropriate checks into the character, experience, criminal record and bankruptcy history of all directors. The Company will provide shareholders with sufficient information in the general meeting notices, including the notice of Annual General Meeting, about any director standing for election or re-election at the meeting to enable them to make an informed decision on whether to elect or re-elect the candidate.

## Director and senior executive arrangements

Each of the directors and senior executives has a written agreement with the Company setting out the terms of their appointment.

## Company Secretary

The Company Secretary is accountable to the Board. The Company Secretary is responsible for proper functioning of the Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. All directors have direct access to the Company Secretary.

## Diversity Policy

The Company values a strong and diverse workforce and is committed to developing and applying measurable objectives of diversity and inclusion in its workplace. The Board has adopted a Diversity and Inclusion Policy focused on gender (including the representation of women in senior management positions and on the Board), ethnicity/culture, sexual orientation and promoting flexible work practices for employees with family and caring responsibilities.

The policy aims to facilitate a more diverse and representative management and leadership structure.

AFG's Diversity and Inclusion Policy provides a framework for the Company to achieve a workplace culture characterised by inclusive practices and behaviours and improved employment and career

development opportunities for women and employees with diverse backgrounds, experiences and perspectives.

The Board determines specific measurable objectives for facilitating diversity annually, whilst assessing progress towards these objectives on a regular basis throughout the year.

In accordance with the Workplace Gender Equality Act 2012, AFG makes public its annual filings with the Workplace Gender Equality Agency (WGEA) and publishes its "Gender Equality Indicators". Interested parties can access the latest AFG filings at <https://www.afgonline.com.au/corporate/investors/>

A summary of the measurable objectives set out in the Diversity and Inclusion Policy for the reporting period and the Company's progress towards achieving these are set out below:

Measurable Objective for the reporting year ended 30 June 2020	Status at 30 June 2020
Achieve a minimum of 40% women in management positions (including KMP, Senior Managers and Other Managers) by 2022 with increased year on year representation.	36% of our management positions are held by women. This is an increase of 1% from our reported numbers last year.
By 2022, at least 25% of managers (including KMP, Senior Managers and Other Managers) will be from a diverse cultural background (non-Anglo-Celtic background).	The cultural diversity of our management team remained consistent at 17%.
Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys.	Workplace Diversity was our highest performing area in our March 2020 employee survey.
Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviours and diversity and inclusion values in the workplace.	As reflected in the employee survey results noted above, the Diversity & Inclusion Committee continues to deliver a quarterly program of training and awareness initiatives. This year the Committee has been expanded to 10 members and sub-committees have been formed to focus on particular areas including; strategy & change, gender diversity, cultural diversity and data analytics & insights.

The table below shows the proportion of women in the whole organisation, women in senior management positions, women in key senior executive positions and women on the Board. The Company defines "senior executives" as executive directors and senior leaders who make up the Executive Committee. To provide an accurate reflection of the proportion of women across the whole organisation, the Company has opted to include contractors and part-time employees in the percentages below, which shows the proportion of women in the organisation at 30 June 2020.

Position	Total	# of Women	% of Women in Positions
Board	6	2	33%
Senior Executives	9	2	22%
Senior Managers	15	7	47%
Total workforce (including Directors)	195	100	51%

The Remuneration and Nomination Committee has the following responsibilities in relation to the Diversity and Inclusion Policy:

- on an annual basis, reviewing the effectiveness of the Diversity and Inclusion Policy by assessing AFG's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives; and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented; and
- on an annual basis, reviewing the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Company, and submit a report to the Board, which outlines the Committee's findings, or if applicable, provide the Board with AFG's most recent indicators as required by the *Workplace Gender Equality Act 2012*.

## Board evaluation

The process for evaluating the performance of the Board, its committees and individual directors is set out in the Board Charter as follows:

- On an annual basis, directors will provide written feedback in relation to the performance of the Board and its committees against an agreed set of criteria.
- Each committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Feedback will be collected by the Board Chair, or an external facilitator, and discussed by the Board with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Performance evaluations were undertaken in the financial year ended 30 June 2020 in accordance with the process described.

## Evaluation of senior executives

The Chief Executive Officer annually reviews the performance of all senior executives. He conducts this performance review by meeting individually with each senior executive to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against key performance indicators (KPI's) set by the Chief Executive Officer or the Board.

The Remuneration and Nomination Committee reviews the senior management performance assessment processes and results as they reflect the capability of management to realise the business strategy.

