

# CORPORATE GOVERNANCE STATEMENT

**THIS STATEMENT WAS APPROVED BY THE BOARD OF INCENTIAPAY LTD ON 27 SEPTEMBER 2018**

## CORPORATE GOVERNANCE ARRANGEMENTS

The Board of IncentiaPay is committed to the highest standards of corporate governance and enhancing shareholder value. The Board’s guiding principle in meeting this responsibility is to act honestly, conscientiously and fairly, in accordance with the law, with a view to building sustainable value for shareholders and in the interest of employees and other stakeholders, whilst being mindful of the Company’s current size and resources.

The Board’s broad function is to:

- chart strategy and agree financial targets for the Company;
- monitor the implementation and execution of strategy and performance against financial and non-financial targets; and
- appoint and oversee the performance of executive management and generally to offer an effective leadership role.

## COMPOSITION OF BOARD

The Board performs its roles and function, consistent with the above statement of its overall corporate governance responsibility, in accordance with the following principles:

- the board should comprise at least three directors with a maximum of nine directors;
- where circumstances allow, to have a majority of independent directors and an independent Chair; and
- Directors will be elected for a three year term.

The Board comprises three directors, two of whom are non-executive and independent. The Chair is an independent non-executive director. The Board considers the current composition to be appropriate having regard to the Company’s present size and business objectives. The composition of the Board will be reviewed as the Company’s business plan evolves. At the date of this report, the Board comprised of the following:

<b>NASEEMA SPARKS AM</b>	<b>CHRIS BERKEFELD</b>	<b>IAIN DUNSTAN</b>
Non-Executive Director and Chair of the Board Chair of the Remuneration & Nomination Committee Member of the Audit & Risk Committee Independent Appointed 8 May 2018	Non-Executive Director Chair of the Audit & Risk Committee Member of the Remuneration & Nomination Committee Independent Appointed 28 February 2018	Executive Director Managing Director Appointed 22 February 2018

## BOARD MEMBERS WHO ALSO HELD OFFICE DURING THE REPORTING PERIOD

<b>TREVOR DIETZ</b>	<b>ANTONIE WIESE</b>	<b>BRIAN HALL</b>	<b>MURRAY D’ALMEIDA</b>	<b>GARTH BARRETT</b>
Executive Director Appointed 17 January 2014 Resigned 25 January 2018	Executive Director and Company Secretary Appointed 17 January 2014 Resigned 22 February 2018	Executive Director Appointed 20 February 2017 Resigned 22 February 2018	Non-Executive Director and Chair of the Board Appointed 25 July 2014 Resigned 27 September 2018	Non-Executive Director Appointed 20 February 2017 Resigned 17 July 2018

## COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES AND RECOMMENDATIONS

The directors of IncentiaPay are responsible for the overall corporate governance practices of the Company and are committed to the implementation of the highest standards of ethical behaviour and accountability in its decision making and the Company's operations. In determining these standards, the Board refers to and applies, to the greatest extent possible, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("the Principles").

IncentiaPay's corporate governance practices are consistent with the ASX Principles. These practices are detailed in the following internal documents, copies of which are available on the Company's website at [www.incentiapay.com/investor-centre/governance/](http://www.incentiapay.com/investor-centre/governance/)

- Board Charter
- External Communications Policy
- Remuneration & Nomination Committee Charter
- Code of Conduct
- Securities Trading Policy
- Whistleblower Policy
- Audit & Risk Committee Charter
- Risk Management Policy

Where IncentiaPay has not applied a principle or recommendation, the explanation for non-compliance is detailed below. The Corporate Governance statement is current at the date of this report and has been approved by the Board.

### PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for overall oversight of the management of IncentiaPay. In doing so, they are responsible for guiding and monitoring the activities of IncentiaPay on behalf of shareholders, determining the strategic direction and objectives of the Company and overseeing management's achievements against these.

