

KONEKT LIMITED

A.C.N. 009 155 971

**CORPORATE GOVERNANCE STATEMENT
SEPTEMBER 2019**

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Directors is a strong advocate of corporate governance.

This statement outlines the principal corporate governance procedures of Konekt Limited.

ASX Corporate Governance Council Recommendations

This Corporate Governance Statement ('Statement') of Konekt Limited ('Company') has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('Principles and Recommendations').

The ASX Listing Rules require the company to disclose, in the ASX Appendix 4G, the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX and are available at our website at www.konekt.com.au. This statement has been approved by the company's Board of Directors ('Board') and is current as at 13 September 2019.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Principle 1: Lay solid foundations for management and oversight

Recommendation 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 the management.**

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The Board is accountable to shareholders for the activities and performance of the Company and has overall responsibility for the Company's development, strategy, and its corporate governance. However, the Board does not itself manage the business and affairs of the Company.

Responsibility for management of the Company's business and affairs, within the scope of the framework established by the Board, is delegated to the CEO, who is accountable to the Board.

An updated Board Charter was adopted in December 2016 and is available on the Company's website.

Recommendation 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 Board is responsible for evaluating candidates and recommending individuals for appointment as Directors. The Board evaluates prospective candidates against a range of criteria including skills, experience, expertise and diversity that will best complement Board effectiveness at the time. The Board may engage an independent firm to undertake a recruitment firm to undertake a search for suitable candidates.

In its evaluation of candidates for the directorship, the Board will have regards to normally accepted nomination criteria, including:

- ▶ Honesty and integrity
- ▶ The ability to exercise sound business judgement
- ▶ Appropriate experience and professional qualifications
- ▶ Absence of conflict of interest or other legal impediment to serving on the Board
- ▶ Willingness to devote the require time and
- ▶ Ability to attend Board and committee meetings

In conserving the overall Board balance, the Board will give due consideration to the value of a diversity of backgrounds and experience of members.

Konekt undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders and provides to shareholders all material information in its possession concerning the Director standing for the re-election in explanatory notes accompanying the notice of meeting.

Recommendation 1.3: A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company maintains written agreements with each Director and senior executive. The written agreements outline all relevant roles and obligations. Further, Directors and senior executives are provided with all other information they may require to fulfill their obligations and duties.

Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable to the Board, through the Chairman and is responsible for the following:

- ▶ Advising the Board and its Committees on governance matters;
- ▶ Monitoring that Board and Committee policies and procedures are followed;
- ▶ Coordinating the timely completion of Board and Committee papers;
- ▶ Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- ▶ Helping to organise and facilitate the induction and professional development of Directors.

Details of the Company Secretary are set out in the Directors report.

Recommendation 1.5 A listed entity should:

- a) have a diversity policy which includes requirements for 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;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation.

The company is committed to creating an inclusive work environment where all employees are recognized and valued for their diverse perspectives and attributes. The Company has a Diversity policy which complies with the corporate governance principles. The Policy covers Company Responsibilities, Manager Responsibilities, Employee Responsibilities, Recruitment and Selection, Promotion, Transfer and Training, Terms of Employment, Benefits, Facilities and Services, Equal Opportunity for Women, Grievances, Disciplinary Procedures, Dismissals and Redundancies, Liabilities and Penalties.

This code is published on the Company's intranet site and reviewed periodically.

The Company annually reports to the Workplace Gender Equity Association and on the 27 June 2019, Konekt was notified in writing of compliance with the Workplace Gender Equality Act (2012). Konekt's workforce profile indicates the organisation is comprised of 73% women (down 3% on last year), and women account for 67% of managers at Konekt. Konekt aims to ensure at least 50% of senior roles are filled by women, as set by the Board, and this year Konekt achieved 53% (17 of 32 most senior roles).

Recommendation 1.6: A listed entity should:

- a) **have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and**
- b) **disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

An internal Board performance review was undertaken during the period and is conducted annually. The review is conducted in a variety of ways including periodically in the form of a comprehensive questionnaire across a range of topics to evaluate Board effectiveness.

The Board takes this evaluation into consideration when recommending directors for re-election or election.

The results of the Board evaluation demonstrated the Board and Committees are suitably equipped to meet the current challenges and needs of the business.

Recommendation 1.7: A listed entity should:

- a) **have and disclose a process for periodically evaluating the performance of its senior executives; and**
- b) **disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Company has established a Nomination and Remuneration Committee where the performance of its senior executives is discussed and resolved by the Board. A performance evaluation was undertaken during this reporting period as part of the Company's annual review process.

Principle 2: Structure the Board to add value

Recommendation 2.1: The Board of a listed entity should:

- a) **have a nomination committee or**
- 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.**

The Board has established a Nomination and Remuneration Committee. During 2018-19 the Committee consisted of 3 members - the 3 Non-Executive Directors. Details of the Committee Members can be found in Recommendation 8.1.

Among the specific responsibilities set out in its Charter, the Nomination and Remuneration Committee is responsible for the selection and appointment of new Directors, Board succession and related matters which is then overseen by the Board of Directors.

