



# **Corporate Governance Statement**

**24 August 2018**

## Corporate governance statement

The directors and management of Steadfast Group Limited are committed to high corporate governance standards and adopting the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The corporate governance policies and practices adopted by the Board are outlined in Steadfast's charters and policies found in the [corporate governance section](#) of the Steadfast Investor website.

This corporate governance statement discloses in summary form Steadfast's corporate governance policies and practices so that they can be readily understood by shareholders and other stakeholders.

This corporate governance statement relates to the 2018 financial year and accompanies Steadfast's 2018 Annual Report. This corporate governance statement has been approved by the Board and is dated 24 August 2018.

The ASX Corporate Governance Council (ASX CGC) has issued eight principles and as part of these principles, made 30 recommendations. Each is discussed below as it relates to Steadfast:

### ASX CGC Principle 1 – Lay solid foundations for management and oversight

#### ***Role of the Board***

Steadfast has established a board charter which sets out the roles and responsibilities of the Board and the roles and responsibilities of senior management. The role of the Board is to provide leadership and strategic direction including sound and prudential oversight of management. In performing its responsibilities and functions, the Board may choose to delegate any of its powers to a Board committee or to other persons in accordance with the Constitution.

To discharge its responsibilities and to provide direction and oversight of Steadfast, the responsibilities of the Board include:

- approving the strategic plans and budget, confirming the direction and objectives of Steadfast, associated performance indicators and targets and approving any variations as required;
- overseeing the conduct and performance of Steadfast to seek to ensure it is being properly and appropriately managed;
- overseeing all key aspects of Steadfast's financial position including giving specific attention to the quantum, nature and terms of any debt facility and its ability to meet its debts and other obligations as they fall due;
- overseeing the Group's capacity to identify and respond to changes in its economic and operating environment;
- approving and overseeing the risk management framework, assessing its effectiveness, understanding and reviewing the major and significant risks facing Steadfast and monitoring their management including business continuity planning and disaster recovery planning;
- overseeing, reviewing and monitoring the operation, adequacy and effectiveness of Steadfast's reporting systems and the overall framework of internal controls;
- seeking to ensure that there are adequate reward, development and succession plans in place;
- overseeing, reviewing and monitoring the operation of Steadfast's charters, policies and procedures to assist compliance with relevant legislation, including continuous disclosure and other requirements of ASX;
- approving corporate reporting and price sensitive market releases;
- selecting the external auditors and approving their scope of work;
- where the Board requires independent advice, selecting the advisors and ratifying their scope of work;
- reviewing, approving and monitoring compliance with Steadfast's code of conduct;

- reviewing and approving share trading guidelines for the Board and senior management;
- overseeing the work of Board committees;
- reviewing, approving and revising delegations of authority;
- approving and monitoring major projects and acquisitions;
- being aware of and, where appropriate, reviewing matters which impact on Steadfast and may attract adverse public, government, regulatory or other interest;
- attending to matters appropriately referred to it by management, the Managing Director & CEO or Board committees;
- attending to corporate governance matters including the identification and nomination of new directors to fill Board vacancies and diversity;
- appropriately involving itself in Steadfast's liaison and communications with key stakeholders including the discharge of Steadfast's continuous disclosure obligations;
- setting dividend policy and declaring and paying interim and final dividends, including bonus share plans and dividend reinvestment plans;
- communicating its information needs to management including as to Board papers;
- appointment, regular performance assessment, remuneration and succession planning of the Managing Director & CEO;
- seeking to ensure an appropriate process is in place to recruit, review the performance of, remunerate, motivate, train and develop senior management and to provide for management succession;
- establishing a remuneration policy and overseeing Steadfast's compensation system in consultation with Board committees;
- regularly reviewing the size, diversity and skills of the Board; and
- evaluating and reviewing its own performance.

The Board delegates authority, within parameters and in accordance with formal delegations, to the Managing Director & CEO for the executive management of Steadfast and the day to day operations of the Group, its subsidiaries and their respective operations. The Board regularly reviews the division of functions between the Board and management to ensure it continues to be appropriate to the needs of Steadfast.

The Board has established the following committees:

- Audit & Risk Committee;
- Nomination Committee; and
- Remuneration & Succession Planning Committee.

Each Committee was constituted for the entire financial year. Details of the number of Committee meetings held during the financial year, and attendance by Committee members at Committee meetings, are set out in the Directors' Report.

Strategic issues are reviewed regularly by the Board. To help the Board maintain its understanding of the business and to effectively assess management, Directors have regular papers from, and presentations by, members of the Senior Management team and other executives, including CEOs of various key operating businesses, on relevant topics including financial and operating performance and business planning. The Board receives updated forecasts throughout the year for key operating businesses and monitors the Group's performance against budget and forecast. The non-executive Directors also have contact with senior executives at numerous times, and in various forums, during the year.

The Board generally meets in Sydney and usually also spends time in another location to enable it to visit, or spend time with, CEOs of operating businesses. In the current financial year, the Board visited Newcastle, NSW, the location of the head office of the Group's second largest business, Underwriting Agencies of Australia Pty Limited (UAA), met with the staff and executives of that business and received a presentation from the CEO of UAA. All Directors attended the Steadfast Convention, the pre-eminent insurance industry event in Australia and attended by numerous Steadfast brokers.

Each formal Board meeting normally considers reports from the Managing Director & CEO, the CFO and other members of the Senior Management Team, together with other relevant reports. The Chairman and the Managing Director & CEO in particular, and Directors in general, have substantial contact outside Board and Committee meetings.

The Group has two main holding companies, Steadfast Insurance Brokers Pty Limited and Steadfast Underwriting Agencies Holdings Pty Limited, whose directors include senior industry and Steadfast network leaders. The role of these boards continues to evolve and includes a mentoring and development aspect for CEOs of operating businesses.

### ***Role of the Chairman***

The Chairman is responsible for:

- leading the Board in performance of its role and responsibilities;
- chairing Board meetings and shareholder meetings, including setting the agenda for Board meetings;
- ensuring the regular evaluation of the performance and remuneration of the Board, its Committees and its individual Directors based on the recommendations of the Board and its appropriate Committees;
- ensuring adequate time is available for discussion of all agenda items at Board meetings, particularly strategic matters, and facilitating effective discussion on these items;
- monitoring effective communication with shareholders;
- overseeing the role of the Managing Director & CEO including regular discussions between Board meetings and performance assessments and reporting on those discussions and assessments to the Board; and
- overseeing the role of the Company Secretary including reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board.

The Board Charter also sets out the responsibilities of the Chair of the various Board committees.

### ***Company Secretary***

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- advising the Board and its committees on governance matters;
- monitoring that Board and committee policy and procedures are followed;
- coordinating the timely completion and despatch of agendas, Board and committee papers and minutes;
- ensuring that the business conducted at Board and committee meetings is accurately captured in the minutes;
- preparing for the annual and any extraordinary general meetings;
- recording, maintaining and distributing the minutes of all general meetings of Steadfast;
- oversight of Steadfast's compliance with legislative obligations relating to ASX and ASIC and keeping statutory records up to date;
- seeking to ensure that the share registry is accurate and up-to-date;
- assisting in discussions at Board meetings especially in respect of the areas for which the Company Secretary is responsible;
- helping to organise and facilitate the induction and professional development of Directors; and
- regularly updating the Board on legal and regulatory developments.