Senior executive performance reviews were undertaken in the financial year ended 30 June 2020 in accordance with the process described above.

## Principle 2 Structure the Board to add Value

### Board membership and independence

At the end of the reporting period AFG's Board comprised six members, including one executive director and five non-executive directors (four of whom are considered independent, including the Chair). Detailed biographies of the directors are provided in the Directors' Report forming part of the 2020 Annual Financial Statements.

The Board considers directors to be independent where they are not members of management (a non-executive director) and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board will have regard to quantitative and qualitative principles of materiality for determining "independence" on a case-by-case basis. The Board regularly reviews the independence of each director in light of information disclosed by that director to the Board.

The Board considers that each of Tony Gill, Craig Carter, Melanie Kiely and Jane Muirsmith are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of their judgment; and is able to fulfil their role of an independent director for the purposes of the ASX Recommendations.

Brett McKeon and Malcolm Watkins are currently considered by the Board not to be independent because:

- Brett McKeon was an executive director of AFG until 30 June 2019. On 1 July 2019, Brett McKeon transitioned to a non-executive director role. He is still considered by the Board not to be independent because he is a substantial shareholder and was employed in an executive capacity within the last three years;
- Malcolm Watkins is an executive director of AFG and a substantial shareholder.

Kevin Matthews retired from the Board on 28 October 2019. Kevin was an executive director of AFG immediately prior to the Company's listing on the ASX when he transitioned to a non-executive director role.

# Skills Matrix

The Board has established a Board Skills Matrix. On a collective basis for the reporting period the Board has the following skills:

Board Skills Matrix		Number of Directors by competency Level
	<p><b>Q1 - Banking and Financial Services Experience</b> Experience outside of AFG in components of the financial services industry including banking, and equity and debt capital markets. Any understanding of financial services industry including economic drivers and global business perspectives.</p>	
	<p><b>Q2 - Securitisation</b> Experience in structured finance, warehouse funding and securitisation.</p>	
	<p><b>Q3 - Financial Acumen</b> Ability to understand and analyse financial statements and financial performance, and to contribute to the oversight of the integrity of financial reporting and the effectiveness of financial controls.</p>	
	<p><b>Q4 - Leadership and Strategy</b> Leadership, effective communication and influencing skills. Strategic thinking capability and transactional expertise.</p>	
	<p><b>Q5 - Risk Management and Compliance</b> Competence in financial risk management, risk management frameworks and non-financial risks such as operational, compliance, conduct and cyber security.</p>	
	<p><b>Q6 - Governance</b> Public listed company experience, knowledge and commitment to the highest standards of governance, experience in the establishment and oversight of governance frameworks, policies and processes.</p>	
	<p><b>Q7 - Technology and Digital</b> Experience in businesses with technology focus, including adaptation to digital change and innovation. Use and governance of critical information technology infrastructure.</p>	
	<p><b>Q8 - Legal Expertise</b> Demonstrated ability and understanding in the application of legal principles.</p>	
	<p><b>Q9 - People and Remuneration</b> Experience in, or understanding of leadership and organisational design to contribute to talent management, succession planning, setting of remuneration frameworks and promotion of diversity and inclusion.</p>	
	<p><b>Q10 - Portfolio Management</b> Familiarity outside of AFG in the management of banking portfolios, credit risk and treasury functions.</p>	
	<p><b>Q11 - Regulatory Experience</b> Dealing with and understanding regulators and the regulatory environment.</p>	

Some Competency
  Demonstrated Competency
  Advanced Competency

The board undertook its annual skills evaluation to identify the Board's strengths and where its existing skills and experience may best be enhanced or complemented. The results of the 2020 evaluation demonstrated that the Board is comprised of members with an extensive and relevant skill-set with depth of experience across key areas. To the extent that any skills are not directly represented on the Board, they are augmented through close collaboration with key executives and external advisers. The Board will continue to review and monitor the skills required as the activities of the Company progress.

## Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee comprised of independent non-executive directors Melanie Kiely (Chair), Craig Carter and Jane Muirsmith.

Details of each member's qualifications and experience and details of the number of Remuneration and Nomination Committee meetings held and attended by members are set out in the 2020 Directors' Report and Financial Statements.

