



**Adcorp Australia Limited**  
**Statement of Corporate Governance**  
**30 June 2018**

This Corporate Governance Statement of Adcorp Australia Limited has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations'). The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained on our website at <http://www.adcorp.com.au/investors>

This statement has been approved by the company's Board of Directors ('Board') and is current as at 31 August 2018.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

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

**Recommendation 1.1**

The Board is ultimately accountable for the performance of the company. It provides leadership and sets the strategic objectives of the company and its subsidiaries. It approves the appointment of all senior executives and assesses their performance on at least an annual basis. It is responsible for overseeing:

- Strategic direction of the business and matters that have a fundamental impact on the company, such as profitability and material acquisitions and takeovers, dividends and buybacks, material profits upgrades and downgrades, and significant closures.
- Financial and cash flow management matters, reported to the board in monthly board meetings
- Approval of annual budgets and monitoring performance against these budgets on a monthly basis
- Key client engagement strategy and development of new business and new markets
- Monitoring management's performance in achieving the company's strategic and financial growth objectives, overseeing the remuneration of executive management and ensuring the appropriate mix of skills and experience in the executive management team

The Board has delegated the day-to-day management of the company to the CEO and other senior executives ('management'). The company's management is responsible for the following:

- implementing the strategic objectives set by the Board;
- delivering the P&L and Cash flow budgets approved by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the company;
- managing the company's reputation and operating performance in accordance with parameters set by the Board;
- development of relationships with key clients and broadening the company's market share



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- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.

All Adcorp employees and management executives have their roles and responsibilities defined in their specific position descriptions and are evaluated annually against the position descriptions and KPI's.

### **Recommendation 1.2**

The company undertakes comprehensive research prior to appointing a director to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The company provides relevant information to shareholders in the Directors report of the Annual Financial Statements and in meeting notices where a vote to elect or re-elect a director is required, for their consideration of the attributes of board members together with whether the Board supports the appointment or re-election.

### **Recommendation 1.3**

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

### **Recommendation 1.4**

The Company Secretary reports directly to the CEO and prepares a monthly board report and attends all Board meetings. The Company Secretary is accessible to all directors.

### **Recommendation 1.5**

The company applies an inclusive, equitable policy in the selection of candidates for a role within our business or when managing and promoting employees in all areas of the business, recognising skills, experience, education and personal attributes relevant for the role regardless of race or gender. We respect the unique contribution people can make to our business and to our clients and stakeholders, through diversity of experience, background, culture, family responsibilities and lifestyle.

The company does not have a formal diversity policy but actively undertakes the actions mentioned above and assesses an individual's credentials on their merits with complete objectivity and without bias so that the company attracts, appoints and retains the best people to work with the company where all persons have equal opportunity.

Adcorp is compliant with the *Workplace Gender Equality Act 2012* (Act) and the latest report is available on our website at <http://www.adcorp.com.au/investors>



The participation of women in the Australian operations of the entity as reported in the latest Workplace Gender Equality report is as follows:

	2018 Female	2018 Male	2017 Female	2017 Male
On the Board	0%	100%	0%	100%
Senior executive management (Direct report to CEO)	44%	66%	50%	50%
All other Management positions	78%	22%	75%	25%
Total participation all roles across the company	64%	36%	67%	33%

**Recommendation 1.6**

The company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts an introspective annual discussion of its performance on a collective basis to identify general aspects of its performance that could be improved upon, and such analysis includes the roles played by each Board member. Such reviews therefore encapsulate collective discussion around the performance of individual Board members, their roles on specific projects during the financial year, and where relevant, how their role could be modified or suggestions for individual development or performance improvement for the future.

Until such time as the company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the company.

**Recommendation 1.7**

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the financial year. These are principally aligned to the achievement of annual budget, progress against strategic objectives and delivery of set KPI's.

