



**citadel group**  
MANAGING COMPLEXITY

The Citadel Group Limited

ABN: 79 127 151 026

ACN: 127 151 026

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# Corporate Governance Statement

## CORPORATE GOVERNANCE STATEMENT

### Overview

The Board of Directors of The Citadel Group Limited (**Citadel** or **Company**) is committed to attaining and implementing the highest standards of corporate governance.

The Company has begun making the changes to its practices, processes and policies required by the revisions in the 4<sup>th</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. However, for this reporting period the Board has elected to review the Company's corporate governance practices against the ASX Corporate Governance Principles and Recommendations (3rd edition) (**Governance Principles**). A description of the Company's main corporate governance practices are set out below. The 2019 Corporate Governance Statement (**Statement**) reflects the corporate governance practices of the Company during the 2019 financial year. Unless stated otherwise, all of the following practices have been in place since for the full financial year.

The Board continues to review the governance framework and practices of the Company to ensure they meet the interests of shareholders and other stakeholders.

All references to the Company's website are to: [www.citadelgroup.com.au](http://www.citadelgroup.com.au)

This Statement was approved by the Company's Board on 20 August 2019 and is current as at that date.

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

#### Responsibilities of the Board and Management

The Board is responsible for the overall governance of the Company, setting the Company's future direction and annual operating and capital expenditure budgets, providing oversight of the strategic direction of the Company, and is ultimately responsible to shareholders for the oversight and performance of Management.

To do this, the Board's responsibility includes (but is not limited to):

- approval of the corporate strategy;
- approving financial statements and any significant changes in accounting policies;
- oversight of fraud, risk, control and accountability systems through promoting systemic awareness of the control environment and risk issues;
- oversight of the management team and their operational programs;
- appointing and removing the Chief Executive, as well as monitoring and evaluating the performance of members of the Citadel executive leadership team;
- determining executive remuneration;
- reviewing KMP succession planning, HR recruitment/retention and management development arrangements; and
- approval of Citadel's capital structure through the issue or buy-back of shares, options, equity instruments or other securities.

To clarify the roles and responsibilities of directors and management and to assist the Board in discharging its responsibilities, the Company has established a governance framework, which sets out the functions reserved to the Board and provides for the delegation of functions to Board committees and to senior management.

The Board operates under a formal Charter, which details the responsibilities of the Board, the Chairperson, the Chief Executive Officer (**CEO**), individual directors, company secretary and management, and is available on the Company's website.

#### Appointments to the Board

When considering the appointment of directors to the Board, appropriate references, bankruptcy, and police checks are carried out. In addition, the Board considers and formally resolves to support the election or re-election of directors to shareholders at general meetings/annual general meeting.

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The Board supplies all material information in relation to the election or re-election of directors for shareholders to make an informed decision, in the notice of meeting and explanatory notes for those meetings.

Non-executive directors are appointed pursuant to formal letters of appointment which set out the key terms and conditions of the director's appointment including the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest, disclosure obligations and details of the director's remuneration.

### Board Committees

The ultimate responsibility for the oversight of the operations of the Company rests with the Board. However, the Board may discharge any of its responsibilities through committees of the Board in accordance with the Constitution and the *Corporations Act 2001* (Cth) (**Corporations Act**).

The Board has established the following committees to assist it in fulfilling its role: the Nomination and Remuneration Committee (**NRC**), the Audit, Risk and Compliance Committee (**ARCC**) and the Disclosure Committee (**DC**). Directors may attend any Committee meeting and receive copies of all Committee papers.

