



# 2020 CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out details of FlexiGroup Limited's (ABN 75 122 574 583) (**Company** or **flexigroup**) corporate governance practices for the year ended 30 June 2020 (**Reporting Period**) including the Company's position in respect of each of the Australian Securities Exchange (ASX) Corporate Governance Council's (ASX CGC) Corporate Governance Principles and Recommendations 4th Edition (**Recommendations**).

**flexigroup** is reporting on its position against the 4<sup>th</sup> Edition of the Recommendations, notwithstanding the 3<sup>rd</sup> Edition was applicable for the Reporting Period. **flexigroup** endeavours to adopt new compliance obligations as early as possible, and has taken this forward-looking approach in respect of the Recommendations. Accordingly, there will be some areas where the Company reflects the "if not, why not" element of reporting its position.

As recommended by the ASX CGC, information in relation to corporate governance practices is publicly available on the Company's website at [www.flexigroup.com.au](http://www.flexigroup.com.au).

The Board has established a framework of processes and guidelines for the Company that includes corporate policies and monitoring procedures, financial and operational business risk management and internal control systems, and standards for ensuring lawful and ethical conduct.

As at the date of this Corporate Governance Statement, the Board is majority independent and consists of Mr Andrew Abercrombie (Chair), Ms Christine Christian AO (Deputy Chair), Mr Rajeev Dhawan, Ms Jodie Leonard, Ms Carole Campbell, and Mr John Wylie AM.

All Board Committees are chaired by Non-Executive Directors. The Company's Audit Committee, Risk and Compliance Committee and Remuneration Committee are entirely independent in composition.

Mr Abercrombie indirectly holds approximately 23% of the shares currently on issue in the Company and as the former CEO, is not regarded as being an independent Director. The Board believes that Mr Abercrombie is best placed to act as Chair of both the Board and the Nomination Committee given his extensive corporate knowledge and understanding of the Company.

Mr Wylie is principal at Tanarra Capital Pty Ltd, which has an interest in approximately 5.1% of the shares currently on issue in the Company. Mr Wylie is not considered to be an independent Director.

This Corporate Governance Statement is current as at 26 August 2020, and has been approved by the Board of the Company.

# PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

## Recommendation 1.1 – Have and disclose a Board Charter

### Board responsibilities

The Board has overall responsibility for the conduct and governance of the Company including providing strategic guidance and effective oversight of management. The Board's role and responsibilities are formalised in the Board Charter, which defines the matters reserved for the Board and its Committees and those responsibilities delegated to the Chief Executive Officer (**CEO**) and management. A copy of the Board Charter – and all of the Board Committee Charters – is available on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

Within the scope of the governance framework established by the Board, management of the business and operations of the Company is delegated to the CEO, subject to the oversight and supervision of the Board.

The Board's responsibilities include:

- overseeing the development of the Company's corporate strategy and reviewing and approving strategy plans and performance objectives developed by management, including monitoring of the implementation of the plans;
- appointing the CEO, the Chief Financial Officer (**CFO**) and Company Secretary and approving other key Executive appointments and planning for key Executive succession;
- monitoring the performance of the CEO and other senior Executives of the Company against strategy;
- reviewing and approving remuneration for the senior Executives of the Company;
- monitoring the operational and financial position and performance of the Company;
- requiring that financial and other reporting mechanisms are put in place which result in accurate and timely information being provided to the Board and the Company's shareholders and the financial market as a whole being fully informed of all material developments relating to the Company;
- approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, acquisitions or divestitures;
- ensuring effective communication with shareholders, and establishing policies to govern the Company's relationship with other stakeholders;
- utilising procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and statutory requirements;
- identifying the principal risks faced by the Company and requiring management to establish and implement appropriate internal controls and monitoring systems to manage and reduce the impact of these risks;
- actively promoting ethical and responsible decision making, including through **flexigroup's** Code of Conduct;
- adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;
- approving and reviewing from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner; and
- regularly reviewing and to the extent necessary, amending the Board Charter.

To facilitate the execution of its responsibilities, the Board has established different Committees to oversee and report to the Board on areas of responsibility. All Directors are entitled to receive all Committee papers, are provided with minutes of all Committee meetings, and are entitled to attend any Committee meeting. Each Committee reports to the next Board meeting. The Board has established the following Committees, with the compositions as noted:

### Audit Committee

Audit Committee		
Name	Position	Duration
Carole Campbell	Chair	Whole Reporting Period
Christine Christian	Member	Whole Reporting Period
Jodie Leonard	Member	Whole Reporting Period

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

- (a) Improving the credibility and objectivity of the accountability process, including financial reporting;
- (b) The effectiveness of the internal and external audit functions and providing a forum for communication between the Board and the internal and external auditor;
- (c) Ensuring the independence of the external auditor;

- (d) Providing a structured reporting line for internal audit and monitoring the objectivity and independence of the internal auditor;
- (e) Assuring the quality of internal and external reporting of financial and non-financial information; and
- (f) Ensuring that whistle blower issues are actively followed up.