Each Director may communicate directly with the Company Secretary and vice versa.

The decision to approve or remove a company secretary is approved by the Board following a recommendation by the Managing Director & CEO.

### ***Management's responsibilities***

Management is responsible for implementing strategic objectives and operating within the risk appetite and delegated authorities set by the Board and for all other aspects of the day-to-day running of Steadfast. It is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

The Managing Director & CEO is authorised to delegate such of the powers conferred on him as he considers appropriate. Steadfast has a written system of delegated authorities in place. In particular, a written delegated authority with specified limits is approved by the Board each year to enable the Managing Director & CEO to conduct the Group's business in accordance with the budget and business plan. This authority deals with topics such as acquisitions, leases, capital expenditure, approval of expenses, litigation claims and commercial disputes.

Members of the Senior Management Team regularly attend Board meetings. This assists in facilitating open communication between the Board and the Senior Management Team including in relation to Board expectations.

### ***Performance evaluation of senior management***

The Board charter provides that the Board is responsible for ensuring there is an appropriate process in place to review the performance of senior management. Executive management is reviewed by the Managing Director & CEO. The Managing Director & CEO is reviewed by the Chairman.

Steadfast conducts performance evaluations for senior executives in accordance with the process disclosed below.

The review process involves a performance management process with key performance objectives and weightings established for all senior management.

No employee is entitled to awards under the Short Term Incentive Plan or Long Term Incentive Plan if their performance management rating is less than 60% out of a maximum of 100%.

### ***Candidates for election or re-election as a Director***

Steadfast will undertake appropriate checks before appointing a director or before a candidate is put forward to shareholders for election as a director. Before appointing Ms Gai McGrath as a director, Steadfast undertook a series of checks, as indicated in the commentary of recommendation 1.2 of the ASX CGC's Corporate Governance Principles and Recommendations (which raised no concerns). Steadfast will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director and routinely does so when Directors offer themselves for re-election. Any candidate for election as a director is required to provide the Board with all material information including details of any positions or interests which may influence or be reasonably perceived to influence, in a material respect, the person's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interest of Steadfast and its shareholders. The candidate is required to consent to Steadfast conducting any background or other checks Steadfast would ordinarily conduct. The candidate is required to provide details of his or her other commitments and specifically acknowledge to Steadfast that he or she will have sufficient time to fulfil his or her responsibilities as a director. Ms McGrath provided all such consents, details and acknowledgements before her appointment as a Director.

### ***Written agreements with Directors and senior executives***

Steadfast has in place a written agreement with each Director and senior executive setting out the terms of their appointment to enable a clear understanding of roles, responsibilities and expectations.

### ***Diversity Policy***

Steadfast has established a Diversity Policy which outlines Steadfast's commitment to diversity including gender diversity, Board and senior executive diversity, work life balance, and ability not disability. Steadfast is committed to an inclusive workplace that embraces and promotes diversity as part of its corporate culture. This involves providing supportive and inclusive diversity-related workplace policies, programs and practices within the Group's business. Steadfast discloses its Diversity Policy on its [website](#).

A survey to monitor gender diversity in leadership, management, the corporate office and its controlled entities is conducted annually. The results of the survey are as follows:

	<b>2017</b>	<b>2018</b>
Women on the Board (two of seven)	17%	29%
Women on the Senior Management Team	27%	29%
Women in senior executive roles	40%	40%
Women Key Management Personnel	33%	33%
Women in the corporate office	58%	59%
Women in management positions in Steadfast controlled entities	31%	33%
Women in Steadfast controlled entities	58%	59%

The Board reviewed its current skills, diversity and the Company's significant growth and accordingly appointed Ms Gai McGrath to strengthen the Board's diversity, skills and succession plans for its committees.

In addition, in Steadfast corporate office:

- 63% of all employees awarded promotions were women;
- 30% of all manager promotions were awarded to women; and
- 58% of all non-manager promotions were awarded to women.

The survey also measured age and ethnic diversity, indicating the following age diversity:

	<b>2017</b>	<b>2018</b>
Under 30 years old in Steadfast controlled entities	28%	27%
Under 30 years old in corporate office	25%	26%
Between 30 and 50 years old in Steadfast controlled entities	52%	54%
Between 30 and 50 years old in corporate office	59%	57%
Over 50 years old in Steadfast controlled entities	20%	19%
Over 50 years old in corporate office	16%	17%

The survey measured those born in or outside Australia. Whilst this is only a rough guide to ethnic diversity, it was chosen as it is objective and avoided unnecessary personal intrusion. Results indicated:

	<b>2017</b>	<b>2018</b>
Born outside Australia in Steadfast controlled entities	24%	24%
Born outside Australia in corporate office	47%	47%

In accordance with the Diversity Policy, the Board annually reviews measurable objectives for achieving diversity which are currently as follows:

- achieve or maintain appropriate ethnic and/or cultural diversity having regard to the general population and the industry;
- achieve or maintain appropriate age diversity having regard to the general population and the industry;
- achieve or maintain appropriate female participation at all levels of the organisation having regard to the industry; and
- actively promote the development of female executives by supporting appropriate initiatives.

The Board also receives an annual report from management on the progress against these objectives including:

- succession plans and appointment processes to achieve diversity;
- policies to support work life balance;
- provision of supportive and inclusive diversity related policies programs and practices;
- ways to promote a culture supportive of diversity; and
- review of appropriate procedures for proper implementation of the diversity policy.

The report for 2018 shows that Steadfast has met its diversity objectives and achieved a high level of cultural, age and gender diversity compared to its peers and other ASX 200 listed companies.

## ***Evaluation of the performance of the Board and Directors***

The Chairman oversees the performance of the Board, its committees and each Director. The Board charter provides that the Board is responsible for developing and implementing a formal process to assess its own performance. The Board, and each committee established by the Board, performs an annual self-evaluation. Each year, the Directors provide to the Board their assessments of the effectiveness of the Board and the committees on which they serve. The Board regularly reviews its performance as a whole and the Chairman oversees the regular review of the performance of each Director. The Chairman's performance is also regularly reviewed by the Board. Each Committee annually reviews its performance by reference to its charter. Recommendations are then agreed and implemented as necessary. Performance evaluations were undertaken for the current financial year in accordance with the process described above.

The Board has considered whether to use an external facilitator to conduct its performance reviews. After consideration, the Board decided that it was not necessary to use an external facilitator at this time.

## **ASX CGC Principle 2 – Structure the Board to add value**

### ***Composition of the Steadfast Board***

The role of Chairman and the role of Managing Director & CEO are exercised by different individuals, being Frank O'Halloran AM and Robert Kelly respectively.

The Board is comprised of seven directors, a majority of whom are independent Directors, including the Chairman.