Under its Charter, the Remuneration and Nomination Committee has the following responsibilities in relation to the composition of the Board:

- assisting the Board to develop a Board Skills Matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- reviewing and recommending to the Board the size and composition of the Board, including succession plans and the succession of the Board Chair and Chief Executive Officer and direct reports to the Chief Executive Officer, having regard to the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds including gender;
- reviewing and recommending to the Board the criteria for Board membership;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- reviewing the Board Charter on a periodic basis and recommending any amendments for Board consideration; and
- establishing an effective director induction process, regularly reviewing its effectiveness and providing appropriate professional development opportunities for directors.

A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.

## Director Induction Program and Professional Development

The Board recognises that the appointment of new directors is a means of enhancing the performance of the Board and the Company, through the inclusion of additional skills and experience. The Company has developed an induction program which aims to provide new directors with the opportunity to build their knowledge of the Company quickly, so that they are able to make an effective contribution to the work of the Board.

Before induction of a new director, the Board Chair and the Chief Executive Officer and/or Company Secretary will work to determine a time effective program for the formal induction process. The induction will be tailored for each new director depending on their requirements, skills, qualifications and experience.

Directors have access to ongoing professional development via the Company's executives providing presentations on key business functions and activities and access to external education and development activities at the Company's expense. The external auditor and other industry experts may also be invited to address the Board, or its committees, on current issues, regulatory changes or industry trends affecting the Company's operations.

## Principle 3 Act Ethically and Responsibly Code of Conduct

The Board has adopted a Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal and compliance guidelines on appropriate ethical standards. All employees of AFG (including temporary employees, contractors and directors) must comply with the Code of Conduct.

The Code of Conduct is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make directors and employees aware of the consequences if they breach the policy.
- reinforce and communicate the Company's values to its employees, shareholders, borrowers, customers, suppliers and the broader community.

A copy of the Code of Conduct is available on the Company's website.

## Principle 4 Safeguard Integrity in Corporate Reporting Audit Committee

The Board has established an Audit Committee comprised of independent non-executive directors Craig Carter (Chair), Melanie Kiely and Jane Muirsmith.

Details of each member's qualifications and experience and details of the number of Audit Committee meetings held and attended by members are set out in the 2020 Director's Report and Financial Statements.

Under its Charter, the Audit Committee must have at least three members, a majority of whom must be independent directors and all of whom must be non-executive directors. The Audit Committee must also have an independent chair who is not the Board Chair.

The Audit Committee's role is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including:

- overseeing the Company's relationship with the external auditor and the external audit function generally;
- overseeing the preparation of the financial statements and reports; and
- overseeing the Company's financial controls and systems.

A copy of the Audit Committee Charter is available on the Company's website.

## Declaration by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and the Chief Financial Officer, at each half and full year, provide formal assurance statements to the Board that in their opinion:

- the Company's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

## External Auditor

The Company has a policy for the appointment, assessment and independence of the external auditor including the rotation of the external audit engagement partner.

The Audit Committee is responsible for the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with the policy. As a general rule, the external auditor may not provide any prohibited non-audit services to the Company. To ensure auditor independence is maintained, the Company requires all engagements of the external auditor to provide non-audit services to be approved in writing by the Chief Financial Officer and, in some circumstances, by the Risk and Compliance Committee.

The external auditor is required to provide a representative to attend the Annual General Meeting of the Company to answer questions relevant to the audit.

## Principle 5 Make Timely and Balanced Disclosure Continuous Disclosure

The Company has a Continuous Disclosure Policy which establishes procedures which are aimed at ensuring that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*. Information is communicated to shareholders through the lodgement of all relevant financial and other information on the ASX company announcements platform and continuous disclosure announcements are also made available on the Company's website.

A copy of the Continuous Disclosure Policy is available on the Company's website.

## Principle 6 Respect the Rights of Security Holders Website and Investor Relations Strategy

The Company aims to ensure that shareholders are kept informed of all major developments affecting the affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications and, in addition to its continuous disclosure obligations, the Company has developed a Communications Strategy.

One of the Company's key communication tools is its website located at [www.afgonline.com.au](http://www.afgonline.com.au).

The website contains information about the Company's directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of investor presentations made to analysts are also posted on the website.

## Participation at Meetings

The Company encourages full participation of shareholders at any general meetings and its Annual General Meeting each year. For those shareholders who are unable to attend in person, the Company will provide a full transcript of the Chair's and the Chief Executive Officer's speeches, if any are given, on its website. Shareholders are encouraged to lodge proxies electronically, subject to the adoption of satisfactory authentication procedures. The Company's external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the *Corporations Act 2001*.

