

# CORPORATE GOVERNANCE STATEMENT

For the 12 months ended 30 June 2021



The Board of Directors of AUB Group Limited is committed to ensuring that its Corporate Governance framework meets and exceeds the requirements set out in the ASX Corporate Governance Council's Principles and Recommendations (Fourth Edition) (**Governance Principles**).

Strong corporate governance is critical to the delivery of value to our shareholders and acting with integrity in the conduct of our business. AUB Group is committed to high standards of corporate governance and it has been an important foundation of our success and business growth.

AUB Group's corporate governance practices were in place throughout the year ended 30 June 2021 and were compliant with the ASX Corporate Governance Council's guidance set out in the Governance Principles.

Consistent with the Company's commitment to transparency in its dealings with stakeholders, this statement has been prepared by reference to each recommendation contained in the Governance Principles.

The statement has been approved by the Board and, except where otherwise stated, is current as at 26 August 2021.

## Principle 1: Lay solid foundations for management and oversight

### Recommendation 1.1

**A listed entity should have and disclose a board charter setting out:**

- (a) the respective roles and responsibilities of its board and management; and**
- (b) those matters expressly reserved to the board and those delegated to management.**

The AUB Group Board of Directors is responsible for the corporate governance of AUB Group and ensuring high standards of governance are maintained across all the aspects of Group's business and operations. The Board guides and monitors the business and affairs of AUB Group on behalf of stakeholders and its activities are governed by the Constitution.

The responsibilities of the Board of Directors and those functions reserved to the Board, together with the responsibilities of the Chief Executive Officer are set out in our Board Charter. It outlines the role, composition, authority, responsibilities and conduct of the Board of Directors in the governance framework of AUB Group. The Board Charter is published in the **Corporate Governance** section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and the operation of the Board.

The responsibility for the operation and administration of the Group is delegated by the Board to the CEO and the Group Executive (GE). The Board ensures that the CEO and GE are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO.



Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, to assist in discharging its stewardship, it makes use of sub-committees.

To this end the Board has established a Board Audit and Risk Committee, a Nomination Committee and a Remuneration and People Committee. The roles of these committees are discussed throughout this statement. Due to the relatively small Board all Non-executive Directors are currently members of all Board Committees.

The Board is responsible for ensuring that management's objectives and activities are aligned with expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success on the entity; and
- Implementation of budgets by management and monitoring progress against budget through the establishment of both financial and non-financial key performance indicators.

Other functions reserved to the Board are:

- Approval of annual and half-yearly financial reports;
- Approving and monitoring the progress of major acquisitions and divestments;
- Ensuring any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- Reporting to shareholders.

## Recommendation 1.2

**A listed entity should:**

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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 Company has a process governing the appointment of Directors and senior executives. Each of the Directors and senior executives is screened for matters of skill, character, experience, education, criminal record and bankruptcy history.

Before Board candidates are appointed, the Board will consider the current Board's skills and competencies, and will assess its needs at that time and in the future and develop selection criteria for the candidates. Candidates will be required to disclose their other commitments and confirm that they are able to dedicate sufficient time to their duties. A shortlist of candidates is considered by the Board relative to its selection criteria.

The Company provides shareholders in the relevant notice of meeting with information to enable them to make an informed decision on all Directors standing for election or re-election as a Director including experience, qualifications, relevant memberships and details of other material directorships held. The notice of meeting also states whether the Board considers the Director to be independent, and the term of office currently served by the Director.



### Recommendation 1.3

**A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.**

All Non-executive Directors and senior executives have written agreements in place governing the terms of their appointment in order to ensure that roles and responsibilities are clearly defined. Non-executive Directors have in place letters of appointment and senior executives have detailed service contracts in place with appropriate performance criteria.

### Recommendation 1.4

**The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

The Company Secretary is accountable directly to the Board, through the Chair, for the proper functioning of the Board and facilitating the Company's corporate governance processes. Each Director is entitled to access the advice and services of the Company Secretary. In accordance with the Company's Constitution, the appointment or removal of the Company Secretary is a matter for the Board as a whole. Details of the Company Secretary are set out in the Directors' Report within the Annual Report.