#### Risk and Compliance Committee

Risk and Compliance Committee		
Name	Position	Duration
Christine Christian	Chair	Whole Reporting Period
Rajeev Dhawan	Member	Whole Reporting Period

The role of the Risk and Compliance Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk appetite statement, risk management strategy, risk management framework and risk management function.

#### Remuneration Committee

Remuneration Committee		
Name	Position	Duration
Jodie Leonard	Chair	Whole Reporting Period
Rajeev Dhawan	Member	Whole Reporting Period
Carole Campbell	Member	Whole Reporting Period

The Remuneration Committee assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior management and other persons whose activities, individually or collectively, affect the financial and reputational soundness of the Company. The policies and practices are designed to:

- (a) enable the Company to attract, retain and motivate directors, executives and employees who will create value for shareholders;
- (b) be fair and appropriate having regard to the performance of the Company and the relevant director, executive or employee; and
- (c) comply with relevant legal requirements.

#### Nomination Committee

Nomination Committee		
Name	Position	Duration
Andrew Abercrombie	Chair	Whole Reporting Period
Rajeev Dhawan	Member	Whole Reporting Period
Christine Christian	Member	Whole Reporting Period

The Nomination Committee is responsible for supporting the Board in determining the size and composition of the Board such that it is conducive to making appropriate decisions in the best interests of the Company. The Nomination Committee did not meet during FY20, and its duties were met either by the Remuneration Committee, or by the Board itself.

Details of the number of meetings of the Board and of each Committee held during the Reporting Period and of each Director's attendance at those meetings are set out in the Directors' Report in the Annual Report.

#### Management responsibilities

The management of the Company and its businesses and affairs is the responsibility of the CEO and the senior executives including:

- developing business plans, budgets and strategies for the Board's consideration and, subject to the Board's approval, implementing these plans, budgets and strategies;
- operating the Company within the business parameters set by the Board and, where the proposed transactions, commitments or arrangements exceed those parameters, referring the matter to the Board for consideration and approval;
- identifying and managing operational and other risks where those risks could have a material impact on the

Company's business, formulating strategies for managing these risks for consideration by the Board and, subject to the Board's approval, implementing these strategies;

- managing the Company's current financial and other reporting mechanisms together with managing day-to-day operations within the budget;
- implementing the Company's internal controls and procedures for monitoring these controls and ensuring that these controls and procedures are appropriate and effective;
- providing the Board with accurate and sufficient information regarding the Company's operations on a timely basis and in particular ensuring that the Board is made aware of all relevant matters relating to the Company's performance (including future performance), financial condition, operating results and prospects and potential material risks so that the Board is in an appropriate position to fulfil its corporate governance responsibilities; and
- implementing all policies, processes and codes of conduct approved by the Board.

#### **Directors' Independent advice**

Directors are empowered to seek independent professional advice they feel is necessary to perform their responsibilities and duties as a director. The Company will reimburse directors for all reasonable expenses incurred in obtaining this advice, and, where appropriate, a copy of the advice will be made available to the Board on request.

#### **Recommendation 1.2 – undertake checks before appointment and provide shareholders with information**

The Nomination Committee manages the process for the selection and appointment of new Directors to the Board. The Nomination Committee identifies candidates with appropriate skills, knowledge, experience, independence and expertise and recommends them to the Board. The written letter of appointment with each Director outlines the Company's expectations in relation to the time commitment expected from the Director, and includes the Director's confirmation that they will be able to devote sufficient time to appropriately performing their duties and responsibilities.

The Company undertakes appropriate background and screening checks prior to nominating a Director for appointment to fill a casual vacancy or be proposed for election by the shareholders.

Shareholders are provided with all material information in the Company's possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of general meeting, including a statement by the Board as to whether it supports the election or re-election of the Director and a summary of the reasons why.

#### **Recommendation 1.3 – have a written agreement with directors**

All Non-Executive Directors, including those appointed by the Board to fill a casual vacancy, are engaged by a written letter of appointment setting out the terms and conditions of their appointment. A review of the letter of appointment was conducted during the year to confirm the matters outlined in the Recommendations are appropriately addressed.

Those Directors filling a casual vacancy are required to stand for election by the shareholders at the next Annual General Meeting following their appointment.

All Executive Directors and other senior Executives enter into written agreements with the Company setting out the terms of their appointment and employment.