## Electronic Communications

The Company provides a telephone helpline facility and an online email inquiry service to assist shareholders with any queries. Information is also communicated to shareholders as required by mailouts, or by email to shareholders who have provided their email address.

The Company's share registry also has the capability to send and receive electronic communications and maintains a toll-free telephone number for shareholders who require assistance in relation to registry matters.

## Principle 7 Recognise and Manage Risk

### Risk & Compliance Committee

The Board has established a Risk and Compliance Committee comprised of independent non-executive directors Jane Muirsmith (Chair), Craig Carter and Melanie Kiely.

Details of each member's qualifications and experience and details of the number of Risk and Compliance Committee meetings held and attended by members are set out in the 2020 Directors' Report and Annual Financial Statements.

Under its charter, the Risk and Compliance Committee must have at least three members, a majority of whom must be independent directors and all of whom must be non-executive directors. The Risk and Compliance Committee must also have an independent chair who is not the Board Chair.

The Risk and Compliance Committee's key responsibility and function is to manage the process of identification and management of risk.

The Risk and Compliance Committee's charter sets out procedures to fulfil its risk and compliance responsibilities. A copy of the Risk and Compliance Committee Charter is available on the Company's website.

## Risk Management Framework

The Company has a comprehensive risk management framework, which is designed to embed a risk-aware culture within the business and to assist AFG to realise the benefits which accrue from a conscious, structured and dynamic approach to the management of threats. In addition, the framework also recognises similar benefits associated with recognition of upside risk and opportunities, thereby contributing to (and increasing) shareholder value.

Risk management is a core management competency that incorporates a well-structured and systematic process to identify financial and non-financial business risks that will reduce potential negative impacts and realise opportunities that will enhance performance of the Company. This involves the following core elements:

- the identification and assessment of risks and opportunities; and
- ongoing monitoring and communicating of risk associated with any activity, function or process.

The Company has a Risk Management Policy which provides guidance to all employees by defining the commitment of the organisation to risk management. It articulates the Board's philosophy and mandate with respect to risk management.

The Risk and Compliance Committee Charter provides that on an annual basis the Risk and Compliance Committee will review the Company's risk management framework to satisfy itself that the framework continues to be sound and effectively identifies all areas of potential risk.

This review has been carried out by the Risk and Compliance Committee within the reporting period.

## Internal Audit Function

While the Company does not have a formal internal audit function it has a Risk and Compliance team which maintains an extensive compliance program focusing on two key compliance risks:

- non-compliance with legislation, with a particular focus on ensuring that the Company and its contracted brokers consistently meet the standards required by the *National Consumer Credit Protection Act 2009*, *Corporations Act 2001*, *Australian Securities and Investments Commission Act 2001*, *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and the *Privacy Act 1988*.
- fraud by its contracted brokers.

Compliance risks are identified, documented and analysed by the Company's Risk and Compliance team through implementation of the risk management framework.

The Risk and Compliance team is responsible for implementing the Company's compliance procedures, an audit and training program for the Company's credit representatives and certain other audit programs. The Risk and Compliance team is managed by the Head of Risk and Compliance who reports to the Chief Executive Officer.

The Risk and Compliance team currently uses a number of measures aimed at detecting and preventing broker fraud, including:

- executing audit programs;
- monitoring suspicious loan transactions; and
- facilitating an ongoing dialogue with lenders and industry regulators.

The Risk and Compliance team is also responsible for ensuring that the Company has a comprehensive professional indemnity insurance program.

The Risk and Compliance team reports to the Management Risk and Compliance Committee, which meets quarterly to discuss the management of both risk and compliance.

The Management Risk and Compliance Committee serves as an executive level risk committee focused on the management and measurement of risk and reports to the Board Risk and Compliance Committee.

The Company's Risk Management Policy provides that all the Company's management will be expected to:

- resource, operate and monitor the Company system of internal control;
- incorporate risk responses in the form of controls into its management system; and
- report the results of balanced assessments regarding the effectiveness of its internal control, including identified weaknesses or incidents to the Audit Committee and the Risk and Compliance Committee.