The applicable composition requirements and current membership of each of the Board committees are set out below:

Board Committee	Composition Requirements	Membership
Audit, Risk and Compliance Committee	At least three members, all of whom are non-executive and independent. The chair should be an independent non-executive director. All members should be financially literate and at least one member must have financial expertise and members must have an understanding of the industry in which Citadel operates.	Ms Anne Templeman-Jones (Chair); Mr H. Kevin McCann AM; and Lieutenant General Peter Leahy AC (Ret'd).
Nomination and Remuneration Committee	At least three members, the majority of whom are independent, non-executive directors. The chair should be an independent non-executive director.	Lieutenant General Peter Leahy AC (Ret'd) (Chair); Mr H Kevin McCann AM; and Ms Anne Templeman-Jones.
Disclosure Committee	At least two members, one of whom must be the chair of the Board, and the Company's CEO. If there are any financial matters to be considered at a Disclosure Committee meeting, the chair of the Audit, Risk and Compliance meeting is to attend.	Mr H Kevin McCann AM (Chair); Mr Mark McConnell; and, Mr Darren Stanley.

The full Board meets quarterly, with additional meetings convened as required. Agendas for each meeting are prepared by the company secretary and chair with input from the CEO and CFO, and are distributed prior to the meeting with supporting papers.

Standing items include the CEO's report and the financial report, as well as reports addressing matters of strategy, governance and compliance. Senior executives are directly involved in Board discussions as required.

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The number of Board and committee meetings held during the year and the number of meetings attended by each of the directors is set out in the table below:

Director	Board meetings <sup>1</sup>		Audit, Risk and Compliance Committee		Nominations and Remuneration Committee	
	A	B	A	B	A	B
Mr K McCann AM	9	9	4	4	4	4
Dr M Jakeman <sup>2</sup>	3	3	-	-	-	-
Lieutenant-General P Leahy AC	9	9	4	4	4	4
Mr M McConnell	9	9	-	-	-	-
Ms A Templeman-Jones	9	9	4	4	4	4
Mr S Weiss <sup>3</sup>	4	4	-	-	-	-

**A** – Number of meetings attended    **B** – Number of meetings eligible to attend

<sup>1</sup>This count includes scheduled and one unscheduled Board meeting.

<sup>2</sup>Dr Miles Jakeman resigned from the Board of Directors effective 18 February 2019.

<sup>3</sup>Mr Samuel Weiss was appointed to the Board of Directors effective 15 May 2019.

### Senior Executives

The Board delegates responsibility for the day-to-day management of the Company to the CEO, who is assisted by his senior executive direct reports.

Authorisation thresholds for the control of expenditure and capital commitments are established and defined in the Company's Delegated Authority Policy (known as the Register of Delegations). These thresholds are set to optimise the function and decision-making of the CEO as the Company continues to grow and expand, whilst maintaining appropriate oversight by the Board.

Subject to these policy limits and the directions of the ARCC, the CEO may sub-delegate the day-to-day running of the Company to the senior executive team. The exercise of delegated authority is restricted to specific organisational functions and roles.

The Delegated Authority Policy details the delegated thresholds for various types of commitment and individual positions, as well as the authorisation processes that are required to be followed.

All senior executives are appointed to their positions after a rigorous recruitment process. Each member of the senior executive team, including the CEO, have signed formal employment contracts at the time of their appointment, covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each contract refers to a specific formal job description and each contract sets out the remuneration of the executive, including their entitlements to any rights under incentive plans.

### Performance of Board, Directors and Senior Executives

Annual performance review processes for the board, directors, committees, CEO and senior executives are as follows:

- *Board* – each director completes an evaluation form of the Board using set evaluation criteria. The Board then discusses its ability to meet its objectives and makes recommendations. The results are processed by an independent expert or the NRC and any issues are put before the Board for resolution.
- *Individual directors* – the performance of directors being submitted to shareholders for election or re-election at each Annual General Meeting is assessed by the NRC, taking into account the collective skillset of the

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Board. The NRC then makes a recommendation on the full board on the director's appointment. The Board's support for the election of the director is noted in the Notice of Meeting.