The Board considers that it is a high performing, effective Board and has an appropriate number of independent non-executive directors who can challenge management and hold them to account, and also represent the best interests of both Steadfast and its stakeholders as a whole rather than those of individual shareholders or interest groups.

The size of the Board, with seven directors (up from six in 2017), ensures it continues to be not so large as to be unwieldy. An additional director, Gai McGrath, was appointed on 1 June 2018 in order to broaden the range of skills and diversity on the Board and to assist in Board committee succession planning in due course. Particularly with the addition of Gai McGrath, the Board is of the view that it is of sufficient size so that the requirements of the business can be met and changes to the composition of the Board and committees over time can be managed without undue disruption. The Board continues to monitor its size and the expertise available.

Directors are selected to have a broad range of skills, experience, expertise and diversity complementary to Steadfast's activities.

### ***Key strategies and Board skills matrix***

The Board uses a board skills matrix which sets out the mix of skills and diversity that the Board is looking for and currently has, including a deep understanding of the insurance industry as well as corporate management and operational and financial matters. Each Director brings a range of experience and expertise to the Board and devotes significant time and resources to the discharge of their duties.

The Board, together with senior management, have identified the following key strategies for the Company to drive shareholder value:

- Maintain and develop a premier service offering to Network brokers;
- Maintain, build and enhance our strategic relationships;
- Drive growth organically and through acquisitions;
- Expand and solidify our international reach;
- Grow the Steadfast Client Trading Platform;
- Continue to develop and rollout the Group's technology platforms;
- Continue to enhance organisational capability and sustainability (vis-à-vis people, brand, marketing, technology, governance and risk management).

The Board has achieved a membership which has regard to these key strategies and the skills and experience required to implement these strategies. The categories of key skills and experience that the Board considers that it requires are as follows:

- Insurance/insurance broking/underwriting agencies;
- Strategic leadership;
- Executive management/CEO experience;
- Public company director experience;
- Accounting/finance;
- Legal;
- Risk management including cyber and IT risk;
- Technology;
- Corporate governance/regulatory;
- Investor relations/communications;
- Human Resources experience;
- Experience in creating shareholder value; and
- Preparedness to constructively question and challenge.

The Board considers that these skills and experience are well represented as at the date of this corporate governance statement. After consideration, the Board is satisfied that its current mix of skills, experience and diversity is appropriate having regard to the key strategies of the Company. The Board also continues to review its Board and committee procedures and processes including corporate governance policies and Board and committee charters in light of developing standards of corporate governance generally.

### ***Independence***

The Board considers that all of the non-executive Directors named below are independent.

The following table provides specific information regarding the Directors:

<b>Name</b>	<b>Position</b>	<b>Joined Board/ length of service</b>	<b>Experience (years) / industry</b>	<b>Independence</b>
Frank O'Halloran AM	Non-Executive Chairman of the Board	2012 / 6	>50 / insurance & accounting	Independent
Robert Kelly	Managing Director & CEO	1996 / 23	49 / insurance	Non-independent
David Liddy AM	Non-Executive Director	2013 / 6	45 / banking	Independent
Gai McGrath	Non-Executive Director	2018/<1	34 / financial services & legal	Independent
Anne O'Driscoll	Non-Executive Director	2013 / 5	34 / accounting & insurance	Independent
Philip Purcell	Non-Executive Director	2013 / 6	44 / legal & insurance	Independent
Greg Rynenberg	Non-Executive Director	1998 / 21	43 / insurance	Independent

Further details of the Directors are disclosed in the Annual Report.

Note:

<sup>1</sup> Greg Rynenberg owns and manages a broker business in the Steadfast network and an underwriting agency which provides services to Steadfast network brokers. Mr Rynenberg is deemed independent as Steadfast does not have an equity interest in, nor has it nominated a director to, his business. His business is not material to the Group.

The Board takes a qualitative approach to materiality of interests and assesses independence on a case by case basis, by reference to each Director's particular circumstances rather than applying strict quantitative thresholds.

In relation to Mr Rynenberg, whilst he has been a Director for more than 10 years, when reviewing the independence of Directors, the Board decided to rebase tenure from 2013 in view of the significant changes in the Group's operations following its restructure and listing. Mr Rynenberg owns and manages a broker business in the Steadfast network and an underwriting agency which provides services to Steadfast network brokers. These businesses are not material to the Group. Further, the Board has carefully considered the independence of Mr Rynenberg as required by ASX CGC Recommendation 2.3 and, in light of the relative materiality of the foregoing, has assessed that there is nothing that might interfere or be reasonably seen to interfere with Mr Rynenberg's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of Steadfast and its shareholders as a whole. In particular, there is no reason to consider that Mr Rynenberg has become too close to management to be considered independent. The Board also appreciates the deep understanding Mr Rynenberg has of Steadfast and its businesses.

### ***Induction and professional development***

Ms Gai McGrath joined the Board on 1 June 2018. Steadfast implemented its program for inducting new directors in relation to her appointment providing a comprehensive induction including in relation to knowledge of the Company, its operations, policies and procedures. Steadfast will continue to refine its program for inducting new directors.

As appropriate, the Board will consider what training or development could be undertaken to fill any gaps in the skills, knowledge and familiarity with Steadfast and its operating environment required of the Directors as a group to fulfil their role on the Board and on Board committees effectively.

The Board receives ongoing briefings on developments in accounting standards and legal developments. Where appropriate, the Board will provide resources to help develop and maintain its Directors' skills and knowledge.

### ***Nomination Committee***

The Board has established a Nomination Committee which is currently comprised of the full Board and accordingly, has at least three members and comprises a majority of independent Directors. The Chairman of the Nomination Committee is the Chairman of the Board, being Frank O'Halloran AM (who is an independent Director).

As the Nomination Committee is comprised of the full Board, the Board's nomination functions are included in the Board Charter and sets out its roles, responsibilities, composition and structure. The Board Charter also sets out the Board's policy for the nomination and appointment of Directors and the procedure for the selection and appointment of new Directors. The Charter is available on the [Steadfast Investor website](#).

## **ASX CGC Principle 3 – Promote ethical and responsible decision making**

Steadfast is committed to acting ethically and responsibly in accordance with the expectations of its investors and other stakeholders. Steadfast appreciates that acting ethically and responsibly goes well beyond mere compliance with legal obligation and involves acting with honesty, integrity and in a manner which is consistent with the reasonable expectations of investors and the broader community.

The Board has specifically charged management with the responsibility for creating a culture within Steadfast that promotes ethical and responsible behaviour.

In addition to accounting, legal, tax and other professional expertise, Steadfast has personnel who focus on regulatory matters. Regulators in Australia include the Australian Securities & Investments Commission (ASIC), the Australian Taxation Office, the Australian Competition & Consumer Commission, and the Australian Privacy Commissioner. These regulatory bodies enforce laws which deal with a range of issues which affect Steadfast's operations. Steadfast employees and network brokers are made aware of their obligations relevant to their work and provided with resources to support compliance. Management in businesses operating in offshore jurisdictions are charged with ongoing compliance with local requirements as well as relevant Australian requirements.