#### **Recommendation 1.4 – Company Secretary is accountable to the Board**

The Company Secretary attends all scheduled meetings of the Board and is accountable to the Board through the Chair. The Company Secretary is responsible for, amongst other things:

- ensuring that the Company complies with its statutory requirements;
- helping to organise and facilitate the induction and professional development of directors;
- monitoring compliance with Board policy and procedures;
- accurately capturing the Board and Committee business in minutes of the meetings
- coordinating the timely distribution of papers to the Board and Committees
- advising the Board and its Committees on governance matters; and
- ensuring that the Company complies with its requirements under the *Corporations Act 2001* (Cth) (**Corporations Act**) and ASX Listing Rules.

#### **Recommendation 1.5 – have and disclose a Diversity Policy**

The Company has a Diversity Statement which ensures that there is adequate focus on meeting our diversity agenda and recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences (which in turn benefits our business as a whole). **flexigroup** recognises the value of recruiting, developing and retaining employees from a diverse range of backgrounds, genders, knowledge, experience and abilities.

The Board believes that diversity - which includes, but is not limited to, gender, ethnicity, cultural background, disability, religion, sexual orientation or age – is a key business priority and aims to support the leadership team in the creation of a workplace where everyone can reach their full potential. There is a strong commitment to providing a working environment based on the principles of equal opportunity and diversity, and ensuring that decisions in the workplace are based on merit and business needs.

The Board:

- reviews the Diversity Statement from time to time to ensure consistency with best practice;
- has established measurable objectives with a focus on achieving gender diversity; and
- annually assesses both the measurable objectives for achieving gender diversity and the progress in achieving them.

### Diversity and Inclusion at flexigroup

**flexigroup** encourages diversity and inclusion across our business in a number of ways. We embrace the principle of meritocracy, with any recruitment, promotion or remuneration decisions being based on performance and capabilities. We also ensure that we have clear, readily available policies underpinning our operating model and business processes, and we actively support programs within our business that support diversity and inclusiveness.

We are proud to support a diverse range of customers. It is important to us that our internal team is reflective of our customer base and that we have an inclusive work environment, which translates into our customer interactions. We believe that a strong and diverse internal workforce can provide a great experience for our customers.

**flexigroup** is committed not only to the principles of equal opportunity employment, but also to the provision of a work environment that is free from unlawful discrimination, harassment, victimisation and bullying.

### Results against Key Metrics for 2020

Two key diversity target areas were set for the Reporting Period:

- Female representation at a Board level and
- Female representation at an Executive Team level

### Female Representation as at 30 June 2020

Measure	Result
Meet or exceed the ASX guideline of 30% Female representation among the Non-Executive Directors	50%
≥ 30% female representation on the Executive team	36%

We take inclusion and diversity into account when making all appointments and promotions. We also work closely with our recruitment agency partners when recruiting for new roles to make them aware of our diversity policies including our focus on gender diversity, and on providing part time or flexible positions.

**flexigroup** was once again compliant with the *Workplace Gender Equality Act 2012* during the Reporting Period, which demonstrates our focus on ensuring that there is a strong and practical support to encourage gender diversity within the organisation.

During the Reporting Period, **flexigroup** has maintained the number of female employees at 45%.

### Key Metrics for 2021

Female representation at both a Board and Executive level will carry over as key focus areas into the next reporting period.

The key metrics are outlined below:

Measure	Objective
Female representation – Board among the Non-Executive Directors	Meet or exceed the ASX guideline of 30%
Female representation on the Executive team	30% (adopting the same metric as used for Board representation)

### Employee Engagement and Training

Initiatives aimed at improving the level of engagement of our employees across all ages, gender and backgrounds have continued during the Reporting Period. In addition to the development initiatives which form part of our regular talent and succession planning processes across all levels of the organisation, we have placed a strong emphasis on building a strong internal employee community as well as encouraging contributions to our broader external community, including through the bushfires of early 2020 and the COVID-19 pandemic.

Learning and development are integral parts of our engagement initiatives and the Company provides all employees with a range of opportunities to improve their skills, capability and knowledge via courses created and designed by our Learning and Development team or specialised external facilitators.

Throughout the Reporting Period, over 4,400 hours of learning were registered. Categories covered include leadership training, product and system training, as well as compliance and induction. Further information regarding **flexigroup's** training and employee development initiatives can be found in the Sustainability Report in the Annual Report.

### Recommendation 1.6 – periodically evaluate Board, Committee and Director performance

The Company has a process for periodically evaluating the performance of the Board, its Committees and individual Directors.

The Remuneration Committee is responsible for determining the process for evaluating the performance of the Board, its Committees and individual Directors. For the Reporting Period an evaluation process was conducted for the Board and each of the Audit, Remuneration, and Risk and Compliance Committees. The Board evaluation was conducted following the end of the Reporting Period, to allow a review of the whole period. (As the Nomination Committee did not meet during the year no evaluation was conducted for that committee.)

### Recommendation 1.7 – annually evaluate Senior Executive performance

The Company has a process for periodically evaluating the performance of the CEO and other senior Executives.