- *CEO* – The Board formally assesses the CEO's performance. All Key Performance Indicators (**KPIs**) are carefully considered by the NRC, which evaluates the CEO's performance and makes recommendations to the Board.
- *Senior Executives* – The CEO reviews the performance of the senior executives on an annual basis. Individuals perform self-assessments using pre-determined ratings and evaluation criteria, including the business performance of the Company, whether strategic objectives are being achieved, and the development of management and personnel. The relevant supervisor(s) and team members of the individual will then provide feedback on that person's performance using the same form. A meeting is then held between the individual and the CEO to discuss issues raised and any discrepancies between the self-assessment and peer review.

In August, the Board will conduct its annual formal, structured performance evaluation with confidential questionnaire covering the role, composition, processes and the carrying out of its responsibilities. The analysis of the results will be reported to the Board at its meeting in September 2019.

The established evaluation process is expected to continue to identify strengths, improvements and areas for increased focus.

Annual performance reviews for the senior executives were carried out during the year ended 30 June 2019, the evaluation process noted strengths, recommended improvements and identified areas for increased focus, as well as individual training development plans.

Non-executive director fees are outlined in their letters of appointment with remuneration reviewed on an annual basis, referencing external benchmarking.

Further information on directors' and executives' remuneration, including principles used to determine remuneration and KPIs, is set out in the Annual Report under the heading "Remuneration Report".

### **The Company Secretary**

The company secretary acts as secretary of the Board, attending all meetings of the Board and its committees. The company secretary is accountable to the Board through the chairperson on all corporate governance matters and the proper functioning of the Board.

### **Director and executive induction and education**

An induction process is in place for new directors and executives which ensures that the new director/executives familiarise themselves with the Company, the Board, and the business.

Directors and executives are provided training when required.

### **Independent professional advice and access to company information**

The Board, an individual Board member, or a Committee established at the Board's direction, may engage an independent external advisor in relation to any Board matter at the expense of the Company. Before the external advice is sought, consent needs to be obtained from the Chairperson (or Committee Chairperson where applicable). A copy of any advice received is to be made available to all members of the Board.

### **Diversity Policy**

The Company maintains a diversity policy to promote a balanced workforce and encourage selection from a diverse pool of candidates. A copy of the policy is available on the Company's website.

The policy outlines the Company's commitment to diversity in the workplace and the provision of a work environment that is enriched with diversity of thought, free from discrimination and promotes equal opportunity for all. Citadel promotes an inclusive workplace where employee differences in areas including gender, age, culture, disability and

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lifestyle choice are valued. The Company has a diverse mix of employees with the appropriate qualifications for roles within the current business.

The Board believes the unique skills, perspectives and experiences the Company's employees possess, encourages creativity and thought innovation to better represent Citadel's customer base, ultimately driving improved business performance.

The policy has diversity objectives and measures, as outlined in the Diversity Policy, which include:

- ensuring that Citadel's recruitment process encourages selection from a diverse pool of candidates;
- achieving a balanced representation of both men and women across Citadel's workforce;
- providing equal opportunity to its employees based on their individual merit and contribution to the Company; and
- fostering a culture of flexibility and a family friendly work environment.

The policy does not currently include measurable objectives for achieving gender diversity. Due to the current size and stage of the development of the Company, the existing policy is to actively encourage gender diversity at all levels in the organisation and a culture that supports workplace diversity. Citadel's Future Leaders programme is directed at ensuring those employees with highest potential have an equal chance to develop their skills and knowledge in a structured and empathetic fashion. Future Leader participants are selected on merit, but with an objective of ensuring diversity in our future leadership. Citadel's Benefits and Flexibility programs have also been designed to promote diversity, and include a generous paid parental leave program and flexible work policy. Citadel's recruitment process is directed toward seeking out diverse candidates, and seeks to include women on all selection panels, and in its shortlists where possible. Citadel's geographically dispersed footprint and quality IT infrastructure allows for flexibility of most working arrangements, providing an additional ability to achieve recruitment diversity.

Citadel will periodically review these processes to ensure that diversity considerations remain a key aspect of its recruitment. The NRC will assist in ensuring that, as the Company develops and expands, opportunities created to further improve diversity are managed in accordance with the Diversity Policy.