## ***Code of Conduct***

Steadfast has established a Code of Conduct which provides an ethical and legal framework for all Directors, officers, employees and contractors in the conduct of Steadfast's business to safeguard Steadfast's reputation and the confidence of Steadfast stakeholders. The Code of Conduct is available on the [Steadfast Investor website](#).

## ***Conflicts of Interest***

The Board takes conflicts of interest very seriously. At the Board level, this is dealt with in part by attempting to minimise conflicts of interest, having a majority of independent directors on the Board and considering the nature of Directors' other business interests. Conflicts of interest are identified in a timely manner, largely by having an open culture and policies of disclosure including maintaining an up to date register of interests. Conflicts of interest are dealt with in an appropriate framework, including exclusion from decision making of individuals with a conflict.

## ***Anti-Bribery & Corruption Policy***

Steadfast has also established an Anti-Bribery & Corruption Policy which sets out the behaviour and standards Steadfast expects its non-executive Directors, employees and contractors to comply with in conducting business. It discusses what bribery is and the penalties and other potential associated consequences of bribery. It sets out certain guidelines and requirements in relation to the providing and acceptance of gifts and hospitality, tender and procurement requirements, donations and sponsorships and facilitation payments. It provides a mechanism for raising concerns in relation to these matters.

The Code of Conduct and the Anti-Bribery & Corruption Policy give employees responsibility for reporting unethical or suspicious behaviour.

## ***Whistleblowing Policy***

A Whistleblowing Policy has also been adopted. The policy promotes responsible whistleblowing where the interests of others, including the public, or of the Company itself, are at risk, for example, theft or a breach of a legal obligation. The policy sets out the procedures for reporting concerns, including access to an external reporting agency.

## ***Securities Trading Policy***

A Securities Trading Policy has been established to summarise the law relating to insider trading and set out Steadfast's trading policy on buying and selling Steadfast securities.

By law, all Directors, officers, employees, contractors, family and associates are prohibited from trading in the Company's securities at any time if they are in possession of non-public price sensitive information regarding the Group and its securities ("insider information").

In addition, the policy identifies all Directors, officers, other key management personnel of Steadfast, senior members of the financial team, and any other person designated by the Board or its delegate from time to time as a "Designated Persons". The definition of a Designated Person extends to include family and associates of Designated Persons.

Subject to not being in possession of insider information and the requirements of Steadfast's Securities Trading Policy, Designated Persons may only deal in Steadfast's securities during the following trading windows:

- a) the 30 day period beginning on the business day after Steadfast's half yearly results are announced to the ASX;
- b) the 30 day period beginning on the business day after Steadfast's annual results are announced to the ASX;
- c) the 30 day period beginning on the business day after Steadfast's annual general meeting;
- d) at any time a prospectus or similar disclosure document has been lodged with ASIC and is open for acceptances; and
- e) at other times in exceptional circumstances as the Steadfast Board permits.

In addition, Designated Persons are prohibited from entering into margin lending arrangements relating to Steadfast's shares; prohibited from short term or speculative trading in Steadfast's shares or in financial products associated with Steadfast's securities; and prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that:

- has not vested; or
- has vested but remains subject to a holding lock at its share registry.

### ***Diversity Policy***

Steadfast has established a Diversity Policy. Further information about Steadfast's Diversity Policy is provided under *ASX CGC Principle 1 – Lay solid foundations for management and oversight* above.

## **ASX CGC Principle 4 – Safeguard integrity in financial reporting**

Steadfast has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

### ***Audit & Risk Committee***

The Board has established an Audit & Risk Committee to:

- seek to ensure the integrity of external financial reporting;
- safeguard the independence of the external auditor;
- oversee the performance of the internal and external audit functions and review of their audits;
- seek to ensure that Directors are provided with financial and non-financial information that is of high quality and relevance;
- seek to ensure that controls are established and maintained in order to safeguard Steadfast's financial and physical resources;
- seek to ensure that systems or procedures are in place so that Steadfast complies with relevant statutory and regulatory requirements;
- assess financial and other risks arising from Steadfast's operations and consider the adequacy of measures taken to moderate those risks; and
- seek to ensure that Steadfast has adequate risk management processes in place.

The Audit & Risk Committee is currently comprised of six non-executive Directors, the majority of whom are independent including the Chair, Anne O'Driscoll. The other directors currently serving on the Audit & Risk Committee are Frank O'Halloran AM, David Liddy AM, Gai McGrath, Philip Purcell and Greg Rynenberg. Their qualifications are set out in the Annual Report.

Meetings of the Committee are also usually attended by the Managing Director & CEO, the Chief Financial Officer, the Chief Operating Officer, the Group Company Secretary & Corporate Counsel and the Chief Risk Officer. However, the Committee, and separately, the Committee Chair, regularly meet with the external auditor in the absence of management. The external auditor is invited to all the meetings of the Committee.

A charter has been adopted for the Audit & Risk Committee (available on the [Steadfast Investor website](#)).

Committee members are informed about changes in statutory requirements, accounting standards and guidelines affecting financial reporting by the external auditor and the Chief Financial Officer. The Chair attends updates provided by leading accounting firms and others on these topics. The Committee has considered whether sufficient resources are being devoted to the accounting function and this has been considered in terms of quality and timeliness of information provided as well as discussions with the Chief Financial Officer and the external auditor. No significant shortcomings have been identified. The Committee reviews the delegations policy annually. The Committee has provided a line of communication so that employees may raise issues of concern relating to the management of Steadfast's resources or the accuracy or sufficiency of information being provided to managers, the Board or Board Committees. It has done so by implementing the Whistleblowing Policy referred to above under *ASX CGC Principle 3 – Promote ethical and responsible decision making* above.

The Committee has not been requested to review any proposed related party transactions during this reporting period.

The Committee regularly considers the completeness and quality of financial and operational information being provided to the Board and its Committees and suggest ways in which those reports might be improved. Reporting continually evolves as the business grows and develops. Most of these discussions take place at Board level and a cooperative approach is taken by management to the requirements of Directors in this regard. The Committee Chair regularly discusses the completeness and quality of financial and operational information being provided to senior management and the Board with the external auditor and management. The Committee as a whole discusses these matters at least semi-annually.

The Committee has a number of responsibilities in relation to external reporting, all of which it has discharged during the reporting period including in relation to reviewing the adequacy of the corporate reporting processes, accounting policies, draft financial statements, half-year and interim reports for compliance with regulatory requirements, and assessing, before publication, whether or not external reporting is consistent with the understanding of the Committee members and otherwise provides a true and fair view of the financial position and performance of Steadfast. Before the Board approves the financial statements for a financial period, it receives a declaration from the Managing Director & CEO and Chief Financial Officer that, in their opinion, the financial records of the Group 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 Group.

The Committee has responsibility to review reporting arrangements on Steadfast's continuous disclosure obligations. A Disclosure Committee in relation to ASX announcements has been established in accordance with the Disclosure and Communications Policy.