### Recommendation 1.5

**A listed entity should:**

- (a) have and disclose a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;**
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and**
- (c) disclose in relation to each reporting period:**
  - i. the measurable objectives set for that period to achieve gender diversity;**
  - ii. the entity's progress towards achieving those objectives; and**
  - iii. either:**
    - A. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**
    - B. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The company recognises that to remain competitive in today's commercial environment it is necessary to focus on developing a talented and diversified workforce. The Company is committed to developing the quality and skills of its people and by encouraging diversity at all levels of the organisation to enable individuals to realise their maximum potential.



The Company recognises that diversity not only includes gender diversity but also matters of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

To achieve this, a Diversity and Inclusion Policy has been put in place. The Diversity and Inclusion Policy is overseen by the Remuneration and People Committee of the Board. Management reports to the Committee on an annual basis on the status of the implementation of the Policy and the progress towards achieving its objectives.

The Diversity and Inclusion Policy is published in the **Corporate Governance** section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

Diversity and inclusion objectives include:

- seeking to achieve gender diversity in the composition of our board and with a target of 30% female directors;
- mentoring and career resiliency programs that are focused on giving female staff equal opportunity to rise to senior positions;
- programs focused on attracting women to the insurance industry and development plans for key talent;
- regular remuneration reviews to ensure remuneration is relevant to the market and commensurate to the role regardless of gender;
- promote a culture that embraces diversity when recruiting employees, senior management and the board
- ensure that recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered, and addressing any conscious or unconscious biases that might discriminate against certain candidates;
- value diversity of perspective – leveraging the diverse thinking, skills, experience and working styles of our employees and other stakeholders; and
- flexible work practices and provide opportunities for work arrangements that accommodate the diverse needs of individuals at different career and life stages.

The Company is a relevant employer under the Workplace Gender Equality Act and lodged its 2020-2021 report on 17 August 2021. This report covers 34 insurance businesses within the Group where the Company holds equity greater than 50 percent and outlines the most recent Gender Equality Indicators.

The public version of the report is published in the **Corporate Governance** section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).



### 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 for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Chair has a responsibility to ensure that the performance of the Board, its Committees and individual Directors is reviewed regularly in accordance with the Nomination Committee Charter. The performance of the Board has historically been reviewed every two years against both measurable and qualitative indicators. It was agreed that the Board would engage an independent external consultant to assist with the performance review every two to three years and that in other years the Board would conduct an internal review involving self-evaluation and feedback from management. Feedback is provided to the Board and Directors following these reviews.

An internal review of Board and Director performance for the reporting period was undertaken post balance date in July 2021 and the findings provide guidance to the Board and individual Directors. A Director whose performance is consistently unsatisfactory will be asked to retire from the Board.

### Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Chief Executive Officer and his senior executives have annual objectives which are agreed at the beginning of the performance year and measured via a mid-year and end of year review process. The performance objectives are agreed in consultation with the Remuneration and People Committee and the AUB Group Board and are regularly reported on during the performance period. Feedback is provided by the Board Chair to the Chief Executive Officer and by the CEO to his senior executives. Performance evaluations of the Chief Executive Officer and senior executives have been undertaken during the reporting period.

## Principle 2: Structure the board to be effective and add value

### Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:
  - i. has at least three members, a majority of whom are independent directors; and
  - ii. is chaired by an independent director,



and disclose:

- iii. the charter of the committee;
  - iv. the members of the committee; and
  - v. 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 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 Committee which meets at least annually to ensure that the Board is of a suitable size and composition, review Board succession, recommend candidates for the position of Director and ensure that Board performance is reviewed. All members of the Nomination Committee are independent Non-executive Directors. The composition of the Nomination Committee and the number of meetings held and attended by each member of the Committee during the year can be found in the Directors' Report within the Annual Report. The Nomination Committee Charter is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

## 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.**

The Board seeks to have an appropriate and diverse mix of skills, experience, expertise and diversity (including gender and skills diversity) to effectively discharge its responsibilities, appropriately monitor risk management and add value to the Group.