As at 30 June 2019, the gender distribution within the Company was as follows:

Gender representation	30 June 2019	
	Female %	Male %
Board	20%	80%
KMP	50%	50%
Executive and senior management	20%	80%
Company-wide	37%	63%

Note: Executive and senior management representation includes the CEO and all direct reports.

In appointing members to the Board, consideration is given to the skills, business experience and educational backgrounds of candidates. The advantage of having a mix of relevant business, executive and professional experience on the Board, the importance of cultural and ethical values, and the benefits of diversity (including gender diversity) are also recognised. These factors, in addition to identified skills gaps, are considered in the appointment of new directors to the Board.

The Board currently has one female non-executive director out of five directors, Ms Anne Templeman-Jones.

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### Principle 2: Structure the Board to add value

#### Nomination and Remuneration Committee

The NRC assists the Board in fulfilling its responsibilities to shareholders in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance.

Their responsibilities include:

- assessing the skills and competencies desired and required on the Board;
- from time to time assessing the extent to which the required skills are represented on the Board and set a transparent process to review whether those requirements are being met;
- considering and recommending to the Board nomination, selection and induction of non-executive directors;
- considering and recommending to the Board succession plans for non-executive directors;
- establishing and monitoring strategies on gender diversity for the Company as they relate to the Board and its Committees;
- establishing and disclosing a skills matrix for the Board, setting out the mix of skills and diversity that the Board has or is looking to achieve;
- establishing processes for the review of the performance of individual directors and the Board as a whole;
- establishing processes for the identification of suitable candidates for appointment to the Board including performing checks on the candidate's character, experience, education, criminal record and bankruptcy history (and providing this information to shareholders); and
- recommending the appointment and removal of directors.

The NRC comprises General Peter Leahy AC (Chairman), Mr Kevin McCann AM, and Ms Anne Templeman-Jones, who are all considered to be Independent Non-Executive Directors.

The NRC's Charter is available on the Company's website.

#### Board Size and Composition

The Constitution of the Company provides there be a minimum of three directors and not more than seven directors.

At the date of this report, the Board comprises five non-executive directors.

The current members of the Board are:

- Mr H. Kevin McCann AM (Chair), (appointed 3 October 2014).
- Lieutenant General Peter Leahy AC (Ret'd) (Non-executive Director), (appointed 28 June 2014).
- Mr Mark McConnell (Non-executive Director), (appointed 7 November 2007).
- Ms Anne Templeman-Jones (Non-executive Director), (appointed 8 September 2017).
- Mr Samuel Weiss (Non-executive Director), (appointed 15 May 2019).

The Board considers that the existing Board composition and structure is appropriate for the Company's current operations, size and stage of development, but will continue to review this on an ongoing basis.

Directors' details are listed in the Annual Report in the Directors' Report, including details of their other listed entity directorships and experience. This information can also be found on the Company's website.

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### Board Skills and Diversity

The Board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The full biographies of all directors are included in the Directors' Report in the Annual Report. Below is an extract of those biographies, noting skills of each director as assessed in the skills matrix information disclosed further in this Statement.

**Mr Kevin McCann** is a Chairman with extensive experience in corporate governance, finance and law, having practised commercial law for over 30 years. He also has extensive experience serving on the Boards of ASX listed companies enhancing the ASX governance skills of the Company. Mr McCann also has financial, capital markets, mergers and acquisitions experience and people and performance management skills which he brings to the Board.

**Lieutenant General Peter Leahy (Ret'd)** brings to the board deep knowledge of defence strategy and requirements having had oversight of significant budgets and personnel. During his tenure as Chief of Army, he was directly responsible for the Army's \$6bn annual budget. Other skills include detailed management of personnel, operating and capital cost centres and direct responsibility to raise, train and sustain the Army. He was also the principal adviser to the Chief of the Defence Force on strategic matters related to the deployment of the Army on global combat operations.