When reviewing potential Director candidates, the Board considers experience, skills and education and conducts appropriate background checks.

Recommendation 2.2: 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.

Information relating to the Directors of the Company, including whether they are independent, their experience, skills and periods of office is detailed in the Directors' Report section of the Annual report.

The Board annually reviews its composition and succession plans. A review of the Board's skills was completed in July 2019. Directors were assessed using a skills matrix which covered the following key criteria; industry experience, technical knowledge, governance and business/management competencies, to guide its assessment of the skills and experience of current directors, and to identify any gaps in the collective skills of the Board. Further the skills matrix considers gender diversity and independence. The next review is scheduled for completion by July 2020.

Individual ratings are consolidated to determine a holistic view of the Board for each competency. The review concluded that the Board has a diverse range of skills and experience suitable for the current business and the Board are independent. Gender diversity is discussed under Recommendation 1.5.

Recommendation 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 the Principles and Recommendations 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.**

At the date of this Statement the Board comprises three Non-Executive Directors, who are regarded as Independent Directors. During the year, the Chairman, Douglas Flynn, Philip Small, and Anthony Crawford were Non-Executive Directors.

Douglas Flynn, through the shares held by DR & LC Flynn Pty Ltd atf Flynn Super Fund, has an interest in 6.19% of the Company's issued share capital as at 30 June 2019. Mr Flynn joined the Board of the Company in 2012. The Board (absent Mr Flynn) has specifically taken these factors into account when considering whether Mr Flynn should be considered to be independent. The Board does not consider those factors to be sufficiently dominant or influential in the circumstances so as to conclude he is not independent or that his interests will be different to shareholders who hold a smaller percentage of the Company's share capital. The Board has had particular regard to Mr Flynn's significant experience holding board positions, Mr Flynn's conduct to date in his role as a director of the Board, the fact that Damian Banks (CEO), through Nidmas Pty Ltd & associates, has an interest in 15.20% of the Company's issued share capital as at 30 June 2019 and the lack of other factors referred to in the Recommendations which might lead the Board to question Mr Flynn's independence.

The Managing Director and CEO, Damian Banks is an Executive Director and thus not independent.

During the year ended 30 June 2019 and up to the date of this Statement, the Board comprised of:

- ▶ **Douglas Flynn** (Independent Non-Executive Director appointed 19 July 2012; Chairman from 19 July 2012)
- ▶ **Philip Small** (Independent Non-Executive Director appointed 19 November 2009)
- ▶ **Anthony Crawford** (Independent Non-Executive Director appointed 16 July 2013)
- ▶ **Damian Banks** (Executive Director appointed 12 September 2011; Chief Executive Officer and Managing Director from 20 April 2012)

Recommendation 2.4: A majority of the Board of a listed entity should be independent Directors.

Please refer to 2.3 above.

Recommendation 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.

At the date of this Statement Mr. Douglas Flynn, an independent Director, is the Chairman of the Board.

Mr. Damian Banks is employed as the CEO of the Company.

Recommendation 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 Company has an established induction procedure which allows new Board appointees to participate fully and actively in Board decision making at the earliest opportunity.

Principle 3: Act ethically and responsibly

Recommendation 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.**

The Board has adopted a Code of Conduct to establish and encourage observance by the Company's Directors, Executives and employees of standards of ethical and responsible decision making and behaviour, and to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

All new employees are provided with the Code of Conduct and related policies during their induction to the Company. The Company has an online compliance training program which includes all relevant policies, updates and training.

This Code's detail guides to Ethical Conduct and Decision Making, Personal Responsibilities, Manager Responsibilities, Declarations of Conflicts, Client Confidentiality, Organisational Property, Receiving Gifts and Gratuities, Confidentiality, Use of Drugs and Alcohol, Public Comment and use of the Konekt Name, Use of Konekt Resources, Private Employment, Technology Use of Ownership, Security and Proprietary Information, System and Network Activities, Email and Communication Activities, Media Streaming, Social Media and Social Network Usage, and Breaches of the Code.

This Code is published on the Company's intranet site and reviewed from time to time including a review and update occurring in June 2017.

Principle 4: Safeguard integrity in corporate reporting

Recommendations 4.1: The Board of a listed entity should:

- a) have an audit committee; or
- 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.

The Board has an Audit, Risk and Compliance Committee. The Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting.

The Audit, Risk and Compliance Committee during the year and subsequently comprised the following members:

- ▶ **Anthony Crawford** (Appointed Committee Chairman on 16 July 2013);
- ▶ **Philip Small** (Appointed 8 February 2010); and
- ▶ **Douglas Flynn** (Appointed 19 July 2012).

The relevant qualifications and background of the above are summarised in the Directors' Report of the Annual Report.

Part of the role of the Committee is to provide a direct link between the Board and the external auditors. It also provides the Board with additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in Financial Statements.

The functions and responsibilities of the Committee are set out in the Audit, Risk and Compliance Committee Charter and include:

- ▶ oversight of the reliability and integrity of the Company's accounting policies and financial reporting;
- ▶ advising the Board on financial reporting and business risks;
- ▶ monitoring compliance with regulatory requirements;
- ▶ identifying key risks faced by the Company and ensuring appropriate risk management strategies and insurances are in place;
- ▶ improving the quality of the accounting function;
- ▶ reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- ▶ liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- ▶ reviewing the performance of the external auditor, their qualifications and independence.