## Economic, Environmental and Social Sustainability Risks

As the Company operates in the finance sector and specifically in the mortgage broking sector and in securitised loan products it has exposure to economic risks, including general economy wide economic risks, risk associated with the economic cycle and more particularly to the level of interest rates which impact on the levels of borrowings which may be introduced via its broking network and through its securitised loan products. These risks are applicable to all businesses operating in the finance sector. The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.

Given the nature of the Company's operations the Board currently considers that the Company does not have any material exposure to environmental and social sustainability risks. The Company's Code of Conduct outlines how AFG expects its representatives to behave and conduct business including guidance in relation to legal, compliance and appropriate ethical standards expected from its representatives. The Code of Conduct also includes specific guidelines on a number of issues to ensure the sustainable operations of the business including the Company's commitment to making a contribution to the community generally and to doing business in an environmentally responsible manner.

## Principle 8 Remunerate Fairly and Responsibly

### Remuneration and Nomination Committee

The Company has a Remuneration and Nomination Committee comprised of independent non-executive directors Melanie Kiely (Chair), Craig Carter, and Jane Muirsmith.

Details of each member's qualifications and experience and details of the number of committee meetings held and attended by members are set out in the 2020 Directors' Report and Annual Financial Statements.

The Remuneration and Nomination Committee has the following responsibilities in relation to remuneration:

- reviewing and recommending arrangements for the executive directors (including the CEO) and the executives reporting to the CEO and senior management, including contract terms, annual remuneration and participation in AFG's short and long-term incentive plans;
- reviewing major changes and developments in AFG's remuneration, recruitment, retention and termination policies and procedures for executives;
- reviewing major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for the Company;
- reviewing the executive's performance assessment processes and results as they reflect the capability of Management to realise the business strategy;
- reviewing and approving short term incentive strategy, performance targets and bonus payments;
- reviewing and recommending to the Board major changes and developments to AFG's employee equity incentive plans;
- recommending whether offers are to be made under any or all of AFG's employee equity incentive plans in respect of a financial year;

- in respect of AFG's employee equity incentive plans, reviewing and approving the proposed terms of, and authorising the making of, offers to eligible employees of the Company, including determining the eligibility criteria applying in respect of an offer, in respect of a financial year;
- reviewing and recommending to the Board the remuneration arrangements for the Board Chair and non-executive directors, including fees, travel and other benefits; and
- approving the appointment of remuneration consultants for the purposes of the *Corporations Act 2001*.

A copy of the Remuneration and Nomination Committee Charter is available on the Company's website.

## Remuneration of Directors and Executives

The Remuneration Report, which forms part of the 2020 Directors' Report and Financial Statements, sets out the Company's remuneration philosophy, framework and outcomes for all non-executive directors, executive directors and other Key Management Personnel (collectively KMP).

The Board bases its remuneration framework on the following principles:

- Remuneration levels for KMP are set to attract and retain appropriately qualified and experienced directors and executives;
- Alignment of executive reward with shareholder interest and strategy; and
- The relationship between performance and remuneration of executives is clear and transparent.

The Company's constitution and the ASX Listing Rules specify that the non-executive fee pool shall be determined from time to time by a general meeting. The current approved aggregate fee pool is \$1,000,000 per year.

The remuneration of non-executive directors consists of directors' fees, which is inclusive of statutory superannuation and committee fees. Non-executive directors do not receive retirement benefits, other than statutory superannuation contributions, nor do they participate in any incentive programs. Non-executive directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

The Remuneration Report sets out details of the different components of executive remuneration comprising fixed remuneration, short-term incentives and long-term incentives. Details of contractual arrangements with KMP are also set out in the Remuneration Report.

## Transactions which limit the economic risk of participating in an equity-based remuneration plan

The Company's Dealing in Securities Policy includes the following provisions in relation to hedging of the Company's securities, including those acquired as part of an equity-based remuneration plan:

- Hedging includes entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities;
- Hedging of Company securities by directors, senior executives, employees and connected persons of employees ("Relevant Persons") is subject to the following overriding prohibitions:
  - » The hedge transaction must not be entered into, renewed, altered or closed out when the Relevant Person is in possession of inside information;
  - » Company securities must never be hedged prior to the vesting of those Company securities. In particular, Relevant Persons are prohibited from entering into any hedge transaction involving unvested equity held pursuant to any employee, executive or director equity plan operated by the Company; and
  - » Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of any employee, executive or director equity plan operated by the Company. During the financial year there were no hedging of the Company's securities.

**[www.afgonline.com.au](http://www.afgonline.com.au)**

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