The Board, in conjunction with the Remuneration Committee, is responsible for approving performance objectives for the CEO and other senior Executives and evaluating the performance of each senior Executive against these objectives. The objectives are set for each senior Executive at the beginning of each financial year and reflect specific financial and non-financial metrics, which are aligned to the Company's strategy.

The performance of each senior Executive in respect of a financial year is measured against those metrics.

A performance evaluation of senior Executives was undertaken for the Reporting Period in accordance with the above process.

Remuneration is reviewed annually by the Remuneration Committee in line with the financial year and is dependent on each senior Executive's performance against their objectives. Any increases to Executive remuneration need to be approved by the Board and are effective from 1 July, following the annual performance review.

There is a further discussion in the Annual Report on the performance objectives and the performance of each of the Executive Key Management Personnel (**KMP**), who were, at 30 June 2020, the Group CEO, the Deputy Group CEO and the CFO.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

### Recommendation 2.1 – have a Nomination Committee and disclose its Charter

The Board has a Nomination Committee, which has adopted a Nomination Committee Charter, disclosed on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>. The Committee is established in accordance with the Company's constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in its charter and under any separate resolutions of the Board.

The Nomination Committee will meet as required to assist and advise the Board on:

- Director selection and appointment practices;
- Board composition;
- establishing and maintaining a diversity policy to outline the Company's commitment to diversity and inclusion in the workplace;
- developing and reviewing induction procedures for new appointees to the Board;
- succession planning for the Board and senior management, and
- ensuring the Board is of a size and composition conducive to making appropriate decisions, with the benefit

of a variety of perspectives and skills, and in the best interests of the Company as a whole.

As there was no change in the composition of the Board during the Reporting Period, the Nomination Committee was not required to meet during the Reporting Period. The Board and Remuneration Committee assumed responsibility for attending to the matters which would otherwise have been undertaken by the Nomination Committee.

### Recommendation 2.2 – have and disclose a Board skills matrix

#### Board skills matrix benchmarking table

For the Reporting Period, the Board determined the Directors, by reference to the table below (which shows the number of directors who are assessed as “expert” in each area), collectively had the range of skills, knowledge and experience necessary to meet the Board’s responsibilities and objectives and direct the Company. The Non-Executive Directors contributed operational knowledge, an understanding of the industry in which the Company operates, knowledge of financial markets and an understanding of the health, safety, sustainability and stakeholder matters that are important to the Company.

#### Skills matrix

Skill Set	Number of Directors with Expertise
Management & Leadership	6
International Business	4
Legal	2
Audit and Finance	6
Mergers & Acquisitions	6
Industry experience	6
Risk Management	3
Marketing, Communications & Business Development	5
Technology	3
Listed Entity	6

### Recommendation 2.3 – disclose independence of Directors

As at the date of this Corporate Governance Statement, all the Directors were Non-Executive Directors, with the Board determining that each of the Non-Executive Directors (other than the Chair and Mr Wylie) were independent.

Determination of a Non-Executive Director’s independence is based on the Board’s individual and on-going assessment that the Director is free of any material relationship (other than as a consequence of being a Director) that could be reasonably considered to interfere with the exercise of their independent judgement and conflict with the interests of the Company.

A “material relationship” includes a direct or indirect relationship that could reasonably be considered to influence, in a material way, a Director’s decision in relation to the Company. When considering whether a relationship is “material”, the Board will consider the materiality to each of the Company, the Director and the person or organisation with which the Director is related (for example, as a customer or supplier). The Board has not set quantitative materiality thresholds to be used in assessing whether a relationship is a “material relationship” and it considers all relationships on a case-by-case basis.

The Board regularly reviews the independence of each Director. The Board has determined that, other than Messrs Abercrombie and Wylie, all directors are independent based on the factors outlined above. Any Director who considers that he or she has, or may have, a conflict of interest or a material personal interest in any matter concerning the Company is required to give the Directors immediate notice of the interest.

Details of each person who acted as Director during the Reporting Period, including length of service, skills, experience, relevant qualifications and expertise, are set out in the Annual Report.

### Recommendation 2.4 – have a majority of independent Directors

During the Reporting Period, the Board was composed of a majority of independent Non-Executive Directors.

### Recommendation 2.5 – Board chair should be independent

The Chair, Mr Abercrombie, is not considered an independent Director as he indirectly holds approximately 23% of the shares currently on issue in the Company. Mr Abercrombie is a founding Director of the Company and the Board has determined that his chairmanship is of significant benefit to the Company and the Group due to his long-standing contribution to, and association with, the Company and his corporate knowledge, industry

knowledge and associations.

Ms Christian continues to act as Deputy Chair and will assume the role of Chair of the Board when Mr Abercrombie has a potential conflict of interest or lack of independence in the matter before the Board.