#### ***External audit***

The external auditor attends the AGM and is available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Steadfast firmly believes that the external auditor must be, and must be seen to be, independent. The external auditor confirms its ongoing independence as part of its reporting on the 30 June and 31 December financial reports. The Committee confirms this by separate enquiry and monitors it including in relation to the level of non-audit fees paid to the external auditor. The Board has imposed a limit on the quantum of non-audit fees which may be incurred with the Company's auditors, namely that non-audit fees may not exceed audit fees in a financial year. The Committee approves the audit plan each year. The Committee also reviews audit fees and audit letters of engagement. The Committee formally discusses the performance of the external auditor annually and informal discussions occur regularly including at Committee meetings. The external auditor was appointed in 2012 and the lead partner changed in 2018 following the retirement of the former lead partner. There is not yet concerns about length of tenure affecting independence of the firm and it is not considered necessary to conduct a tender at this time. However, to the extent that the Committee considered it appropriate to consider changing the firm undertaking Steadfast's external audit, it would conduct an appropriate process to receive competitive tenders.

The Committee has free and unfettered access to the external auditor who, together with the Chief Risk Officer, has free and unfettered access to the Committee.

#### ***Internal audit***

An internal audit process is a key component of the risk management process. Steadfast's internal audit function reports to the Chief Financial Officer and the Chair of the Audit & Risk Committee. Internal audit provides independent assurance that the design and operation of controls across the Group are effective, through testing of key controls and processes and follow-up on issues identified to ensure they are resolved.

## **ASX CGC Principle 5 – Make timely and balanced disclosure**

Steadfast is committed to making timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its shares in accordance with the Corporations Act and ASX Listing Rule 3.1.

Steadfast has established a Disclosure & Communication Policy (available on the [Steadfast Investor website](#)) for assisting in Steadfast complying with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

Steadfast is required to immediately disclose to the ASX any information concerning Steadfast which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of Steadfast shares.

The Disclosure & Communication Policy outlines the processes that Steadfast implements for compliance with its continuous disclosure obligations, particularly at the senior executive level through the establishment of a Disclosure Committee which currently comprises the Managing Director & CEO, Chief Financial Officer and Group Company Secretary & Corporate Counsel. In addition, for compliance with ASX Listing Rule 3.1, the Chairman is consulted in advance of any market announcements to be released to ASX and any other major media announcement.

## **ASX CGC Principle 6 – Respect the rights of shareholders**

Steadfast is committed to respecting the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

### ***Communications with shareholders***

Steadfast provides information about itself and its governance to investors via the [Steadfast Investor website](#).

Steadfast's Disclosure & Communications Policy provides for shareholders to be informed of all major developments affecting Steadfast through effective communication materials and processes. Shareholder communications includes half yearly and annual reports, market announcements and media releases, all of which are available in the Investor section of the website in addition to background information on the Steadfast Group. Shareholders are encouraged to attend general meetings for the opportunity to meet the Chairman, the Board and senior management.

Steadfast gives shareholders the option to receive communications from, and send communications to, Steadfast and its share registry electronically.

Steadfast has policies and procedures in place to facilitate and encourage participation at shareholder meetings. Steadfast considers shareholder meetings, particularly the AGM, as an important forum for two-way communication between the Company and the shareholders. All shareholders have the opportunity to provide questions or comments ahead of the AGM. Where appropriate, these are dealt with in the addresses by the Chairman or Managing Director & CEO or read out at the AGM and then responded to at the AGM. Alternatively, an answer is provided before the AGM to the shareholder directly. This provides an opportunity for shareholders who are not able to attend the AGM, the opportunity to exercise their right to ask questions about, or make comments on, the management of Steadfast.

### ***Communications with analysts and others***

Steadfast has an investor relations program to facilitate effective two-way communications with investors. A primary aim of the program is to allow investors and other financial market participants to gain a greater understanding of Steadfast's business, governance, financial performance and prospects without providing any market sensitive information that has not been previously disclosed to ASX. It also provides an opportunity for investors and other financial market participants to express their views on matters of concern or interest to them. Where they do, these are communicated to the Board.

The investor relations program also includes interaction with proxy advisers.

The Managing Director & CEO and Chief Financial Officer or approved representatives of Steadfast are authorised to speak with analysts and institutional investors taking account of regulatory guidelines such as continuous disclosure requirements.

The presentations on the 30 June and 31 December results, AGM addresses and other major presentations are sent to ASX before the presentations are delivered and are available promptly on Steadfast's website.

## **ASX CGC Principle 7 – Recognise and manage risk**

### ***Risk Management Framework***

Steadfast has established a risk management framework and regularly reviews the soundness and effectiveness of that framework. The framework is designed to identify and manage risk on an ongoing basis. The Board sets the risk appetite for Steadfast, oversees the risk management framework and satisfies itself that the framework is sound by reviewing reports received and asking questions when necessary to satisfy itself as queries arise. It is the responsibility of management to design and implement that framework and to ensure that Steadfast operates within the risk appetite set by the Board.

The Board has adopted a Risk Management Policy which sets out its approach to the oversight and management of risks.

In determining the risk appetite for Steadfast, the Board has determined that the Group has a moderate tolerance for risk taking. While Steadfast is willing to take on a moderate level of risk, Steadfast remains risk aware. As a result, management has incorporated risk management into strategic planning and decision making to understand and prioritise the management of material business risks. When making a decision to enter into a transaction or pursue a course of action, risks are considered in the context of requiring higher reward for higher risk and the actions to be taken to mitigate identified risks.

### ***Audit & Risk Committee***

The Board has a committee to oversee risk. Information on the Committee composition, charter and operations is discussed above under *ASX CGC Principle 4 – Safeguard integrity in financial reporting*.

In addition to the functions of the Audit & Risk Committee set out above, the Committee has certain responsibilities in relation to risk management including:

- reviewing management's approach to the management of risks;
- assessing whether audit plans developed by the internal and external auditor are consistent with the financial and operating risks facing the organisation;
- reviewing and approving the frameworks for managing risk and compliance;
- overseeing the preparation of a summary of the main internal and external risks that could adversely affect Steadfast's prospects for future financial years for inclusion in the directors' report;
- reviewing and assisting management's approach to ensuring that there are adequate procedures in place to manage the risks associated with subsidiaries; and
- assessing whether Steadfast has any material exposure to economic, environmental and social sustainability risks and recommend to the Board how to manage those risks.

Steadfast management is responsible for managing operational risk and implementing risk mitigation measures.

A regular review and discussion of business risks is undertaken by management and regularly reviewed by the Committee. In terms of specific risk topics mentioned, cyber security has been a key area of focus with several presentations by management provided, substantial input from KPMG obtained, new personnel hired and a cyber risk management plan updated and deployed (see also description of key risks in the 2018 Directors' Report). The Committee reviews the risk management framework at least six monthly and has done so during the course of the year ended 30 June 2018 and is satisfied that it continues to be sound. No material changes to the framework were made. The risk appetite statement, however, continually evolves.

