

# CORPORATE GOVERNANCE STATEMENT

For the 12 months ended 30 June 2023



The Board of Directors of AUB Group Limited (**AUB**) is committed to ensuring that its Corporate Governance framework meets and exceeds the requirements set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) (**ASX 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 is committed to high standards of corporate governance and it has been an important foundation of our success and business growth.

AUB's corporate governance practices were in place throughout the reporting period and were compliant with the ASX Corporate Governance Council's guidance set out in the ASX Principles.

The statement has been approved by the Board and is current as at 22 August 2023.

## Key areas of governance focus and enhancements

During the reporting period, the Board provided strategic guidance and effective oversight of management in its implementation of AUB's execution priorities, including its international expansion.

AUB has actioned a series of key governance enhancements during the reporting period, including the following:

- As part of its orderly succession process, the Board appointed two new Non-Executive Directors: Richard Deutsch who brings considerable experience in finance and domestic and international insurance auditing to the Board, and Andrew Kendrick, a former Non-Executive Director of Lloyd's of London and Lloyd's Market Association who has extensive experience in the UK broking market and insurance industry across the UK and Europe.
- AUB undertook a risk management program to integrate and enhance AUB Group's broader risk management framework across AUB and Tysers. This program included the development and adoption of a groupwide enterprise risk management policy and risk management framework to ensure clear accountabilities and a consistent approach to the assessment and management of risk; and the establishment of a dedicated Risk Management Executive Committee at Tysers.
- The Board undertook a review of the Long Term Incentive (LTI) Plan framework, in conjunction with external stakeholder feedback. Key changes and remuneration governance measures arising from that review are detailed in the Remuneration Report.
- The Board continued to align AUB's risk, remuneration and consequences management framework, with the Remuneration & People Committee and Board Audit & Risk Committee meeting concurrently to consider if there were risk-based or other adjustments that might warrant consideration in the Board's determination of remuneration outcomes.

## Lay solid foundations for management and oversight

The AUB Board of Directors is responsible for the corporate governance of AUB and ensuring high standards of governance are maintained across all the aspects of the Company's business and operations. The Board guides and monitors the business and affairs of AUB 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 and Managing Director (**CEO**) 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. 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 Board has authorised the CEO and the Group Executive (**GE**) to oversee the day-to-day operations of the Company, within the limits of specific delegations of authority. The Board ensures that the CEO and GE are appropriately qualified and experienced to discharge their responsibilities.

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. 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 of the Company; 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.

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 Nomination Committee 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 Nomination Committee relative to its selection criteria. The Nomination Committee makes recommendations to the Board for the appointment of new Directors.



The Company provides shareholders in the relevant notice of meeting with information to enable them to make informed decisions 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.

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 with appropriate performance criteria.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. Details of the Company Secretaries are set out in the Annual Report.

The Company recognises that diversity includes not only 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.

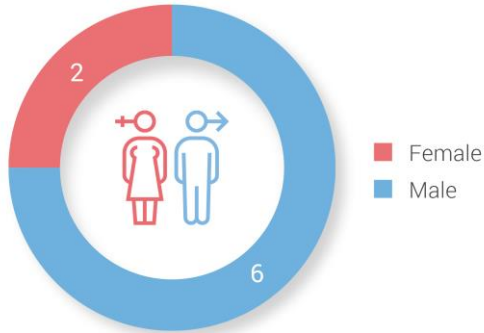
The Diversity and Inclusion Policy is published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

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 opportunities for work arrangements that accommodate the diverse needs of individuals at different career and life stages.



## BOARD DIVERSITY



The Board comprises eight Directors, of whom two are women (25%) and six are men (75%).<sup>1</sup> The Board intends to achieve its diversity target of 30% women directors as part of Board succession and renewal.

The Company is a relevant employer under the Workplace Gender Equality Act and submits annual reports to the Workplace Gender Equality Agency.

AUB lodged its 2022-2023 report on 13 June 2023. This report covers 39 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).