The Board has identified the following strategic priorities for the Group to drive long-term sustained shareholder growth and value:

- Deliver market leading technology capabilities;
- Continue to optimise our network to drive market leadership;
- Reinvigorate insurance agencies to drive growth, scale and margin improvement;
- Enhance partner proposition (product, capacity, services); and
- Execute on strategically aligned acquisitions.

Having regard to these execution priorities, the following table sets out the mix of skills and experience the Board considers necessary or desirable and the extent to which they are represented on the Board as at 30 June 2021:





SKILL / EXPERIENCE	SUMMARY	DIRECTORS' AVERAGE SKILL RATING	
Strategy	Expertise and experience defining strategic objectives, assessing business plans and driving execution in large, complex, and decentralised organisations.		
Corporate Governance, Legal, Regulatory & Public Policy	High standards of corporate governance, compliance and monitoring legal, regulatory and public policy frameworks and trends.		
Industry Knowledge and Expertise	Experience and expertise in customer centric financial services, including the insurance industry.		
Remuneration, People & Culture	Board committee membership or management experience in monitoring company culture, people management, succession planning and remuneration frameworks and policy.		
Financial Reporting and Management	Senior experience with financial management, reporting and audit.		
Corporate Transactions	Knowledge and experience in assessing and completing complex corporate transactions, including mergers, acquisitions, divestments, major projects and business integrations.		
Risk Management	Experience in financial and non-financial risk management in large, complex, and decentralised organisations.		
Technology	Knowledge and experience in digital transformation, data-analytics, automation, data security, and business continuity.		
Social Responsibility	Experience and a commitment to social responsibility, environmental stewardship, workplace safety, workplace diversity, and community support.		



### 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 Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

In accordance with the definition of independence set out below and the established materiality thresholds, all Non-executive Directors of the Company are considered independent:

Name	Position
David Clarke	Non-executive Director and Chair
Ray Carless	Non-executive Director
Peter Harmer	Non-executive Director ( <i>appointed 22 July 2021</i> )
Robin Low	Non-executive Director
Paul Lahiff	Non-executive Director
Cath Rogers	Non-executive Director

In the context of Director independence, 'materiality' is considered from both the Company and individual Director perspective. None of the Non-executive Directors of the Company has an interest, position, association or relationship described in the examples set out in box 2.3 of the Governance Principles that in the opinion of the Board would compromise the independence of any Non-executive Director.

The length of service of each Director can be found in the Directors' Report within the Annual Report.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

### Recommendation 2.4

**A majority of the board of a listed entity should be independent directors.**

The CEO and Managing Director, Mike Emmett, is not independent on the basis that he is an executive director. All the other Directors are independent Non-executive Directors, as noted 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.**

The Chair of the Board, David Clarke, is an independent Director and has never served as CEO or a Senior Executive of the Company.





### Recommendation 2.6

**A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.**

The Company mandates that new Directors participate in an induction program. The Remuneration and People Committee reviews professional development needs for Directors on an annual basis. In addition, Directors will be informed about developments within the Company and the financial services industry more generally in order to maintain the currency of knowledge, skills and experience necessary to perform their roles.

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

### Recommendation 3.1

**A listed entity should articulate and disclose its values.**

At AUB Group we are guided by a universal set of values that describe the focus of our efforts. Our goal is for all of our decisions and actions to reflect these core values. We believe that putting our values into practice creates the greatest benefits for our shareholders, partners, employees, suppliers and communities in which we serve.

The Company's values are published on its website at [www.aubgroup.com.au/our-purpose-and-values](http://www.aubgroup.com.au/our-purpose-and-values).