The Audit, Risk and Compliance Committee review the performance of the external auditors and makes recommendations to the Board of Directors in relation thereto. During the year, the Committee held 2 meetings, which were attended by the then appointed Committee members.

Recommendation 4.2: 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.

Both the CEO and CFO have provided declarations in accordance with Section 295A of the Corporations Act.

Recommendation 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 Company's external auditor, BDO, attends the Company's AGM and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 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.

Konekt's policy for compliance with continuous disclosure requirements includes formal confirmation from Senior Executives (on at least a monthly basis) any information which may need to be considered by the Board as a disclosure requirement. Upon receipt of significant information Executives are required to inform the CEO (or in the absence of the CEO, the Chair of the Audit Risk and Compliance Committee) of that information for consideration against the ASX disclosure requirements.

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the CEO in relation to continuous disclosure matters. The CEO is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Principle 6: Respect the rights of security holders

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

Konekt has its website at www.konekt.com.au which is regularly updated to ensure that investors are informed of relevant major developments affecting the affairs of the Company. Such information is communicated via the Company's website, the annual and half year reports, disclosure made to the ASX, notices of meetings and occasional letter to investors where appropriate. All investors are invited to contact the Company Secretary regarding any queries they may have.

Recommendations 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Please refer to 6.1 above.

Recommendations 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.

Security holders are encouraged by the Board to participate in the Annual General Meeting so as to promote transparency and accountability.

Recommendations 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.

Security holders are given the option to receive communication from, and send communications to, the Company and its security registry Computer Share, electronically.

Principle 7: Recognise and manage risk

Recommendation 7.1: The Board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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
- 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.

The Board has an Audit, Risk and Compliance Committee. Refer Recommendation 4.1 for details.

Recommendation 7.2: The Board or a committee of the Board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

A review of the Company's risk management framework by the Board was conducted during this reporting period and is scheduled for review annually. The Company's Risk Register is formally reviewed at the Audit and Risk Committee meetings during the year.

Recommendation 7.3: A listed entity should disclose:

- a) if it has an internal audit function, how the function is structured and what role it performs; or
- 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.

The Company does not have an internal audit function. The Company's Audit and Risk Management Committee is responsible for carrying out the processes that would be employed by an internal audit function and are detailed in the Audit and Risk Management Committee's Charter. The Chief Risk Officer of the company has a direct reporting line to the Chair of the Audit and Risk Committee in that role.

Recommendation 7.4: 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.

The Company does not have any material exposure to economic, environmental and social sustainability risks to disclose during the reporting period.

Principle 8: Remunerate fairly and responsibly

Recommendations 8.1: The Board of a listed entity should:

- a) have a remuneration committee; or
- 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.

The Board has established a Nomination and Remuneration Committee which consists of only Independent Directors and is chaired by an Independent Chair. During 2018-19 the Committee consisted of 3 members, the 3 Non-Executive Directors. The structure of Directors remuneration is distinguished from that of executive Directors and senior executives.

Among the specific responsibilities set out in its Charter, the Nomination and Remuneration Committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the Directors, the Managing Director and senior management. The Committee makes recommendations to the Board on the Board's operation and performance; establishes an induction program for Directors; undertakes a performance review of the Managing Director at least annually and establishes the goals for the forthcoming year with the Managing Director.

The members of the Nomination and Remuneration Committee during the year and subsequently were:

- **Philip Small** (appointed Committee Chairman on 12 September 2011);
- **Douglas Flynn** (appointed 19 July 2012); and
- **Anthony Crawford** (appointed 16 July 2013).

During the year, the Committee held 3 meetings, which were attended by the then appointed Committee members.

Recommendation 8.2: 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.

The performance of the Board, individual Directors and senior executives is reviewed annually, and has taken place during the reporting period.

The Company has established a Nomination and Remuneration Committee as a subcommittee of the Board. The Nomination and Remuneration Committee reviews and makes recommendations on remuneration policies for the Company, including, in particular, those governing the Directors, the Managing Director and senior management. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining Directors and senior executives with skills to manage the Company's operation.

Following an annual review Non-Executive Directors' fees for 2018-19 were set at \$60,000 p.a. (inclusive of superannuation) for the Audit, Risk and Compliance Committee and Nomination and Remuneration Committee Chairs. The Chairman of the Board's fee for 2018-19 was set at \$100,000 p.a. (inclusive of superannuation). Increases last occurred for 2017-18. There is no proposed increase for 2019-20 Directors Fees.

The shareholders approved a maximum pool of \$350,000 for non-executive Directors' remuneration at the 2012 AGM of the Company.

Recommendations 8.3: A listed entity which has an equity-based remuneration scheme should:

- 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**
- b) disclose that policy or a summary of it.**

Long term incentives are provided to the Managing Director and other senior executives under the Konekt Performance Rights and Options Plan. Participants in the Company's Performance Rights and Options Plan are prohibited from entering into any transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.