### **Recommendation 2.6 – have a Director induction program, and review Director professional development**

Induction is provided to all new Directors which includes formal discussions with each of the CEO, Chair, and senior Executives. The induction materials include information about the Company's strategy, culture, values, key policies, the Company's financial, operational and risk management position, Company constitution, the rights and responsibilities of Directors, and the role of the Board and its committees. The induction program was reviewed and updated during the Reporting Period.

All Directors are expected to maintain the skills required to discharge their obligations. The Company provides professional development opportunities for Directors to develop and maintain their skills and knowledge.

## **PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1 – articulate and disclose the values**

**flexigroup** has five clearly articulated values which it has embedded into its systems and policies, including the Code of Conduct. Every day our people are recognised internally by their peers and leaders, and rewarded for how they have demonstrated one or more of the values. At **flexigroup** we articulate our values as our "F-words": Feel their world, Famous for delivery, Focus on impact, Feed your mind, and #FTB.

### **Recommendation 3.2 – have and disclose a code of conduct**

#### **Code of Conduct**

The Company has a formal Code of Conduct to which all Directors, Officers, Executives and employees of the Company and its subsidiaries are required to adhere, together with a comprehensive range of corporate policies which details the framework for acceptable corporate behaviour. The Code of Conduct also applies to **flexigroup's** contractors, consultants and associates. Together, the Code of Conduct and supporting policies set out the expectations in relation to a range of areas including share trading, employment practices and regulatory compliance. The corporate policies are reviewed periodically.

The Code of Conduct outlines the rules of behaviour **flexigroup** has established for employees and is recognised as one of the Company's most important documents because *how* things are done is just as important as *what* is done.

**flexigroup's** Code of Conduct includes the behaviours that **flexigroup** considers to be non-negotiable, which come back to two simple concepts:

- *We're respectful – yes, we're all different, but that's what makes us stronger. We want people to think and look and act differently, we want people to fight the bureaucracy, but we always do that respectfully – whether it's in our conversations or emails, our personal presentation, or our behaviour;*
- *We behave ethically – but we don't do it because we have to, we do it because we want to. We act in line with community standards and expectations – whether that's towards our customers (our buyers and our sellers) or our colleagues.*

A copy of the Code of Conduct, which also contains the **flexigroup** Diversity Statement, is available on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

### **Recommendation 3.3 – have and disclose a whistleblower policy**

**flexigroup** believes in and is committed to having a corporate culture where ethical and good behaviour is promoted and recognised, and employees and contractors are encouraged to report unethical, unlawful or undesirable conduct without fear of disadvantage, intimidation, reprisals or retaliatory action. This applies even if the report is subsequently determined to be incorrect or is not substantiated (as long as the report is made honestly).

At **flexigroup** we want to provide our people with a safe environment, where we all feel comfortable about raising concerns about actual, suspected or anticipated wrongdoing within **flexigroup**, and have in place a Whistle-blower Protection Policy. <https://www.flexigroup.com.au/investor-centre/corporate-governance>

The Audit Committee receives updates on any material matters reported under the policy.

### **Recommendation 3.4 – have and disclose an anti-bribery and corruption policy**

**flexigroup** recognises the importance of having oversight of risks associated with conflicts of interest and, at the extreme, issues associate with bribery and corruption, as each may be indicative of issues associated with the

Company's culture. In June 2020, the Risk and Compliance Committee approved, in support of the Company's existing conflict of interest management practises, a new Anti-Bribery and Corruption Policy. The policy was developed by reference to, amongst other things, the guidance contained in the Recommendations, but was not in place for the whole of the Reporting Period. The Risk and Compliance Committee will continue to have oversight of this area, and will receive reporting of any material incidents of bribery or corruption, and consequent actions taken.

### **Policy on Trading in Company's Securities**

Director and employee share trading is subject to the Company's Trading Policy, which restricts the times when a Director or employee can purchase or sell Company securities. Directors and employees (and their immediate family members and closely connected persons and entities) are only permitted to acquire and sell the Company's shares when they are not in possession of price sensitive information that is not generally available to the market.

Further, during the Reporting Period the Trading Policy provided that Designated Persons (who include KMP) must not deal in **flexigroup** shares from the close of trading of the half year-end and year-end periods and midday of the day after the Company's results announcement is released to the market following its lodgement with ASX.

Prior to dealing in Company securities, a Designated Person must provide notification that they intend to deal and obtain confirmation in accordance with the approval matrix in the Policy to allow them to deal in the securities.

A copy of the Company's Trading Policy is available on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

## **PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

### **Recommendation 4.1 – have an Audit Committee and disclose its Charter**

#### **Audit Committee**

The Audit Committee is, and was during the Reporting Period, comprised of three independent Non-Executive Directors. All members have appropriate business and financial expertise to act effectively as members of the Committee, as determined by the Board.