The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the company. For the reporting period ending 30 June 2017, annual assessments were performed in September 2017. For the reporting period ending 30 June 2018, these will be undertaken.

**Principle 2: Structure the board to add value**

**Recommendation 2.1**

The Board does not maintain a Nomination Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes the identification of skills and competencies required for the Board and related committees, as well as nomination, selection and performance evaluation of non-executive directors. The Board does not actively manage succession planning and instead relies upon the Board's extensive networking capabilities and/or executive recruitment firms to identify appropriate candidates when a Board vacancy occurs or when a vacancy is otherwise envisaged. Attributes of candidates put forward will be considered for 'best-fit' to the needs of the Board which are assessed at the time of the vacancy.



**Recommendation 2.2**

The Board did not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership as at 30 June 2018. The current Board members represent individuals that have extensive industry experience as well as professionals that bring to the Board their specific skills in order for the company to achieve its strategic, operational and compliance objectives.

Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the company’s short and longer term objectives and therefore deliver value to shareholders. Subsequent to 30 June 2018, the board implemented a formal board skills matrix format.

All Board members are however expected to be able to demonstrate the following attributes:

**Board Member Attributes**

Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

**Recommendation 2.3**

Details of the Board of directors, their appointment dated, length of service and independence status is as follows:



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Director's name	Appointment date as Director	Resignation date as Director	Length of service at reporting date (full years)	Independence status
Ian Rodwell	13 July 1981		18 years <sup>1</sup>	Not-independent Chairman
David Morrison	21 March 2011		14 years <sup>2</sup>	Executive Director
Garry Lemair	1 July 2013	18 October 2017	4 years	Independent Non-Executive Director
Dean Capobianco	1 July 2013		4 years	Independent Non-Executive Director
Alex Parsons	13 March 2018		<1 years	CEO and Managing Director

<sup>1</sup> Ian Rodwell held the office of Managing Director from the date the company listed on the ASX in 1999, to 2004. However he was a director since 1981 prior to its listing.

Ian has been a director of the company since that date, assuming the role of Chairman in July 2013

<sup>2</sup> David Morrison joined Adcorp in September 2003, and was appointed CEO and Director, in March 2011

Ian Rodwell is the company's majority shareholder, who currently holds approximately 74% of the shares on issue. David Morrison is the Chief Executive Officer and a shareholder who currently holds approximately 2% of the shares on issue. On these facts, Mr Rodwell and Mr Morrison have been assessed by the Directors as being non-independent Directors. Whilst being classified as non-independent, the Board does not believe that the actions of either Mr Rodwell or Mr Morrison are in any way impaired, but rather that their decisions are always made in the best interest of the company's shareholders.

#### **Recommendation 2.4**

There were four members on the company's Board between 1 July 2017 and 18 October 2017 and from 13 March 2018 to the date of this report, with three members during the intervening period. Having regard to the company's response to Recommendation 2.3 above, up to 18 October 2017, two of the four directors (Ian Rodwell and David Morrison) are not independent. From 19 October 2017 to 12 March 2018, two of the three directors are not independent. From 13 March 2018, three of the four directors (Ian Rodwell, David Morrison and Alex Parsons) are not independent. The Board considers that the company is reliant upon the deep industry knowledge and experience held by these non-independent directors in order to achieve its objectives at this time. Until such time as the company is of a size that warrants the appointment of additional non-executive and independent directors, the Board is of the view that the absence of a majority of independent directors is not an impediment to its operations, shareholders or other stakeholders

#### **Recommendation 2.5**

Ian Rodwell is currently the Non-executive Chairman of the Board and the majority shareholder. The Board recognises the importance that the Chair should be independent, but is of the current view that it is not in the best interests of the company or shareholders for this matter to be addressed at a time where the focus of the Board is on restructuring and returning the business to profitability.



In relation to 2.4 and 2.5 above, the current structure of the Board and the experience of its chairman and directors, provides a forum for open and constructive discussion among directors and promotes effective decision-making. It also brings a fuller understanding of emerging issues in the industry and the competencies required to address these effectively, which is considered in the best interests of the company.