The Board carries out a structured annual review of its performance and that of its Committees. The findings provide guidance to the Board and individual Directors. Periodically, the Board engages external consultants to assist with the review. For the reporting period, an independent consultant completed an external performance evaluation, based on confidential surveys and individual interviews. The results of this evaluation were circulated to Directors and discussed in a private session led by the Chair.

The CEO and Group Executive have annual performance objectives which are agreed at the beginning of the financial 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 Board. Performance evaluations of the CEO and Group Executive have been undertaken during the reporting period.

<sup>1</sup> From 1 July 2022 to 3 November 2022, the composition of the Board was 33% female and 67% male. From 3 November 2022 to 27 January 2023, the composition of the Board was 29% female and 71% male.



## Structure the board to be effective and add value

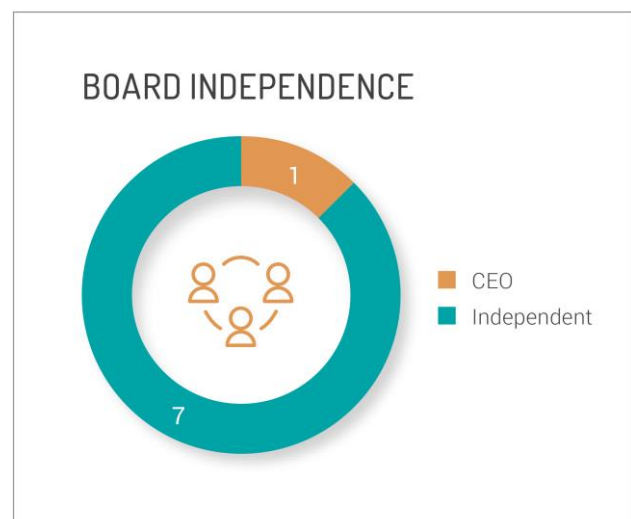
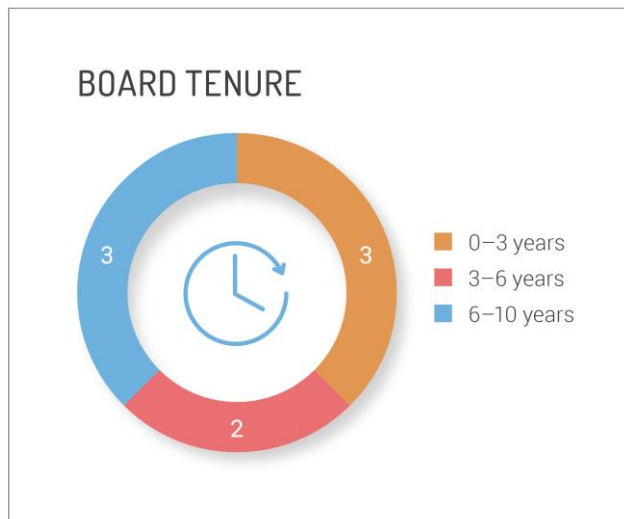
The Board has established a Nomination Committee to ensure that the Board is of a suitable size and composition, review Board succession, recommend candidates for the position of Director and ensure that Board performance is reviewed. All members of the Nomination Committee are independent Non-Executive 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).

New Directors participate in an induction program. The Nomination Committee reviews professional development needs for Directors periodically. 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.

The Board considers all Non-Executive Directors of the Company to be independent:

David Clarke	Non-Executive Chair
Richard Deutsch	Non-Executive Director
Peter Harmer	Non-Executive Director
Andrew Kendrick	Non-Executive Director
Robin Low	Non-Executive Director
Paul Lahiff	Non-Executive Director
Cath Rogers	Non-Executive Director

The CEO and Managing Director, Mike Emmett, is not independent on the basis that he is an Executive Director. The length of service of each Director can be found in the Directors' Report within the Annual Report.



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 Company.