**Mr Mark McConnell** is a successful business developer whose skills cover the areas of business strategy, investor relations, capital raising and innovation. Mark has been recognised with a number of entrepreneurial awards, and is a director of several private companies as well as ASX-listed Viva Leisure Limited and Adveritas Limited. Although a director of the Company since inception in 2007, since 1 July 2016, Mark has served as a Non-Executive Director.

**Ms Anne Templeman-Jones** Anne is an experienced listed company non-executive director, and experienced Chair of Audit and Risk and Remuneration Committees. She is currently a non executive Director of the Commonwealth Bank of Australia Limited, GUD Holdings Limited, Citadel Group Limited, and WorleyParsons Limited. Anne had a 30-year executive and professional non executive career developing deep operational, risk, governance and strategy experience in highly complex and regulated organisations, including banking and finance, oil & gas, mining and minerals, chemicals, renewable energy and automotive aftermarket. Since 2013 Anne has further focused on digital enablement and risk in all aspects of emerging technologies including cyber, data, AI and cloud, and how this affects the sectors within which she currently works. Anne is a qualified Chartered Accountant and a Fellow of the Australian Institute of Company Directors, and has a BCom (UWA), EMBA (AGSM), and a Masters in Risk Management (UNSW).

**Mr Samuel Weiss** joined the Citadel Board in May 2019. Sam has strong corporate governance experience with specific skills and background in technology, online products and services, consumer marketing, and doing business in global markets. He has a leading edge understanding of multi-channel brand management and go-to-market strategy development and of Internet enabled businesses. Sam is well versed in the human capital, legal and financial intricacies of mergers and acquisitions, corporate re-structuring and business integration and consolidation. He has boardroom expertise in remuneration policy and planning, as well as director level oversight of strategic planning, and organisational design and development.

### Board Skills Matrix

The board maintains a Board Skills Matrix that lists out the skills and experience considered by the board to be important for its directors to collectively possess. These skills are set out in the table below, with each considered a competency that the board believes it requires to effectively discharge its duties. The table also illustrates the extent to which the current board fulfils each of the identified required skills. Although collectively some competencies and skills have a higher expertise or skill level than others, the board is of the opinion that collectively it has an adequate skill level for all competencies to discharge its duties.

Upon analysis of the matrix, the board is satisfied that it has the necessary mix of skills and experience appropriate to the current size and complexity of the Company's business. This is evidenced in the director biographies in the Company's Annual Report which outlines the skills and expertise of each director.

In addition to the skills and experience set out in table below, the board considers that each director has the following attributes:

- honesty and integrity;

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- the ability to think strategically;
- the time available to devote to Citadel's business;
- a willingness to question and challenge; and
- a commitment to the highest standards of governance.

All directors are expected to use their range of relevant skills, knowledge and experience and to apply their judgement to all matters discussed at Board meetings.

### Board Skills Matrix

<b>Strategy</b> Demonstrated experience in developing, implementing and delivering business objectives.	3	2
<b>Financial Acumen</b> Proficiency in understanding finance, accounting and reporting processes, & capital management.	3	2
<b>Industry experience</b> Experience and broad understanding of the technology, defence & health markets in Australia.	4	1
<b>People and performance</b> Appreciation for the best practices in HR.	4	1
<b>Legal acumen</b> Proven ability to understand and apply legal principles.	4	1
<b>Listed company experience</b> Experience as a non-executive director of at least two other listed entities.	3	2
<b>Technology, disruption &amp; innovation</b> Expertise in relevant technology areas, disruption & innovation.	3	2
<b>Risk Management</b> Proven ability in identifying, assessing and managing strategic & operational risks.	3	2
<b>Global perspective</b> Global perspective of the overseas markets where the company has or intends to have operations.	3	2
 Practical skills/direct experience (no. of directors)		 High competency, knowledge and experience (no. of directors)

Whilst the current Board composition meets the Company's needs, this skills and experience analysis assists to identify opportunities for director training and development and identify skill gaps to be addressed through future Board appointments.