The qualifications and experience of the members of the Audit Committee are set out in the Annual Report along with the number of times the Audit Committee met throughout the Reporting Period and the attendance of its members. The Audit Committee Charter is disclosed on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

The Audit Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Group's financial risk management and compliance systems and practice, financial statements, financial and market reporting processes, internal accounting and control systems, external audit and such other matters as the Board may request from time to time. In addition, the Committee is responsible for assessing significant estimates and the judgments made during the Reporting Period to ensure the integrity of the Company's external financial reporting and financial statements as well as ensuring whistleblower issues are actively followed up.

The Audit Committee's processes are designed to establish a proactive framework and dialogue in which the Committee, management and external auditors review and assess the quality of the earnings, liquidity and the strength of the income statements and balance sheets, and transparency and accuracy of reporting. In fulfilling its responsibilities, the Audit Committee reviews the processes the CEO and CFO have in place to support their declarations to the Board.

### **Recommendation 4.2 – Board to receive a declaration from the CEO and CFO in advance of approving the financial statements**

#### **Declarations**

In accordance with section 295A of the Corporations Act, for the Reporting Period, the Executives primarily and directly responsible to the Directors for the general and overall management of the Company have declared to the Board that:

- the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act;
- the financial statements and the notes to the financial statements comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- the financial statements and the notes to the financial statements give a true and fair view of the financial position and performance of the Company and consolidated entity.

In addition, the CEO and CFO have stated to the Board in writing that:

- the Company's financial report is founded on sound systems of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Company has the following guiding principles to ensure the independence of the external auditor:

1. the Audit Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair the external auditor's judgement or independence in respect of the Company;
2. the Audit Committee will request an annual confirmation of independence from the external auditor, and will track during each year the amount of non-audit work being undertaken by the external auditor;
3. the amount of non-audit work performed by the external auditor will be minimised, with approval from the Audit Committee (or the Committee Chair in certain specific circumstances) being required before any work is undertaken by the external auditor; and
4. the Audit Committee will require the rotation of the audit signing partner and the independent review partner every five years. PwC has provided the Audit Committee with a confirmation of its independence for the Reporting Period. The Board has determined that it is satisfied as to the independence of the external auditor in relation to the Reporting Period and the audit of the Financial Report for the Reporting Period.

#### **Recommendation 4.3 – disclose the process to verify unaudited periodic reporting**

The Board requests that PwC, **flexigroup's** external auditor, attends the Annual General Meeting (**AGM**) of the Company and is available to answer shareholder questions relating to the audit of the Company's financial statements, preparation and content of the auditor's report, the accounting policies adopted by the Company, and auditor independence.

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

#### **Recommendation 5.1 – have and disclose a continuous disclosure policy**

The Board recognises the importance of keeping the market fully informed of the Company's activities and of communicating openly and clearly with all stakeholders.

The Company has a Disclosure and Communication Policy to ensure compliance with the continuous disclosure requirements in the ASX Listing Rules and the Corporations Act. Specifically, the Disclosure and Communication Policy outlines the corporate governance measures adopted by the Company to further its commitments and provides detailed information regarding **flexigroup's**:

- Continuous disclosure obligations;
- Disclosure roles, responsibilities and internal procedures;
- Disclosure matters generally;
- Market communications; and
- Shareholder communications.

During the year two delayed compliance lodgements triggered a review and update of procedures to better support timely disclosures.

The Company has established a Disclosure Committee which manages the Company's compliance with its disclosure obligations and the Disclosure and Communication Policy. The Disclosure Committee is made up of the Company Secretary, CEO and CFO. The Company's Disclosure and Communication Policy is available on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

Information considered to require disclosure is announced immediately through the ASX. Key presentations given by Company personnel to investors and institutions are also lodged simultaneously with the ASX. Following the lodgement of an announcement with ASX, key communications are placed on the Company's website. General and historical information about the Company and its operations is also available on the Company's website.

#### **Recommendation 5.2 – promptly provide the Board with all material market announcements**

The Board receives copies of all market announcements at the next Board meeting following the announcement. In addition, directors are subscribed to a service which alerts them to the publication of market announcements, including material announcements.

#### **Recommendation 5.3 – release a copy of investor or analyst presentations to the market**

**flexigroup** believes in keeping its security holders appropriately and equally informed, and has a process in place to first submit to the ASX Market Announcements Platform any new and substantive investor or analyst presentations, before they are given to the investors or analysts. In addition, a webcast from management is arranged for the full year and half year results announcements, at which the CEO will give a presentation, and provide investors and analysts with the opportunity to submit questions on that presentation.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

### Recommendation 6.1 – provide company and governance information on the website

It is the Board's aim that the Company maintains effective communications and keeps its shareholders fully informed of significant developments and activities of the Company, as well as provide them with the facilities to allow them to effectively exercise their rights as security holders.