#### BOARD CHARTER

Consistent with the functions outlined above, power and authority in certain areas is specifically reserved for the Board. These are listed in the Board Charter which will be kept under review and amended from time to time as the Board may consider appropriate. The purpose of this document is to give formal recognition to the scope, responsibility and composition of the Board. The Charter sets out various other matters

that are important for effective corporate governance including the following:

- a detailed definition of "independence" for the purpose of appointment of directors;
- a framework for annual performance reviews and evaluation;
- criteria for monitoring and evaluating the performance of senior executives;
- monitoring capital management and major capital expenditure;
- frequency of Board meetings;
- ethical standards and values – ensuring compliance with the Company's governing documents and code of conduct;
- risk management – identifying risks, reviewing and ratifying the Company's systems of internal compliance and control;
- establishment of Board committees including the Audit and Risk Committee and the Remuneration and Nominations Committee;
- framework for the selection of candidates for appointment to the Board;
- transparency of the role and responsibilities of directors, the Chair and CEO;
- the implementation of a formal and detailed code for securities transactions designed to ensure fair and transparent trading by directors, management, employees and others (the Board has implemented a separate securities trading policy); and
- communications with shareholders and the market.

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

#### BOARD SUB-COMMITTEES

The Board delegates specific responsibilities to various Board sub-committees. The Board has established:

- an Audit and Risk Committee which is responsible for overseeing the external and internal audit functions of the Company and advising and assisting the Board in assessing risk factors associated with the operation of the Company; and
- a Remuneration and Nominations Committee which is responsible for making recommendations to the Board on executive remuneration and performance based incentives and nomination of new directors after consideration of all relevant information.

Through regular and frequent communication between the Board and Management and by monitoring management's activities, reports and performance, the Board ensures that management is aware of and responsive to the risks, opportunities and priorities recognised by the Board.

#### **DIRECTOR/EXECUTIVE SERVICE AGREEMENTS**

In addition to the Board Charter, IncentiaPay has entered into service agreements with the executive directors (engaged during FY2018) which detail the terms and conditions of their service, including matters relating to confidentiality, restraint on competition, the retention of intellectual property and termination. These agreements continue until terminated which may occur with the giving of six or nine months' notice.

IncentiaPay has also issued letters of appointment for non-executive directors which set out the key terms, conditions and responsibilities of their position.

A process is undertaken for selecting directors for appointment to the Board, which includes appropriate checks as to the person's character, experience, education and suitability for the role. The Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re elect a director. This information is provided in the notice for the Annual General Meeting. Directors execute formal documentation with the Company setting out their rights and obligations.

#### **ACCOUNTABILITY OF COMPANY SECRETARY**

The Company Secretary has an important role within the organisation and is responsible for providing guidance to the Board and its Committees on governance matters and monitoring that Board and Committee policy and procedures are followed.

The Company Secretary (or their delegate) attends all Board and Committee meetings and circulates the minutes of meetings to Board members. The Board Charter prescribes that all directors have access to the Company Secretary, who is accountable to the Board on governance matters, through the Chair.

#### **DIVERSITY POLICY**

IncentiaPay has a diversity and inclusion policy. The Board, recognises the benefits of diversity representation across the organisation and in leadership positions, being reflective of the populations in which the Company does business.

IncentiaPay has established appropriate ethical standards and is committed to recruiting individuals with the appropriate skills and qualifications required for the role. This process is pursued giving consideration to the Code of Conduct and the Remuneration and Nominations Committee Charter which specifically includes policies against discrimination.

In May 2018 IncentiaPay fulfilled an obligation under the Workplace Gender Equality Act 2012 by filing its reports for its operating subsidiaries by the due date of 31 May 2018. The report is available for public viewing at [www.wgea.gov.au/report/public-reports](http://www.wgea.gov.au/report/public-reports).

#### **EVALUATION OF BOARD AND SENIOR EXECUTIVE PERFORMANCE**

The Board has adopted a process to review its performance on an annual basis, or more frequently should the Chair consider it to be appropriate. This review is to be undertaken by the Chair.

This review evaluates the performance of the Board as a whole, as well as each director and includes an assessment of whether individual directors have devoted sufficient time to their duties.

The criteria for the review of performance of senior executives is set by the Board. This review is to be performed at least annually.

Due to recent changes in the Board and senior management team, formal performance evaluations were not conducted for the year under review.

#### **PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE**

##### **BOARD ATTRIBUTES AND SKILLS**

The Board is comprised of individuals with a range of knowledge, skills and experience that are appropriate to the Company's activities and objectives. The Board believes the Company as a whole benefits from the experience of its directors, who bring quality and independent judgement to all relevant issues falling within the scope of the role.