### Director Appointments

Under the NRC Charter, the Committee reviews and where appropriate, makes recommendations to the Board on the size and composition of the Board, including assessment of necessary and desirable competencies of Board members. To this end, the NRC periodically assesses the appropriate mix of competencies, skills, experience and expertise

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required by the Board and assesses the extent to which the required skills and experience are currently represented on the Board.

The NRC is also responsible for reviewing and making recommendations to the Board on its membership, including recommendations for the appointment and re-election of directors and where necessary, proposing candidates for consideration by the Board. The NRC must have regard to the factors set out in the NRC Charter, including that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds in accordance with the Diversity Policy.

Ultimately, the full Board determines who is invited to fill a casual vacancy after interviews with candidates and thorough due diligence and reference checking. In accordance with the Company's Constitution, a director appointed by the Board holds office until the conclusion of the next Annual General Meeting when he or she will be eligible for election at that meeting.

The NRC's current membership is set out earlier in this Statement and the independence of the members is discussed below.

### **Directors' Independence**

The Board has considered specific principles in relation to directors' independence. The Board considers an independent director to be a non-executive director who is not a member of the Company's management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles.

On an annual basis, the Board assesses the independence of all directors against the criteria outlined in Box 2.3 of the third edition of the ASX Recommendations.

Mr H. Kevin McCann AM, Ms Anne Templeman-Jones, General Peter Leahy AC and Samuel Weiss are considered by the Board to be independent.

Given the previous executive positions and/or current shareholdings held by Mr McConnell, he is not considered to be independent based on the criteria in Principle 2 of the ASX Recommendations.

Based on this assessment the Board has a majority of independent directors.

### **Directors' Interests**

Directors are required to keep the Board advised of any interest that may be in conflict with those of the Company, and restrictions are applied to directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

Standing items at each Board meeting include:

- Directors' Shareholding Register; and
- Directors' Standing Notice Register.

### **Chair of the Board**

The Board has agreed that it should continue to have a majority of independent non-executive directors, that the positions of Chair and CEO must be separate, and that the Chair should be an independent non-executive director. The same individual does not occupy the role of chair of the Board and CEO.

Mr H. Kevin McCann AM was appointed chair of the Company on 3 October 2014 and based upon the factors described above in this Statement, is considered an independent non-executive director.

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### Principle 3: Act ethically and responsibly

The Company's reputation is one of its most valuable assets and, if damaged, can be one of its most difficult to restore. As such, a Code of Conduct (the **Code**) has been established which sets out the moral and ethical standards to which all directors, senior executives and employees must adhere in performing their duties to ensure the Company maintains its reputation as an exemplary corporate citizen.

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

### Related party transactions

The Company's Related Party Transactions Policy & Procedures policy sets out who is considered a related party, and their obligations for disclosing potential related party transactions (as defined in the policy). The ARCC is responsible for performing an assessment of the transaction and whether shareholder approval is required. Their assessment is provided to the Board, who is responsible for deciding what action to take.

### Securities Trading

The Company also has a Securities Trading Policy, which sets out the policies and procedures for trading in Citadel securities by its directors, senior executives and employees.

Subject to necessary prior consents being obtained, the Company's directors, executives and employees may trade in the Company's securities at any time except during the following closed periods:

- the period between Citadel's financial half year end and the announcement of the half-year results; and
- the period between Citadel's financial year-end and the announcement of the annual results.

Directors and senior executives may, in exceptional circumstances as defined in the policy, trade in closed periods, but only with the prior written consent of the Chair (for directors), and the Chief Financial Officer for other applicable employees. Notwithstanding the closed periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Company.

The policy also:

- prohibits directors, senior executives and employees from engaging in short term trading, margin lending and hedging of the unvested securities of the Company; and
- outlines the Board's discretion to prohibit or otherwise restrict any or all employees from dealing in the Company's securities at any time.