### Recommendation 3.2

**A listed entity should:**

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and**
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.**

The Company has established a Code of Conduct that sets out a framework of the ethical standards expected of all employees, Directors and senior executives of the Company. Any material breaches of the Code of Conduct are reported to the Board. The Code of Conduct is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

### Recommendation 3.3

**A listed entity should:**

- (a) have and disclose a whistleblower policy; and**
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**



The Company has adopted a Whistleblower Policy to foster a culture of corporate compliance and ethical decision-making and to protect eligible whistleblowers who make protected disclosures. Any material incidents reported under the Whistleblower Policy are reported to the Board, in accordance with the protections for whistleblowers in the Policy. The Whistleblower Policy is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

### Recommendation 3.4

**A listed entity should:**

- (a) have and disclose an anti-bribery and corruption policy; and**
- (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.**

The Company has adopted an Anti-Bribery and Corruption Policy as part of its commitment to creating a robust culture of integrity. Any material breaches of the Anti-Bribery and Corruption Policy are reported to the Board by Management. The Anti-Bribery and Corruption Policy is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

## Principle 4: Safeguard the integrity of corporate reports

### Recommendation 4.1

**The board of a listed entity should:**

- (a) have an audit committee which:**
  - i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
  - ii. is chaired by an independent director, who is not the chair of the board,**  
**and disclose:**
    - iii. the charter of the committee;**
    - iv. the relevant qualifications and experience of the members of the committee; and**
    - v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (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 established a Board Audit and Risk Committee, which operates under the Board Audit and Risk Committee Charter approved by the Board. All members of the Board Audit and Risk Committee are independent Non-executive Directors, and the Committee Chair is not the Chair of the Board. The composition of the Board Audit and Risk Committee and the number of meetings held and attended by each member of the Committee during the year can be found in the Directors' Report within the Annual Report. The Board Audit



and Risk Committee Charter is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

Ultimate responsibility for the integrity of the Company's financial reporting rests with the Board. The Committee assists the Board in fulfilling its statutory, corporate governance and oversight responsibilities by monitoring and reviewing the integrity of the Company's internal financial reporting and external financial statements, and the effectiveness of internal financial controls. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. Detailed internal control questionnaires are completed by key finance managers in relation to financial and other risk reporting on a six monthly basis. These are reviewed by the Company's senior finance team as part of annual and half-yearly reporting to the market and to achieve compliance with section 295A of the Corporations Act and Recommendation 4.2 of the Governance Principles.

The Board Audit and Risk Committee is responsible for monitoring the external audit process and ensuring the rotation, independence and competence of the external auditor.

#### 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.**

The Board, before it approves the Company's financial statements for a financial period, receives from its Chief Executive Officer and Managing Director, and its Chief Financial Officer 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.

#### Recommendation 4.3

**A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.**

The Company has established processes to verify the integrity of periodic corporate reports, such as the Annual Directors' Report, which are released to the market and are not audited or reviewed by the external auditor. The Continuous Disclosure Policy sets out the process by which ASX announcements are written, reviewed and authorised for release.



## Principle 5: Make timely and balanced disclosure

### Recommendation 5.1

**A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.**

AUB Group is committed to providing timely, complete and accurate disclosure of information to the market in accordance with its continuous disclosure obligations under the Corporations Act 2001 (Cth) (Corporations Act) and the ASX Listing Rules.

The key disclosure principles and guidelines are outlined in the Continuous Disclosure Policy to:

- assist the Group's Directors and Officers to comply with continuous disclosure obligations under the Corporations Act and the ASX Listing Rules incorporating best practice guidelines;
- ensure announcements to the market are presented in a factual, clear and balanced way;
- ensure all shareholders have equal and timely access to material information about AUB Group; and
- prevent selective or inadvertent disclosure of material price sensitive information concerning AUB.

AUB Group has a Disclosure Committee that manages the Group's compliance with its continuous disclosure obligations and this Policy. The Continuous Disclosure Policy is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

### Recommendation 5.2

**A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.**

The Company provides Directors with copies of ASX announcements promptly after they have been released to the market.

### Recommendation 5.3

**A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.**

The Company releases copies of the slides for investor and analyst presentations to ASX before the presentations are given.

## 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.**

The Company publishes detailed information on itself and its corporate governance policies including the Constitution, Board Charter, Board Committee Charters and the policies and procedures referred to in this Statement, in the in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).