### **Recommendation 2.6**

New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the company's operations and background. There is no formal director development programme with directors being responsible for their own development and for identifying opportunities for them to enhance their skills and knowledge.

### **Principle 3: Act ethically and responsibly**

#### **Recommendation 3**

The Company maintains a Code of Conduct and Corporate Social Responsibility Policy which underscores the conduct expected of every director, executive and employee of the business.

In summary, these codes requires that each person act honestly, in good faith and in the best interests of the company; exercise a duty of care; use the powers of office in the best interests of the company and not for personal gain, declare any conflict of interest; safeguard company's assets and information and not undertake any action that may jeopardise the reputation of company.

These codes are communicated to all employees on commencement of their employment with the company, are available via the company's internal intranet and are available on the company's website at <http://www.adcorp.com.au/investors>

### **Principle 4: Safeguard integrity in corporate reporting**

#### **Recommendation 4.1**

The Company maintains a separate Audit Committee Comprising of Ian Rodwell (Chair), David Morrison and Dean Capobianco.

The functions performed by the Audit Committee includes the review and monitoring of periodic management information and the systems used to generate financial information that provides the content for the Annual Report. The Company Secretary (to 15 June 2018) and Chief Financial Officer (from 15 June 2018) and key members of the finance team are responsible for liaising with external auditors to discuss the adequacy of the company's internal controls and systems used to provide assurance over the integrity of corporate reporting and to implement recommendations for improvement. The Audit Committee meets with the external auditor at least twice annually, and assesses the adequacy of the external audit process, the outcome of the audit and the auditors' continued independence.



A change in external auditor will be contemplated on advice of the CEO and/or Company Secretary (to 15 June 2018) and Chief Financial Officer (from 15 June 2018) where there are concerns pertaining to quality, cost, independence or a combination thereof. This may be carried out by either requesting that the auditor resign at the next AGM, or by way of removal by resolution of the company at a general meeting. Directors with appropriate accounting and finance experience in conjunction with the Company Secretary (to 15 June 2018) and Chief Financial Officer (from 15 June 2018) are assigned to the task of handling audit and corporate reporting matters and reporting back to the Board. External accounting and compliance specialists may also be engaged to assess and to advise upon the company's reporting processes, internal controls and compliance obligations. Whilst certain individuals may assist in the financial reporting process, the Board acknowledges that the full Board is responsible for ensuring that the financial statements reflect their understanding of operations, and provide a true and fair view as to the financial position and performance of the entity.

### **Recommendation 4.2**

For the financial year ended 30 June 2018, the company's CEO and Company Secretary (to 15 June 2018) and Chief Financial Officer (from 15 June 2018) provided the Board with the required declarations.

### **Recommendation 4.3**

The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

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

### **Recommendation 5.1**

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market. Where any such person is in any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention for potential announcement.

Generally, the CEO and board are ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the company such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.



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In meeting these obligations, the Company may take external legal advice related to potential disclosures or market announcements

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

#### ***Recommendation 6.1***

The company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

#### ***Recommendations 6.2 and 6.3***

The board is committed to shareholder relations by:

- communicating effectively with shareholders;
- providing access to accurate and understandable information about the company's performance and strategy in the market announcements;
- encouraging participation at shareholder meetings;
- having the auditor attend the AGM to be available to answer shareholder queries

The company has a written "shareholder communications" policy but no formal investor relations program. The Board and Company Secretary engage with investors at the AGM and respond to shareholder enquiry on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.

Information is communicated in a timely manner to shareholders regularly through various publications and forums as follows:

- The Annual Financial Report
- The Chairman's address and Managing Director's presentation at the company's Annual General Meeting;
- Notices and explanatory memoranda of Annual General Meetings; and
- Announcements to the Australian Stock Exchange and the Australia Securities Investment Commission.