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

- Improve and enhance New Zealand performance;
- Optimise our network;



- Execute on strategically aligned acquisitions;
- Stabilise and optimise Tysers post acquisition; and
- Enhance partner proposition.

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:

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



## Instil a culture of acting lawfully, ethically and responsibly

At AUB 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.

AUB'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).

The Company has adopted the following policies:

- Code of Conduct, which sets out a framework of the ethical standards expected of all employees, Directors and senior executives of the Company.
- Whistleblower Policy, to foster a culture of corporate compliance and ethical decision-making and to protect eligible whistleblowers who make protected disclosures.
- Anti-Bribery and Corruption Policy, as part of its commitment to creating a robust culture of integrity.

Material incidents and breaches of the above policies are reported to the Board Audit and Risk Committee, in accordance with protections for eligible whistleblowers. The policies are published in the Corporate Governance section of the Company's website [aubgroup.com.au](http://aubgroup.com.au).

## Safeguard the integrity of corporate reports

The Board has established a Board Audit and Risk Committee (**BARC**), which operates under the BARC Charter approved by the Board. All members of the BARC are independent Non-Executive Directors, and the Committee Chair is not the Chair of the Board. The composition of the BARC 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 BARC 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 BARC 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 BARC is responsible for monitoring the external audit process and reviewing the rotation, independence and performance of the external auditor.

The BARC 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 and legal managers in relation to financial and other risk reporting on a six-monthly basis. These questionnaires are reviewed by the Company's management team as part of annual and half-yearly reporting to the market.

The Company has established processes to verify the integrity of periodic corporate reports which it releases to market, including reports which are not audited or audit reviewed, such as the annual and half-year Directors' Reports, and the ESG Report. The verification process requires a sign off by the relevant business managers, before the reports are presented for review by the BARC, and final review and approval by the Board.



Before it approves AUB's financial statements for each half year and full year reporting period, the Board receives from the CEO and the 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.

## Make timely and balanced disclosure

AUB 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 and the ASX Listing Rules.

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

- assist the Company'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; and
- prevent selective or inadvertent disclosure of material price sensitive information concerning AUB.

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

AUB releases copies of the slides for investor and analyst presentations with ASX before the presentations are given. Directors are provided with copies of ASX announcements promptly after release to the market.

## Respect the rights of security holders

There is a dedicated Investor Centre on the AUB website for the purposes of publishing ASX announcements, Annual Reports and other shareholder information. The Investor Centre includes a Corporate Governance section, where the Constitution, Board and Committee Charters and other corporate governance policies can be found.

AUB has established a Communications Policy which details strategies to promote and enhance effective communication with investors.

The Company 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; and
- Communicating with its shareholders and making it easier for shareholders to communicate with the Company.

AUB encourages investor participation at general meetings. In response to shareholder feedback, and following the end of COVID based restrictions, the general meetings during the reporting period were held as physical meetings. Shareholders can choose to attend general meetings in person or to appoint a proxy. There is a dedicated section for general meetings on the Company's website where relevant documents are published, and shareholders are invited to submit questions in advance and to ask questions of the Directors and the Auditor. All substantive resolutions at general meetings are determined by way of a poll. Shareholders have the option to receive communications electronically from, and send communications to, the Company's share registry, Link Market Services.





## Recognise and manage risk

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.

The risk profile of AUB Group has changed following the acquisition of Tysers on 30 September 2022. This is due to a combination of the nature of Tysers business and the regulatory environment in which it operates.

In response, an extensive review of the governance and risk profile of the AUB Group has been undertaken this financial year culminating in:

- enhancements to the risk management governance framework;
- development of a groupwide risk appetite framework; and
- a groupwide enterprise risk policy and risk management framework to ensure there is a “common set of language”, clear accountabilities and consistent approach to the assessment and management of risk.