## Recommendation 6.2

**A listed entity should have an investor relations program that facilitates effective two-way communication with investors.**

The Company promotes effective communication with its shareholders and is committed to:

- Ensuring shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way;
- Complying with continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act in Australia; and
- Communicating with its shareholders and making it easier for shareholders to communicate with the Company.

To this end, the Company has established a Communications Policy which details strategies to promote and enhance communication with securityholders.

The Company's website has a dedicated Investor Centre for the purposes of publishing all important company information and relevant announcements made to the market.

## Recommendation 6.3

**A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.**

The Company encourages shareholder participation at general meetings.

The Notice of AGM is published on the Company's website. Shareholders are able to attend the meeting in person, or to appoint a proxy. Shareholders are invited to submit questions in advance and to ask questions of the Company and its auditor at the AGM.

## Recommendation 6.4

**A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.**

All substantive resolutions at general meetings are determined by way of a poll.

## Recommendation 6.5

**A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

Shareholders have the option to receive communications electronically from, and send communications to, the Company's registry service provider Link Market Services.



## 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:
  - i. has at least three members, a majority of whom are independent directors; and
  - ii. is chaired by an independent director,and disclose:
  - iii. the charter of the committee;
  - iv. the members of the committee; and
  - v. 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 established a Board Audit and Risk Committee, details of which are provided under Recommendation 4.1.

#### Risk Management Framework

AUB Group and the Board ensure that appropriate governance structures are established and maintained. AUB Group's Risk and Compliance functions are led by the Chief Financial Officer. The Board embraces the principles of effective risk management and recognises that, in their absence, the Group would not be able to meet its strategic objectives.

AUB Group has an established Risk Management Framework (RMF), approved, and overseen by the Board. The purpose of the RMF is to document the approach to the management of risk across the Group and covers the governance framework, risk appetite statement, risk culture, roles and responsibilities and processes that support effective risk management.

The governance framework has the following key components in place:

**AUB Group Board of Directors:** Responsible for setting the risk appetite and monitoring to ensure that appropriate controls are in place to manage risk so that the strategic and business objectives of AUB Group can be met.

**Board Audit & Risk Committee (BARC):** Assists the Board in fulfilling its responsibilities relating to the risk management and compliance practices of AUB Group.

**Risk Management Executive Committee:** Responsibility and accountability are cascaded to the Executive Management Team to fulfil its corporate governance and oversight responsibilities with regards to AUB Group's risk framework and oversee change. The Committee meets monthly and reports significant findings to the Board Audit Risk & Compliance Committee.





**Business Divisional Accountability:** Key Boards and leaders across the business are charged with monitoring and managing performance, risk and compliance of the underlying Partner businesses and ensuring they remain within the stated risk appetite.

**The AUB Group Risk & Compliance Team:** Co-ordinates the governance function and execution of risk management practices across AUB Group, providing support to partners as requested. The team is responsible for developing and maintaining the risk framework (including application of minimum standards, policies, and guidelines), providing technical support and advice to partners, managing the assurance program across the business as well as monitoring and reporting on behalf of BARC and Risk Management Executive Committee.

One important attribute that influences how risk is managed within a business is its risk culture. The key elements that define an effective risk culture at AUB Group include:

- setting the tone at the top;
- engagement from senior management in the risk management process;
- an understanding of the key risks that face the business;
- understanding the level of risk that the business is prepared to accept;
- the integration of risk into the decision-making process; and
- all staff have variable pay linked to control and governance effectiveness.

Despite the decentralised nature of the Group, significant monitoring of businesses is performed by AUB Board representatives on partner boards, and further Group level oversight is achieved through Group Finance as well as independent external and internal audits.

## 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.

The Board through the Board Audit and Risk Committee keeps the adequacy of the risk management framework continuously under review and has done so in this reporting period.

## 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 has an internal audit function, through an outsourced service provider.