Management has reported to the Board as to the effectiveness of Steadfast's material business risk management processes. The Board has a process in place to receive written assurances from the Managing Director & CEO and Chief Financial Officer that in their opinion the declarations provided under section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board receives these assurances prior to approving annual financial statements, and all half year and full year financial results. The Board notes that due to its nature, internal control assurance from the Managing Director & CEO and CFO can only be reasonable rather than absolute. This is due to factors such as the need for judgment and the use of testing on a sample basis.

Steadfast includes in its Annual Report, a discussion of the main internal and external risks that could adversely affect Steadfast's operating and financial performance and prospects for future financial years. The Committee reviews and approves this disclosure.

The annual external and internal audit plans are reviewed so that they are consistent with the financial and operating risks facing Steadfast.

The Committee has responsibilities that the procedures established to monitor compliance with statutory requirements, regulations and contractual obligations are appropriate. In this regard, the Committee regularly reviews such procedures. The Committee reviewed the procedures employed by management in relation to legal documentation of acquisitions and sought and received clarification in relation to the form of contractual commitments entered into in connection with acquisitions.

### ***Internal audit***

Steadfast has an internal audit function through its Chief Risk Officer whose role is to:

- coordinate the implementation of the risk management frameworks, risk profile and mitigation strategies;
- facilitate, challenge and drive risk management and risk mitigation strategies within the Group;
- review the sufficiency and effectiveness of the internal control framework;
- review systems and operations and the adequacy of controls;
- plan and manage internal audits to comply with the internal control framework and operational framework within the Group; and
- report to senior management and the Audit & Risk Committee at regular intervals on the risk management process, risk mitigation strategies, material business risks and internal control framework.

The internal audit function assists Steadfast to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Chief Risk Officer has a direct reporting line to the Chair of the Audit & Risk Committee.

### ***Economic, Environmental and Social Sustainability Risks***

Steadfast is conscious that how it conducts its business activities impacts directly on a range of stakeholders, including shareholders, employees, customers, suppliers, creditors, governments and local communities in which its businesses operate. Whether it does so sustainably can impact in the longer term on society and the environment as well as Steadfast itself.

The Board and the Senior Management Team consider longer term trends which may affect the business as part of strategic planning and as part of the approach taken to risk management. One example of this is continuing advancements in information technology. This presents opportunities which Steadfast exploits by having technology as a substantial value add in the business model e.g. the establishment and roll-out of broker and underwriting agency systems and the Steadfast Client Trading Platform. Technology also brings risks of increased competition and market change. Steadfast in part address this through diversity in investments and earnings and also by strategic initiatives designed to compete such as Steadfast Direct. Please see the risks and strategy sections of the Annual Report for further information.

Steadfast's approach to recognising and managing risk was outlined above under *ASX CGC Principle 7 – Recognise and manage risk*. This approach applies to and also includes Steadfast's economic, environmental and social sustainability risks.

Steadfast has in place an Anti-Bribery and Corruption Policy, a Code of Conduct and risk management policies and procedures, each of which are consistent with a sustainable method of operating and minimising economic, environmental and social sustainability risks.

### **Environmental**

In connection with climate change, and other environmental, risks applicable to the Company's business, Steadfast is committed to:

- ensuring timely and balanced disclosure to shareholders of such risks and effective responses where action is appropriate;
- considering such risks in the regular review and assessment of key risks by management and the Audit & Risk Committee; and
- reviewing and assessing such risks in the budgeting and business planning process and generally in strategic decision making.

The Audit & Risk Committee currently considers that Steadfast's business of insurance intermediation and the provision of services to insurance brokers and related matters is in a sector which is not significantly exposed to climate change, or other environmental, risk or substantial issues of environmental sustainability. It considers that climate change, and other environmental, risk or externality is not a key risk facing Steadfast. Appropriate consideration of issues of environmental sustainability is implied through Steadfast's Code of Conduct and risk management policies. For example, the Code of Conduct requires Steadfast to act with integrity and in compliance with laws and regulations. Steadfast considers that this applies to environmental issues.

The Board applies a climate change lens to issues such as strategic planning, suitability of certain acquisitions, reputational issues and monitoring changes in the regulatory environment.

The Board anticipates that Steadfast's approach to both risk assessment and disclosure will continue to evolve in the area of climate change risk.

Many of the operating businesses continue to take measures to reduce their environmental impact such as providing recycling in offices and reducing paper and use of other consumables as appropriate.

In accordance with Steadfast's social awareness and desire to make a positive contribution on environmental issues, Steadfast is in its third year of engagement with Tim Jarvis, AM, Steadfast's sustainability ambassador.

Mr Jarvis is an environmental scientist, polar explorer, speaker, author and filmmaker. He continues to work with Steadfast on real, practical solutions that promote a roadmap for change on environmental issues including climate change, reducing climate footprint and embedding awareness of environmental issues into decision-making. The relationship currently includes: ongoing regular functions hosted by various brokers in the Network at which Mr Jarvis speaks to key clients and staff; provision of advice on climate change and other environmental issues as required; opportunities generated from the functions noted earlier to further investigate ways to implement solutions for climate change into clients' business models; ongoing articles and videos distributed through internal and external communication channels such as LinkedIn; and involvement with an expedition to climb Mt Kilimanjaro which promotes awareness of the environmental effects of climate change.

Steadfast takes steps to offset the carbon impact of its operations such as offsetting the carbon impact of executive air travel during the financial year, purchasing 50 clean-burn and efficient wood-burning chimney stoves to be installed in the homes of the pastoral people in East Africa. These will contribute greatly to reducing health issues for women and children, greatly reduces the time women spend wood gathering, helps preserve local forest biodiversity and reduces carbon emissions by 3.5 tonnes per year per stove.

Steadfast has not had any environmental incidents or any fines for non-compliance with environmental regulations. There are no environmental provisions on the balance sheet nor are any environmental licences required to operate the business.

## **Economic**

Steadfast does have exposure to economic risks, particularly general economy wide economic risks and risks associated with the economic cycle but these are of a nature and magnitude commensurate with other businesses operating in the economy.

The Annual Report includes an analysis of the risks facing Steadfast, many or all of which are economic in nature and/or impact, and the risk management strategies for those risks. For example, Steadfast, similarly to other financial services businesses, has information technology systems risk. This is further described in the 2018 annual report together with the mitigation strategies which includes an ongoing improvement program led by Product Manager Group Systems, Infrastructure and Security, processes and procedures based on industry best practice, external compliance audits and training. Steadfast has a data breach and incident response plan and its information security policies and systems are regularly audited. Training on cybersecurity, data security and privacy is compulsory for all employees. The training addresses awareness training and training on data breach processes, procedures and reporting.

Another risk facing Steadfast is investment risk related to acquiring and holding equity in operating businesses and investment impairment risk. Risk management strategies to address this include stringent due diligence, thorough transition management, selecting acquisitions which are expected to transition well and have good cultural fit, tight legal agreements and ongoing monitoring and close oversight of investments, working with management to optimise results.

People risk, namely potential loss of key executives, is addressed with succession planning, appropriate earn-outs, shareholdings and restraints to protect on-going business and market competitive remuneration.