AUB has an established an Enterprise Risk Management Framework (ERM), approved, and overseen by the Board. The purpose of the ERM is to document the approach to the management of risk across the Group and it 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 Board of Directors:** Responsible for overall risk oversight of the AUB including 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 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 (RMEC):** Responsibility and accountability for risk management are cascaded to the Executive Management Team to fulfil its corporate governance and risk oversight responsibilities. The Committee meets at least quarterly and reports significant finding to the BARC.

**Financial Risk Management Committee (FRMC):** Responsibility and accountability for assessing key existing and emerging financial risks, including whether there are appropriate and effective risk management controls in place to manage these risks. The Committee meets at least quarterly and reports significant finding to the BARC.

**Risk Owners:** 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.

**Group Risk & Internal Audit Team:** Led by the Chief Legal and Risk Officer, the Group Risk & Internal Audit Team facilitates the execution of risk management practices across AUB. The team develops and maintains the risk framework (including application of minimum standards, policies, and guidelines), provides technical support and advice to partner firms, manages the assurance program across the Group as well as monitoring and reporting on behalf of the 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 include:

- setting the tone from the top;
- engagement from senior management in the risk management process;
- an understanding of the key risks that face the Company;



- understanding the level of risk that the Company 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 certain areas of the Group, significant monitoring of businesses is performed by AUB Board representatives on partner firm boards, and further Group level oversight is achieved through Group Finance as well as independent external and internal audits.

Through the BARC, the Board keeps the adequacy of the risk management framework continuously under review including during this reporting period.

The Group outsources internal audit activities to independent service providers. These providers provide assurance, advice, and promote continuous improvement.

## **Environmental, Social and Governance**

### Environmental

Environmental sustainability is integral to a strong, secure future. AUB 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 takes climate risks seriously to ensure the viability of our business as well as identify opportunities to evolve 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.

Whilst our carbon intensity per employee has always been low given we are a service based organisation, this has reduced significantly both during and post COVID-19 lockdown periods. We encourage avoidance of travel when possible, and otherwise offset carbon (at AUB Head Office and Tysers) when unavoidable.

### Social

We conduct a materiality assessment of ESG matters every 3 years, including discussion with a broad range of stakeholders. Consideration of these stakeholders ensures that we continue to maintain a social licence to operate.

Our staff are the key driver of our business. We conduct pulse surveys to understand needs, we train and develop staff to ensure we maximise their potential. We engage in long term retention strategies through selling stakes in our businesses to key employees to ensure long term alignment of values between the individual and the Group. We are also certified at head office, as a Great Place to Work.

We are also committed to giving back to the community through a number of initiatives under AUB's charity arms including at Group level donation matching, and volunteer days.



### Governance

Due to AUB's decentralised nature as well as size, Governance is a key focus for our Board, management, and stakeholders.

We employ a top down approach to Governance as we believe tone is set at the top. This includes sub committees focused on Governance at Board and management level, Group functions focused on Group wide controls, and compliance, and AUB group representation on all sub boards.

AUB has been independently assessed by rating agencies such as MSCI to be in the best practice range compared to other organisations in relation to Governance.

AUB'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. Further details of the Company's environmental objectives can be found in the Environmental, Social and Governance Report within the Annual Report.

## Remunerate fairly and responsibly

The Board is responsible for determining and reviewing executive and non-executive remuneration. 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).

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 compensation to the Company's financial and operational performance. The Company's remuneration strategy and framework is based on a 'pay for performance' philosophy which supports sustainable value for our shareholders.

The expected outcomes of the remuneration structure are:

- Attraction of high quality leadership;
- Retention and motivation of key executives;
- Performance incentives that align the interests of Group Executives with shareholders; and
- Attraction and retention of Directors.

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

The Company has a Securities Trading Policy, which supports compliance with insider trading laws and protects and maintains AUB's reputation in relation to securities trading by its Directors and employees. Under the Securities Trading Policy, participants in the Company's Long Term Incentive plan are prohibited from entering into a transaction that limits the economic risk of unvested Company Securities or vested Company Securities that are subject to a restriction on transfer, such as a holding lock.