Adcorp posts all reports, Australian Stock Exchange and media releases and copies of significant business presentations and speeches on the Investor Relations page of the company's website at <http://www.adcorp.com.au/investors>

The Annual General Meeting of the company is typically held in Sydney, Australia. Details of the location, time and date of the meeting, and the business to be considered by shareholders are provided in the Notice of Annual General Meeting.



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The Chairman and CEO, through their respective address to shareholders, provide an update on the performance of the company and likely outlook for the company. Following the formal business of the meeting, opportunity is provided to shareholders to ask questions in this regard.

The company's external auditors attend this meeting and are available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.

### **Recommendation 6.4**

The company engages its share registry, Computershare, to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry at [www.computershare.com.au](http://www.computershare.com.au)

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

#### **Recommendations 7.1 & 7.2**

The company does not have a Risk Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The company does have a Risk Management policy which is communicated to all employees on commencing employment with the business. The board performs the function of a Risk Management committee which includes setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the company's effectiveness in managing it. The company maintains internal controls which assist in managing enterprise risk, and these are reviewed as part of the scope of the external audit, with the auditor providing the Board with commentary on their effectiveness and the need for any additional controls. The CEO and Company Secretary (to 15 June 2018) and Chief Financial Officer (from 15 June 2018) are responsible for monitoring operational risk, ensuring all relevant insurances are in place, and ensuring that all regulatory and compliance obligations of the company are satisfied.

#### **Recommendation 7.3**

The company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the CEO and Company Secretary (to 15 June 2018) and Chief Financial Officer (from 15 June 2018) who continually monitor the company's internal and external risk environment.

Adcorp's approach to risk management is to establish an effective control and reporting environment to manage significant risks to its business. A significant risk is defined as a chance that an action or inaction would pose a threat to the long term performance of the Company, assets of the Company or cause the failure of the Company to take advantage of market opportunities. Adcorp control environment to manage the risks to its operations, includes the following components:

- a) clearly defined management responsibilities and organisational structures;
- b) delegated limits of authorisation;
- c) accounting controls and reconciliations;
- d) strong management reporting systems;



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- e) disciplined budgeting processes;
- f) regular internal review mechanisms;
- g) physical security over company assets; and
- h) appropriate policies and procedures that are widely disseminated to, and understood by, employees.

### **Recommendation 7.4**

Refer to the company's Annual Report for disclosures relating to the company's material business risks (including any material exposure to economic, environmental or social sustainability risks). Refer to commentary at Recommendations in 7.1 to 7.3 above, for information on the company's risk management framework.

The company's Annual Report is available on the company's website at:

<http://www.adcorp.com.au/investors>

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

#### **Recommendation 8.1**

The company does not have a Remuneration Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes:

- Setting the company's remuneration structure
- Overseeing the remuneration of the CEO and his direct reports
- determining eligibilities to incentive schemes and proposed incentive payments to senior managers/executives;

The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate.

The principles used to determine the nature and amount of remuneration for directors and senior executive is disclosed within the Remuneration report contained within the Annual Report.

#### **Recommendation 8.2**

Non-executive directors are remunerated by way of cash fees and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.



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The principles used to determine the nature and amount of remuneration for directors and senior executive is disclosed within the Remuneration report contained within the Annual Report which is available on the company's website at <http://www.adcorp.com.au/investors>.

**Recommendation 8.3**

The company maintains a Share Trading policy which is readily available to all employees via the company's intranet.

The policy addresses who the policy applies to, issues surrounding inside information and the process for monitoring and managing this, restrictions on directors and executives and the disciplinary action in the event of a breach. Where any such person is in any doubt as to whether they are in breach or if a potential action will result in a breach, they are required to notify the Company Secretary immediately in the first instance.

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

The Company Secretary in conjunction with the CEO and Board are responsible for establishing the policy, communicating the policy and monitoring its effectiveness.