The Company currently reviews, evaluates and improves the effectiveness of its risk management and internal controls through, management processes, the tools and assistance provided to partner businesses through the risk and compliance oversight function and external audit input, all overseen by the Board Audit and Risk Committee.



## Recommendation 7.4

**A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.**

Environmental sustainability is integral to a strong, secure future. AUB Group is committed to being a responsible and sustainable organisation.

Climate change presents a number of risks and opportunities for all sectors, including the insurance industry. These include direct damage to assets or property, pricing and demand changes from the transition to a low-carbon economy, and business disruption from a changing regulatory environment. Increasing frequency and severity of climate-related events pose increased risks to some customers and as these events become more regular, the cost of insurance may become prohibitive and certain risks may become uninsurable.

AUB Group believes that we must take climate risks seriously to ensure the viability of our business as well as identify opportunities to change and grow in a changing world. We acknowledge the science and are supportive of global efforts to decarbonise the economy. We intend to align our business practices with the goals set in the Paris Agreement, including to limit global warming to well below 1.5 degrees. We are also committed to further developing our climate risk reporting, with a view to aligning our reporting practices to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Whilst we are new to TCFD, climate risk is certainly not new to the insurance industry. We have been factoring in climate-related risks into our client risk assessments for years and continue to ensure we understand how to advise clients on these risks and the impact on their insurance options and cover.

With increasing community and stakeholder concern about the consequences of climate change and impacts businesses have on the surrounding environment, it is important to improve how we measure and report on our climate change impacts and our long-term approach to mitigate them.

AUB Group's Environmental and Social Governance Policy details how we seek to be a responsible and sustainable business and outlines our requirements for a robust management approach. We expect our partner firms to adopt our policy in their businesses. Further details of the Company's environmental objectives can be found in the Directors' Report within the Annual Report.

## Principle 8: Remunerate fairly and responsibly

### Recommendation 8.1

**The board of a listed entity should:**

- (a) have a remuneration committee which:**
  - i. has at least three members, a majority of whom are independent directors; and**
  - ii. is chaired by an independent director,**  
**and disclose:**
  - iii. the charter of the committee;**
  - iv. the members of the committee; and**



- v. 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 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 is responsible for determining and reviewing compensation arrangements for the Directors themselves and the CEO and executive team. The Board has established a Remuneration and People Committee which provides the Board with advice and recommendations on remuneration matters. All members of the Remuneration and People Committee are independent Non-executive Directors. The composition of the Remuneration and People Committee and the number of meetings held and attended by each member of the Committee during the year can be found in the Directors' Report within the Annual Report. The Remuneration and People Committee Charter is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

## 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.**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and People Committee links the nature and amount of executive Directors' and other senior executives' compensation to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the Company;
- Performance incentives that allow executives to share the Company's success; and
- Retention and performance of Directors.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the remuneration report, which is contained within the Annual Report.

There is no scheme to provide retirement benefits, other than payments made by way of the superannuation guarantee, to Non-executive Directors.

## Recommendation 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.

Under the Company's Securities Trading Policy, a Designated AUB Person (including Directors, Key Management Personnel and certain designated senior executives) must not trade in any securities of the



company at any time when they are in possession of un-published price sensitive information in relation to those securities.

Before commencing to trade, a Designated AUB Person must first notify and obtain approval of the Chair. Only in exceptional circumstances will approval be given by the Chair to trade outside any of the 30 day periods which commence immediately after the announcement of the half yearly result or the full year results, the annual general meeting or the date of the release of a disclosure document offering equity securities in the company.

As required by the ASX Listing Rules, the company notifies ASX of any transaction conducted by Directors in the securities of the Company.

In accordance with the Company's Securities Trading Policy:

- Designated Persons are prohibited from entering into transactions in financial products which operate to limit the economic risk of unvested options granted under a Company share option plan; and
- Designated Persons may enter into transactions in financial products which operate to limit economic risk of vested options granted under a Company share option plan or Company shares otherwise obtained by the Designated Person, provided that the prior written approval of the Chair of the Board has been obtained.

The Securities Trading Policy is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).