A further example of a risk facing Steadfast is disruption risk eg disruption caused by technological developments and new business models developed by existing competitors and regulatory changes. Steadfast constantly monitors and evaluates international and local developments impacting the Steadfast business model and other industries to learn about disruption opportunities as they emerge and, where appropriate, adjusts its business model to address the risk or seize the emerging opportunity. An example of this is the Steadfast Direct business which is a domestic line business available to Steadfast brokers designed to address the direct offerings of incumbent insurers.

The Annual Report also includes an analysis of the strategy, achievements and prospects. Each of these ultimately has an economic impact on Steadfast and influence the current and future financial performance.

Steadfast operates in a financially responsible manner, promoting economic sustainability. Steadfast takes risk management extremely seriously and its policies and procedures in this regard assist in identifying and managing risk so as to operate in an economically sustainable manner. Steadfast's mission, vision and values centre around creating wealth and value for shareholders which requires the business to be operated in a manner which promotes economic sustainability.

## **Social Sustainability**

### *Customers*

Key to Steadfast's strategy is maintaining and developing the premier service offering to Network brokers. As part of this, Steadfast provides substantial tools, training and services to its Network to enable Steadfast brokers to offer a premier service offering to their customers. This customer focus is an important part of another key initiative of Steadfast, the Steadfast Client Trading Platform, which incorporates market leading policy wording for customers and a genuine contestable platform generating improved pricing competition and coverage. It is supported by Triage, Steadfast's claim assistance service available to Steadfast brokers to assist in timely and responsive claims resolution. When natural disasters hit such as floods in Queensland and fires in Victoria, Steadfast puts in place a free helpline to assist those affected achieve speedy resolution of their claims.

The tools, training and services Steadfast provides to its Network enable Steadfast brokers to better fulfil their customer focus which is important for Steadfast's economic sustainability as it helps support Steadfast's long term economic performance over the short, medium and long term. It is also important for social sustainability as it assists Steadfast brokers provide their customers with excellent insurance services and enables both individuals and the businesses in which they are involved to manage risks and have better outcomes when crises and other detrimental events and circumstances strike.

### *People*

The Remuneration Committee receives a report from the Head of Human Resources at each meeting. The Board receives an annual diversity report and reports on workplace health and safety from the Head of Human Resources. Any material workplace, health and safety or Human Resources issues are reported to the Board on a timely basis.

Steadfast has identified "people risk" as a key risk in the Annual Report which includes loss of key executives, loss of key individuals in operating businesses with consequential material business interruption and potential loss of key customer relationships. Risk management strategies are also outlined and include succession planning, appropriate contractual restraints, market competitive remuneration and career development opportunities. "People risk" is integrated into the broader risk management processes.

Steadfast is conscious that its ability to attract and retain the right talent is an important element of its success. It is critical to have the right people so that strategy can be executed, reputation maintained and enhanced, good employee relations can be maintained and employee productivity and engagement can be high. As an employer of over 500 people globally, Steadfast is constantly exploring ways to attract, retain and develop talent. There are a range of business-critical roles through the corporate office and underlying businesses from underwriting and claims through to broking and operations. Having, and continuing to develop, a diverse workforce with a range of skills, background and experience is a key part of Steadfast's ongoing success.

One of the key performance indicators (KPIs) of the Managing Director & CEO addresses retention and empowerment of the Senior Management Team.

Metrics on diversity are included above under the heading *ASX CGC Principle 1 – Lay solid foundations for management and oversight*. Steadfast is proud of its high levels of females in leadership roles and in the organisation generally. It is also proud of its age and ethnic diversity.

Steadfast employs and promotes on talent which supports diversity. It is also an equal opportunity employer which is fundamental to continued development of a diverse and inclusive workplace that attracts and retains the best people.

A practical way in which Steadfast supports its female employees, and those in the industry generally, is by sponsoring Women in Insurance. A number of the women in the Senior Management Team are supported and actively engaged with part-time or flexible working hours which assists in retention and breaking down perceived barriers.

Steadfast has engaged its employees to, as a group, formulate values so that they are "real" and meaningful to employees and promote engagement. Steadfast is committed to maintaining and enhancing a positive culture that contributes to driving company performance. Employees' KPIs in part relate to Steadfast values and the employee exhibiting these. The values are embedded in the business and in all the business does. The values are as follows:

***None of us are as good as all of us***

***We are united***

*Teamwork is the cornerstone of our success  
We work together to build enduring relationships with customers, colleagues and communities  
We are many but operate as one to achieve agreed goals*

***We achieve***

*We strive for excellence  
We are dynamic, encouraging innovation to drive entrepreneurial spirit  
We have a culture that inspires us to make things happen*

***We are strong***

*We are astute and confident, our voice is relevant enabling us to shape and challenge our industry  
We always operate with integrity, honesty and respect  
Our resilience and drive to succeed propels us to lead*

***Stronger together***

Steadfast has implemented a number of policies and procedures which promote social sustainability including a diversity policy, workplace health and safety initiatives and other employee benefits. Steadfast continues to refine and add to these each year. Steadfast's values include being an employer of choice and creating a positive employment brand and its strategy includes creating and sustaining a culture of excellence in a dynamic diverse and inclusive workplace where people are able to achieve their personal and professional ambitions. Implementation of this requires the business to be operated in a manner which promotes social sustainability.

Initiatives include launching a Steadfast LinkedIn careers page to attract talent, successful implementation of a graduate program and summer intern program, providing opportunities for employment to young school leavers including some with disadvantaged backgrounds and taking on work experience students. Steadfast is looking at opportunities to employ people with special needs.

Steadfast is investing in developing its people. This is an important part of Steadfast's retention strategy. Steadfast has a formal talent development strategy and actively develops new pools of talent having regard to projected business needs. Steadfast has a dedicated training and development manager who continues to roll out a substantial number of training programs throughout the year at all levels in the organisation. Steadfast's College of Leadership, offers our current and future leaders the opportunity to develop while exposing them to forward-thinking, relevant and practical leadership methodology and application. In addition to leadership training, staff participate in annual development planning to ensure continued technical and non-technical development. Steadfast has implemented a graduate program which is proving to be very successful.

Steadfast continues to implement a number of initiatives designed to engage employees and build relationships such as regular staff meetings and briefings, a formal performance review process, participation in a number of community events, social activities and an off-site bi-annual workshop.

As part of its employee engagement and retention strategy, and as part of a strategy to promote social responsibility and awareness, Steadfast has implemented a volunteer day whereby employees may volunteer, on a day of paid employment, at a charity of their choice. This initiative is also designed to strengthen the link between Steadfast and the Steadfast Foundation as staff are encouraged to consider volunteering to assist a charity supported by the Steadfast Foundation.

Steadfast undertakes an annual engagement survey and quantitatively measures an extensive range of categories. This process is embedded with a continuous improvement approach. Steadfast follows up with regular meetings so that an action plan is developed and implemented to address areas of weakness. The engagement survey showed high levels of employee engagement. The survey measured matters such as discretionary effort, engagement capital, leadership, values, compensation and communication.