The collective skills of the Board include:

- Business strategy
- Marketing
  - data
  - digital
  - loyalty
  - media

- Finance
  - risk management
  - transactions (M&A)
  - financial accounting
  - capital markets
  - banking
  - taxation
  - disclosure
- Human Resources
- Health and Safety
- International business
- Executive leadership
- Public board experience
- Industry knowledge
  - payment systems
  - loyalty systems
  - retail
  - inbound and digital marketing
  - information technology
  - direct sales and sales management
  - big data management
  - not-for-profit

## DIRECTOR INDEPENDENCE

The Board considers that fundamentally, the independence of directors is based on their capacity to put the best interests of IncentiaPay and its shareholders ahead of all other interests, so that the directors are capable of exercising objective independent judgement. Given the growth of the Company this year, the opportunity exists to further strengthen the skills and independence of the Board.

The Board has implemented several policies and practices to enable it to make transparent and independent decisions. For example, directors are not allowed to be present during discussions or decision making on matters in which they have or could be seen to potentially have a material conflict of interest. In addition, directors are excluded from taking part in the appointment of third party service providers where the director has an interest. Such policies provide further separation and safeguards to independence.

With the prior approval of the Chair, which may not be unreasonably withheld, each director has the right to seek independent professional advice at the cost of the Company, concerning any aspect of

IncentiaPay's operations in order to fulfil their duties and responsibilities as directors and to ensure independent decision making.

## DIRECTOR INDUCTION AND TRAINING

The CFO (in conjunction with the Company Secretary) is responsible for arranging for any new director to undertake an induction program to enable them to gain an understanding of:

- the Company's operations;
- the culture and values of the Company;
- the Company's financial, strategic, operational and risk management position;
- their rights, duties and responsibilities; and
- any other relevant information.

As part of this induction program, a new director will meet with all incumbent directors and senior management to gain an understanding of the duties and responsibilities of the director within the Company.

## REMUNERATION AND NOMINATION COMMITTEE

The purpose of this Committee is to assist the Board and make recommendations to it in relation to the appointment and remuneration of new directors (both executive and non-executive) and senior executives. At any time the composition of the Board permits, the Committee shall also consist only of non-executive directors and a majority of independent directors, and will be chaired by an independent Chair appointed by the Board. Committee members are appointed for periods of no more than one year, with members being generally eligible for re-appointment so long as they remain directors of the Board.

The majority of the committee are considered independent.

Functions performed by the Committee include:

- providing advice in relation to remuneration packages of senior executives, non-executive directors and executive directors, equity-based incentive plans and other employee benefit programmes;
- reviewing IncentiaPay's recruitment, retention and termination policies;
- reviewing IncentiaPay's superannuation arrangements;
- reviewing succession plans of senior executives and executive directors;
- recommending individuals for nomination as members of the Board and its committees;

- ensuring the performance of senior executives and members of the Board are reviewed at least annually;
- considering those aspects of IncentiaPay's remuneration policies and packages, including equity based incentives, which should be subject to shareholders approval; and
- monitoring the size and composition of the Board.

The Remuneration and Nomination Committee meets at least twice a year and more often as considered necessary. The Chair may invite other persons such as internal specialists or external advisors to attend meetings if appropriate.

As at the date of this report, the Committee consisted of only two directors, being the two independent, non-executive directors currently appointed to the Board. This is considered appropriate given the current size of the Board.

The Committee members' attendance at meetings as compared to total meetings held, are detailed in the Directors' report.

### **PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY**

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors, employees, consultants and contractors of IncentiaPay.

#### **CODE OF CONDUCT**

The Board has adopted a Code of Conduct setting out the ethical standards expected of all personnel. Breaches of the Code may result in disciplinary action including dismissal in serious cases. The Code, which is to be reviewed annually, establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

The Company's Code of Conduct is available on IncentiaPay's website.

#### **SHARE TRADING POLICY**

Recognising that individuals connected with the Company will sometimes be in possession of market sensitive information, IncentiaPay has a Securities Trading Policy. Compliant with ASX Listing Rule 12.9, this policy also restricts any transactions in IncentiaPay shares by company directors, officers, consultants, senior management and other employees and related persons who, in the course of their interactions with the Company,

are in possession of such market sensitive information.