A copy of this policy is available on the Company's website.

### Principle 4: Safeguard integrity in corporate reporting

#### Audit Risk and Compliance Committee

The ARCC operates pursuant to a Charter (available on the Company's website) which takes into account the roles and responsibilities of the Committee as well as contemporary governance practices.

The ARCC has a number of responsibilities relating to risk, the financial statement and external audit processes including, but not limited to:

- understanding current areas which pose the greatest financial risk and the controls management has in place to adequately safeguard against them;
- reviewing significant accounting, legal and reporting issues and understand their impact on the financial statements;
- reviewing and approving financial information prior to market release;
- reviewing the interim financial statements and disclosures;

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- reviewing the annual financial statements, focusing on judgemental areas such as the valuation of assets and liabilities, depreciation and amortisation rates etc;
- recommending the selection, appointment and removal, and remuneration of the external auditor, including the rotation of the external lead audit partner;
- reviewing the external auditor's proposed audit scope, plan and approach;
- considering the independence of the external auditor taking into account non-audit services provided to the Company; and
- reviewing the external auditor's effectiveness, quality of services provided and resources at least once a year.

The ARCC's Charter sets out the responsibilities of the ARCC for the Internal Audit function; these are under further review given the continued growth of the company, and changes to its processes and systems.

Refer to Principle 7 below for further information on the ARCC and its responsibilities regarding risk.

The ARCC's current membership, the independence of the members and details of ARCC meetings and attendance by each committee member, are set out earlier in this Statement and the Directors' Report in the Annual Report.

The qualifications and experience of the members of the ARCC are outlined in the Directors Report in the Annual Report and earlier in this Statement where skills of each of the Directors is addressed.

In accordance with the Company's legal obligations, and Recommendation 4.2 of the ASX Recommendations, before it approves the entity's financial statements for a financial period, the Board receives 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 Company's external auditor attends the AGM to respond to any questions from security holders relevant to the audit.

### **Principle 5: Make timely and balanced disclosure**

The Company has a Continuous Disclosure and Communications Policy, which details its policies and procedures for complying with ASX continuous disclosure requirements and Corporations Act.

In summary, the Company's Continuous Disclosure and Communications Policy sets out:

- the roles and responsibilities of the Board and the Disclosure Committee;
- the procedures to be followed to assess what price sensitive information is to be disclosed to the ASX and to ensure that announcements are balanced, factual and accurate;
- procedures for responding to the media, and dealing with analyst, shareholder and investor queries; and
- how the Company is to respond to analyst reports, rumours, leaks and forecasts.

The Disclosure Committee's responsibilities include liaising with the ASX, ensuring the Company's disclosure system is operating effectively, overseeing and coordinating the disclosure of information, keeping records, periodically reviewing the disclosure procedures, educating officers and employees of the continuous disclosure policy and procedures, and regularly preparing disclosure reports to the Board.

### **Principle 6: Respect the rights of security holders**

The Company is committed to ensuring the rights of its investors are protected and therefore has a dedicated section of its website for investors. Within this section there are:

- share price details;
- ASX releases;

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- Shareholder reports;
- general information about the Company;
- contact details (including the email address for the investor relations contact);
- share registry information and contact details;
- details on the Board and management; and
- corporate governance information – including the Company Constitution, its Charters and Policies.

The Company also provides information on its Board of Directors and Management Team to give investors some biographical information on the individuals responsible for managing the Company.

To facilitate information flows, the Company also maintains on its website copies of annual reports and financial statements, ASX announcements, presentations to analysts and other media releases.

The Chairman, CEO and the executive officers meet with shareholders and corporate governance advisors on at least an annual basis, as well as where there have been major events such as acquisitions.

Shareholders have the right, and are encouraged, to attend the Company's annual general meeting, held in October or November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on the Company's website and lodged with the ASX.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the annual general meeting can lodge a proxy in accordance with the Corporations Act. Proxy forms can be lodged with the share registry by mail, hand delivery, facsimile or electronically.