This commitment is achieved by:

- complying with the ASX Listing Rules and the Corporations Act continuous disclosure and reporting requirements;
- distribution of the Annual Report to all shareholders other than any who notify the Company that they do not wish to receive it, as well as publishing Annual Reports and financial statements on the Company's website at <https://www.flexigroup.com.au/investor-centre/results-and-reports>;
- holding an accessible and informative AGM. The Board requires the external auditor to attend the AGM and be available to answer shareholder questions relating to the audit of the Company's financial statements, preparation and content of the auditor's report, the accounting policies adopted by the Company, and auditor independence;
- regularly updating the Company's website ([www.flexigroup.com.au](http://www.flexigroup.com.au)) to include annual and interim reports, market announcements and presentations as well as financial and shareholder information to ensure transparency and a high level of communication of the Company's operations and financial situation, to the extent that this information is not commercially sensitive or confidential; and
- responding to questions and comments at the AGM submitted by shareholders to the Company at, and in advance of, the AGM.

**flexigroup** encourages direct electronic contact from shareholders – the Company's website has a "contact us" section which allows shareholders to submit an electronic form with questions or comments, and sets out the phone number and a link to email the Company's share registry.

### Recommendation 6.2 – have an investor relations program to facilitate two-way communication with investors

**flexigroup** is committed to providing its shareholders with the appropriate information and facilities to allow them to exercise their rights as shareholders effectively. **flexigroup's** Disclosure and Communication Policy, available on its investor website, provides the framework for how the Company meets its commitment to deliver timely disclosures and clear communications, underpinned by strong governance to promote investor confidence.

In addition, the Company has in place resources to support its investor relations program, which program consists of a number of regular communications channels for all current and prospective shareholders, in addition to ad hoc engagements with institutional investors and investment analysts. Channels are in place to ensure retail investors are also able to engage with the Company through the investor relations team.

### Recommendation 6.3 – disclose how security holder participation at meetings is encouraged

Allowing the opportunity for security holders to engage with the Company and Board at general meetings is a key element of the agenda for each meeting, with the Company providing security holders with the opportunity to submit questions in advance of, or at, the meeting, to be addressed at the meeting.

**flexigroup** has rotated the location of its general meeting between Sydney and Melbourne over recent years, and continues to investigate other ways of conducting its meetings to facilitate interaction with its security holders, including through the use of virtual or hybrid meetings.

### Recommendation 6.4 – substantive security holder resolutions to be determined by poll

**flexigroup** has conducted over recent years, and will continue to conduct, its material security holder resolutions by poll.

### Recommendation 6.5 – provide option to security holders to receive electronic communications

**flexigroup** supports and encourages its security holders to receive communications from **flexigroup** and its registry by electronic means. Security holders are also encouraged to use electronic means to contact the Company and our investor relations team.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Risk Management

The Board recognises that risk management and internal controls are fundamental to sound management and that oversight of such matters is a key responsibility of the Board. The Company has a risk management policy framework and governance structure designed to ensure that the risks of conducting business are properly managed. Management is responsible to the Board for identifying, managing, reporting upon and implementing measures to address risk.

### Recommendation 7.1 – have a Risk Committee and disclose its Charter

The Board oversees and reviews the effectiveness of risk management at all levels across the Company and is assisted and advised in this role by the Risk and Compliance Committee.

#### Risk and Compliance Committee

The Risk and Compliance Committee is chaired by an independent Non- Executive Director, and for the Reporting Period comprised of two independent Non-Executive Directors. Given the small size of the Board, it was determined that the Risk and Compliance Committee would be able to discharge its obligations through the appointment of two experienced independent Directors, including the Deputy Chair, who are able to bring significant experience, inquiring minds, and history of sound and prudent enterprise risk management.

The qualifications and experience of the Directors on the Risk and Compliance Committee are set out in the Annual Report along with the number of times the Risk and Compliance Committee met throughout the Reporting Period and the attendance rates of its members. The Risk and Compliance Committee Charter which sets out the role and responsibilities of the Committee is disclosed on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

While ultimate responsibility for risk oversight and risk management vests with the Board, the Risk and Compliance Committee provides advice and assistance to the Board to fulfil its corporate governance and oversight responsibilities in relation to how risk is identified, assessed and managed across the Group, including in accordance with the Board approved Risk Appetite Statement. In addition, the Committee was responsible for assessing significant risks, and compliance with internal and external requirements, during the Reporting Period.

The Company has identified key operational and financial risks within the business, as outlined in the Risk Appetite Statement. In the ordinary course of business, management monitors and manages these risks, providing regular reporting on key metrics, including the Company's risk appetite. Performance in each risk class is presented to and reviewed by the Committee, with clear escalation procedures in place where the Company's risk profile sits outside appetite.