A copy of the Company's policy on the trading of Company securities by key management personnel is available on the website.

### **PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

#### **AUDIT AND RISK COMMITTEE**

The Company has established an Audit and Risk Committee to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure and risk management systems (financial and non-financial – such as operational, environmental, sustainability, compliance, reputation or brand, project, technological, product or service quality, human capital and market related risks).

The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter, a copy of which is available on the Company's website. This Charter is reviewed by the Committee at least annually.

The Committee is to include at least three members and an independent Chair who shall not be the chairperson of the Board. At any time the composition of the board permits, the Committee shall consist of only non-executive directors and a majority of independent directors. At least one member is to have significant, recent and relevant financial management experience and some members shall have an understanding of the industries in which the Company operates.

The Committee performs a variety of functions relevant to internal and external reporting and reports to the Board following each meeting. Other matters for which the Committee is responsible include:

- review with senior management and the external auditor and make recommendations to the Board in relation to the approval of financial statements and reports intended for publication;
- review the adequacy and effectiveness of the Company's policies and procedures for assessment, monitoring and management of financial and non-financial risks;
- review any legal matters which could significantly impact the Company's compliance and risk management systems and any significant compliance and reporting issues;
- review the effectiveness of the compliance function

at least annually, including the system for monitoring compliance with law and regulations and the results of management's investigations of any fraudulent acts or non-compliance; and

- monitor and review the external audit function including matters concerning appointment and remuneration, effectiveness, independence and non-audit services.

The Committee also has a process to review representation letters on behalf of senior management, being the CEO and the CFO, to ensure all relevant matters are addressed, including the declaration required by s295A of the Corporations Act 2001 and Recommendation 4.2 of the Principles.

The Committee meets at least half yearly, with further meetings to be convened as required or as requested by the Chair of the Committee or the Board. At the discretion of the Chair of the Committee, relevant members of management and the external auditor may be required to attend meetings.

As at the date of this report, the Committee consisted of only two directors, being the two independent, non-executive directors currently appointed to the Board. This is considered appropriate given the current size of the Board.

The Audit and Risk Committee members' attendance at meetings as compared to total meetings held are detailed in the Directors' report.

#### **EXTERNAL AUDITOR**

The external auditor will attend the committee meetings at least twice a year and on other occasions where circumstances warrant. Pursuant to the Company's External Communications Policy, the external auditor will also be available at the Company's Annual General Meeting to answer shareholder's questions about the conduct of the audit and the preparation and content of the audit report.

A copy of the External Communication Policy is available on the Company's website.

#### **FINANCIAL REPORTS**

The Board ensures that, before approving the Company's financial statements for the period, the CEO and CFO have declared that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and

performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### **PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE**

IncentiaPay is committed to promoting investor confidence and ensuring that shareholders and the market are provided with timely and balanced disclosure of all material matters concerning the Company, as well as ensuring that all shareholders have equal and timely access to externally available information issued by the Company.

IncentiaPay has adopted an External Communications Policy which outlines its policies and procedures aimed at meeting its responsibilities in relation to disclosing information to the market and shareholders, and to ensure compliance with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. A copy of this policy is available on the Company's website.

#### **PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS**

IncentiaPay is committed to providing shareholders with the necessary information and facilities to allow them to exercise their rights effectively, including:

- providing shareholders with ready access to information about the Company and its governance;
- communicating openly and honestly with them; and
- encouraging and facilitating shareholder participation in shareholders meetings.

To this end IncentiaPay has adopted an External Communications Policy which details its policies and procedures with respect to shareholder communication. These policies have been designed to ensure that shareholders have access to balanced and understandable information about the Company and its activities. The External Communications Policy is reviewed on an annual basis.

The Company uses the ASX Market Announcement Platform as its primary communication tool for distribution of the financial statements and media releases for the Company. The Annual Reports are available in hard copy to all shareholders who have specifically requested this format. Half yearly and annual reports, as well as media releases etc., are also available on the Company's website. Shareholders have the option



of electing to receive all shareholder communications, including notification of Annual Report availability, notices of meetings and dividend payment statements, by email, by notifying the Share Registry.