The Group-wide engagement score this year is 72%, a very good result and a 4% increase on previous years (previously, it had been successfully maintained at 68% for three years running). The engagement score places Steadfast in the 'highly engaged' zone of the engagement spectrum and is 10% above the Australian industry norm.

As well as salary and incentive arrangements, Steadfast offers a wide reaching benefits program for its employees including company paid life, total & permanent disability and travel insurances. Salary packaging benefits such as the ability to salary sacrifice to acquire additional annual leave are offered. Discounted prices for motor vehicles and electrical goods are available.

Steadfast supports flexible workplace initiatives, and implemented paid maternity leave at twelve weeks full pay during the year. Steadfast considers these initiatives to be important strategies to attract and retain talent as well as contributing to social sustainability more generally.

Steadfast has implemented an employee health and wellbeing strategy involving free advanced health assessments, flu shots, education and awareness of key health and wellbeing issues and providing access to free yoga classes.. Executives undertake mandatory annual full health assessments and senior managers undertake advanced health checks and coaching.

Steadfast takes workplace health and safety (WHS) issues seriously. It has a WHS officer and a formal WHS committee which usually meets quarterly. No major WHS issues have been raised. Minor issues have been addressed as they have been raised.

Steadfast has some equity and business interests in Asia, Europe and the South Pacific. Steadfast engages closely with these businesses and ascertains that these are managed in a manner which is ethical, supports human rights and is consistent with general principles of prohibitions against modern slavery.

Steadfast uses some offshore facilities for back office functions. It regularly inspects these facilities and ascertains that these are also managed in a manner which is ethical, supports human rights and is consistent with general principles of prohibitions against modern slavery. Workers are well remunerated and well treated. Steadfast does not otherwise have an offshore supply chain.

### *Community*

Steadfast has a number of community sponsorships, for example, Steadfast sponsored the Red Shield Appeal launch in Sydney this year which it has done each year since 2016. Steadfast supports a number of organisations involved in promoting leadership and opportunities for women to advance their professional career such as Women in Insurance and Heads over Heels which seeks to support female entrepreneurs. Steadfast is a sponsor of Nissan Motorsport.

Within the insurance industry, Steadfast supports a number of awards and organisations in addition to Women in Insurance including Know Risk and the Mansfield Awards for claims excellence in Australia.

The Steadfast Foundation, and many of the operating businesses and network brokers, make donations to community causes. Directors of the Steadfast Foundation act on a pro bono basis. Steadfast Group and its subsidiaries actively support the communities in which employees live and work.

The Group created the Steadfast Foundation to facilitate grants and charitable contributions that support charities helping people to overcome adversity, with approximately \$400,000 donated during the financial year. Charities are often chosen based on the recommendations of the brokers, and include cancer research and support, mental health, children's causes and charities supporting domestic violence, the homeless and disadvantaged. Some of the charities the Steadfast Foundation supported in the year to 30 June 2018 include: Assistance Dogs; Breast Cancer WA; Cancer Patients Foundation; Create Foundation; EB Research; Make A Wish; Mary's House; McGrath Foundation; Prostate Cancer; Salvation Army and Starlight Childrens' Foundation.

A number of members of the Senior Management Team hold pro bono leadership roles in the industry and wider community. For example, Robert Kelly, Managing Director & CEO, is a director of the Steadfast Foundation as well as a director of KidsXpress, a charity that provides therapy programs for kids affected by emotional trauma.

In addition to the ongoing activities of the Steadfast Foundation, Steadfast network brokers help raise funds for charities at the annual Steadfast Convention. Convention attendees raised \$270,000 for The Reach Foundation during the past year. Including the donations from the Steadfast Foundation and the Convention, Steadfast Group and its subsidiaries have donated \$975,000 to charity during the financial year.

## **ASX CGC Principle 8 – Remunerate fairly and responsibly**

### ***Remuneration & Succession Planning Committee***

The Board has established a Remuneration & Succession Planning Committee (“BRSC”) whose roles and responsibilities are to:

- review and recommend to the Board, remuneration arrangements of the Managing Director & CEO and Senior Management Team and Directors;
- review and recommend to the Board, equity-based incentive plans and other employee benefit programs;
- review, evaluate, consider and make recommendations to the Board on the matters for which it is responsible on an annual basis;
- review, evaluate, consider and make recommendations to the Board about executive succession planning including for the Managing Director & CEO, and executive development activities and for key executives of the ten largest businesses;
- performing an annual review of the BRSC to ensure it remains consistent with Board objectives, responsibilities and relevant standards of corporate governance;
- review and recommend to the Board, the Remuneration Report to be included in the Annual Report to shareholders and seeking to ensure that the Remuneration Report will receive over 90% support from shareholders; and
- review the Code of Conduct and whistleblowing procedures.

The BRSC is currently comprised of the six non-executive Directors, all of whom are independent including the Chair, David Liddy AM. The other Directors currently serving on the Committee are Frank O’Halloran AM, Gai McGrath, Anne O’Driscoll, Philip Purcell and Greg Rynenberg.

A charter has been adopted for the RSPC (available on the [Steadfast Investor website](#)).

### ***Remuneration Policies and Practices***

Steadfast distinguishes the remuneration of the Senior Management Team from that of non-executive Directors so that remuneration appropriately reflects their different roles and responsibilities. Steadfast offers the Senior Management Team a mix of fixed and incentive based remuneration in certain circumstances (eg under the short term incentive plan and long term incentive plan). Remuneration of non-executive Directors is fixed.

Steadfast does not have in place any schemes for retirement benefits, other than compulsory superannuation contributions, for non-executive Directors.

The Committee assesses the appropriateness of remuneration frameworks and practices in order to fairly and responsibly reward the Senior Management Team. The Committee ensures that rewards are commensurate with performance and that remuneration levels are competitive in the market in which Steadfast operates. The Committee seeks external advice from independent consultants as it considers appropriate.

The Committee recognises that the key to achieving sustained performance is to motivate and retain high calibre employees and align executive reward with the creation of shareholder value. The Board has the discretion to reduce deferred equity awards (including to zero) to the Senior Management Team where it is appropriate to do so for example, financial results subsequently deteriorate. In the case of deferred equity awards under the LTI, additional hurdles for subsequent years’ financial performance and total shareholder return relative to a peer group (being ASX 200 companies excluding those in the mining industry) apply before those awards can vest. A summary of the LTI and STI terms is included in the 2018 annual report including forfeiture conditions and the discretion of the Board to adjust any unpaid or unvested awards downwards if it is appropriate to do so.

Details of remuneration of the Senior Management Team and non-executive directors including awards under incentive schemes, are included in the remuneration report contained in the Annual Report.

***Securities Trading Policy***

Steadfast's Securities Trading Policy prohibits participants in equity-based remuneration schemes from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. In addition, the Corporations Act prohibits key management personnel from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock. Further detail in relation to the securities trading policy is included above under *ASX CGC Principle 3 – Promote ethical and responsible decision making*.