All shareholders are provided the option to receive communications from the Company and the share registry electronically (and are encouraged to do so, with election documentation included in regular mail outs to shareholders).

### **Principle 7: Recognise and manage risk**

The Board is responsible for ensuring that sound risk management strategy and policies are in place. The Board has delegated to the ARCC the responsibility for identifying and overseeing major risks and the systems in place to manage them.

### **Audit, Risk and Compliance Committee**

As part of the Board's plans to fulfil its obligations to manage risk, the ARCC is responsible for:

- reviewing and monitoring the effectiveness, comprehensiveness, integrity and quality of the risk identification, assessment and management process, and the risk management strategies;
- ensuring appropriate risk management is integrated into all major business processes;
- reviewing the annual insurance policy to ensure appropriate coverage is in place;
- oversight of proper risk management accountability, governance structure, reporting system and compliance with risk management policies;
- ensuring that strategic and major operational risks are brought to the attention of the Board in a timely manner and are adequately managed;
- reviewing and making recommendations to the Board in relation to the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business; and
- reviewing the Company's risk management framework at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.

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The ARCC provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the ARCC's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The ARCC's current membership and independence of its members are set out earlier in this Corporate Governance Statement. Details of ARCC meetings and attendance by each committee member are also disclosed earlier in this Statement and in the Directors' Report contained in the Annual Report.

The ARCC reviews and assesses the Company's risk management framework and reviews the identification and management of the key risks of the business and the mitigation of those risks where possible.

The ARCC considers risk matters on an ongoing basis and undertook a formal review of its risk management framework during the year ended 30 June 2019.

### **Risk management**

The Board is responsible for reviewing the Company's policies on risk oversight and management, and for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Directors and Senior Leadership Team are responsible for designing and implementing risk management and internal control systems to manage each company's material business risks and reporting to the Board whether those risks are being managed effectively.

The major risk events, together with possible reasons for their occurrence, are identified and recorded in each company's risk register in accordance with AS/NZS ISO 31000:2009 Risk Management Standard, but those rated as unacceptable are brought to the Board's attention along with the strategies being implemented to manage them. In this international standard, risk is defined as "the effect of uncertainty on objectives". This effect may be positive, negative, or a deviation from the expected.

It is intended this framework be subject to another formal review during the 2020 financial year, together with the consideration of risk matters on an ongoing basis.

The Board uses a risk management process, which includes assessment of associated with decisions against its pre-established risk appetite. Any risk that crosses this threshold is elevated to the Board for its consideration, review or action as necessary.

### **Internal audit**

The Company does not currently have an internal audit function. However, reviews are conducted by management on key internal controls of the business. Focus is on high risk areas as identified through consultation between management, and the ARCC. A process is underway to assess the requirement for an internal audit function.

### **Economic, environmental and social sustainability risks**

In accordance with Recommendation 7.4, the ARCC has considered whether the Company has any material exposure to economic, environmental and social sustainability risks and determined there is no material exposure to these risks.

## **Principle 8 Remunerate fairly and responsibly**

### **Nominations and Remuneration Committee**

The Board has established an NRC, which operates in accordance with its Charter (available on the Company's website). The role of the NRC is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resources objectives. The NRC is also responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

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## CORPORATE GOVERNANCE STATEMENT

The NRC's current membership and the independence of the members are set out earlier in this Statement. Details of the NRC's meetings and attendance by each Committee member are also outlined earlier in this Statement and in the Directors Report contained in the Annual Report.

The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Citadel's policy is to reward executives with a combination of fixed, performance-based and equity-based incentives. In relation to ASX Recommendation 8.3, the Company's Security Trading Policy prohibits employee shareholders (which includes those that have obtained shares via the equity-based remuneration scheme) short-term trading, margin lending, and hedging of invested Citadel securities.

**This Corporate Governance Statement was approved by a resolution of the Board on 20 August 2019.**