External communication which may have a material effect on the price or value of the Company's securities is not released unless it has been announced previously to the ASX in compliance with its obligations under the ASX Listing Rules.

Shareholders participation at the AGM is welcomed and encouraged by the Company, either in person, by proxy or other legally appointed representative, or any other means adopted by the Board. Shareholders who are unable to attend the AGM are given the opportunity to submit questions and comments ahead of the meeting and where appropriate, those questions will be answered at the meeting.

## **PRINCIPLE 7 - RECOGNISE AND MANAGE RISK**

### **EXPOSURE TO ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS**

Given the nature of the business, the Board does not consider the Company has any material exposure to environmental or social sustainability risks.

The Board has however, identified the risks which may impact upon its economic sustainability. Business Risks are detailed in the Annual Report.

### **RISK MANAGEMENT POLICY**

The Board has established policies for the oversight and management of material business risks. The Audit and Risk Committee assists the Board in carrying out this function and is focused on ensuring that the Company maintains an effective system of internal control and risk management. The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter and the Risk Management Policy.

The members of the Committee and their attendance at Committee meetings during the year are detailed in the Directors' report.

The Audit and Risk Committee meets at least twice a year and keeps minutes of its meetings which are included for review at the following board meeting. Both the Risk Management Policy and the Audit and Risk Charter are reviewed at least annually.

The Company's risk management policy is based

upon the standard for Risk Management, AS/NZS ISO 3100:2009.

The risk management process consists of the following main elements:

- communicate and consult;
- establish the context;
- identify risks;
- record risks;
- analyse risks;
- evaluate risks;
- treat risks; and
- monitor and review.

Risks are managed by the Company through the effective implementation of various controls which include:

- Board approved risk management framework;
- documented policies and procedures;
- maintenance of registers;
- implementation of risk-based systems and processes;
- ongoing monitoring of regulatory obligations;
- ongoing supervision of representatives; and
- internal and external reporting.

At scheduled Audit and Risk Committee meetings, the risk management framework and risk register are reviewed. In the event that there are material changes to the register through the year, these are brought to the Committee's attention as soon as practicable.

Implementation of the risk management framework is the responsibility of the CEO, with the assistance of senior management as required. In fulfilling the duties of risk management, the CEO has unrestricted access to Company employees, contractors, and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has undertaken a review of the Company's risk management framework and is satisfied that it continues to be sound and that the entity is operating within the risk framework set by the Board.

IncentiaPay does not have an internal audit function, however the Board is of the opinion that the processes and procedures adopted to manage risk and which are referred to above, are appropriate to evaluate and continually improve the effectiveness of its risk management and internal control procedures.

## **PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY**

The Remuneration and Nominations Committee is tasked with ensuring that the Company has remuneration policies and practices which enable it to attract and retain directors and executives who will best contribute towards achieving positive outcomes for shareholders, employees and other stakeholders. A copy of the Committee's charter is available on the Company's website.

Details of the membership and charter of the Committee are set out under Principle 2. The attendance of Committee members at meetings during the year are detailed in the Directors' report.

### **REMUNERATION OF SENIOR EXECUTIVES AND EXECUTIVE DIRECTORS**

The Board has delegated responsibility to the Remuneration and Nominations Committee for:

- regularly reviewing and making recommendations to the Board with respect to an appropriate remuneration and incentive policy including retirement benefits and termination payments for senior executives and executive directors;
- regularly reviewing and making recommendations to the Board regarding remuneration packages of senior executives and executive directors, including fixed, performance based and equity based remuneration, reflecting the long-term performance objectives appropriate to the Company's circumstances and goals and consistent with positive shareholder outcomes; and
- making recommendations to the Board with respect to the quantum of short-term incentives (if any) to be paid to senior executives.

Details of the current remuneration and incentive policy and remuneration paid to senior executives and executive directors are set out in the Remuneration report.

### **REMUNERATION OF NON-EXECUTIVE DIRECTORS**

The Remuneration and Nominations Committee is also responsible for:

- making recommendations as to the structure of remuneration for non-executive directors; and
- ensuring that the fees paid to non-executive directors are within the aggregate pool by shareholders and making recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's AGM.

All remuneration paid to directors and the executives is valued at cost to the Company, and in accordance with current Australian Accounting Standards, and is expensed.