### Recommendation 7.2 – annually review the risk management framework

The Board delegates the review of the Company's risk management framework to the Risk and Compliance Committee. The Committee has taken the opportunity to review the Group risk management framework and risk management operations to obtain greater clarity on where material risks sit across the organisation, where investment has been made in improving risk management capability and processes, and where further enhancements can be made. Enhancements to the reporting on the different risk classes continues to occur.

### Recommendation 7.3 – make disclosures regarding the internal audit function

In July 2019 **flexigroup** established a formal internal audit function by engaging an independent external provider. The internal auditor reports to the Audit Committee, which is also responsible for assessing the internal auditor's performance.

An annual plan of review and advisory activity to be conducted by the internal auditor is developed with management and approved by the Audit Committee, with regular reporting provided to the Committee. In camera sessions with the Audit Committee and internal auditor, excluding management, are conducted at least annually.

### Recommendation 7.4 – disclose if the Company has any material environmental or social risks, and their mitigants

**flexigroup** is dedicated to effectively managing all material risks faced by the Company including its exposure to economic, environmental or social sustainability risks. Further information regarding **flexigroup's** approach to environmental and social sustainability matters can be found in the Sustainability Performance section of the Annual Report.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Board has a Remuneration Committee, which has a Remuneration Committee Charter available on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.

### Recommendation 8.1 – have a Remuneration Committee and disclose its charter

The Company's Remuneration Committee is comprised of three members, with all the members during the Reporting Period being independent Non-Executive Directors, including the Chair.

Details of the number of meetings of the Remuneration Committee held during the Reporting Period and of each member's attendance at those meetings are set out in the Annual Report.

The Company has responsibility for the performance appraisal process and remuneration policies for the Company's

management, with a process in place for Director remuneration to be reviewed from time to time.

The CEO's performance evaluation of key Executives is periodically reviewed by the Remuneration Committee. The CEO's performance evaluation is undertaken by the Board.

The Remuneration Committee assists and advises the Board on remuneration policies and practices for the Board, the CEO, senior management and other persons whose activities, individually or collectively, affect the financial soundness of the Company.

The Remuneration Committee's responsibilities include developing, reviewing and making recommendations to the Board on:

- the ongoing appropriateness and relevance of the remuneration framework for the Chair and the Non-Executive Directors (including the process by which any shareholder approved pool of Directors' fees is allocated to Directors);
- the Company's policy on remuneration for the CEO and senior management, any changes to the policy and the implementation of the policy (including any shareholder approvals required);
- the total remuneration packages for the CEO and senior management (including base pay, incentive payments, equity-based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration packages and recommending proposed award after performance evaluation procedures;
- the Company's recruitment, retention and termination policies for the CEO and senior management and any changes to those policies;
- incentive schemes, if appropriate, for the CEO and senior management;
- equity based plans, if appropriate, for the CEO, senior management and other employees;
- superannuation arrangements for Directors and management;
- monitoring and providing input to the Board regarding:
  - legislative, regulatory or market developments likely to have a significant impact on the Company and legislative compliance in employment issues;
  - the remuneration trends across the Company; and
- major changes to employee benefits structures in the Company.

## **Recommendation 8.2 – disclose policies and practices for non-executive directors, executive directors, and for executive management**

### **Remuneration Report**

In accordance with section 300A of the Corporations Act, disclosures in relation to Director and Executive remuneration are included in a separate component of the Directors' Report in the Annual Report, entitled Remuneration Report. The Remuneration Report contains details of the Company's remuneration philosophy and structure, including fixed and variable remuneration.

### **Board Remuneration**

Remuneration of the Non-Executive Directors is fixed and designed to ensure that Board membership of an appropriate mix and calibre is maintained and aligned with remuneration trends in the marketplace. Remuneration levels and trends are reviewed with the assistance of independent external remuneration consultant when appropriate.

### **CEO and Executive Remuneration**

The underlying principles of risk and reward for performance are set out in the Remuneration Report. These principles recognise the different levels of contribution of management to the short-term and long-term success of the Company. A key element is the principle of reward for performance that is dependent upon both personal and Company performance. Every employee undergoes a formal performance appraisal each financial year, which is used, in part, to determine that employee's remuneration in the financial year ahead.

The CEO's performance is continuously monitored and annually assessed. The assessment is used to determine, in part, the level of "at risk" remuneration paid to the CEO.

## **Recommendation 8.3 – have and disclose a policy on limiting economic risk of participating in equity based remuneration programs**

As set out above, the Company offers equity-based plans, if appropriate, for the CEO, senior management and other employees. The Company's Trading Policy prohibits participants in equity-based plans from entering into transactions which limit the economic risk of participating in the equity-based plan whilst the relevant interests granted pursuant to an equity-based plan remain unvested. The Company's Trading Policy is disclosed on the Company's website at <https://www.flexigroup.com.au/investor-centre/corporate-governance>.