



C O R P O R A T E G O V E R N A N C E S T A T E M E N T

YEAR ENDED 30 JUNE 2019

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Saferoads Holdings Limited is responsible for the corporate governance of the Saferoads group. The Board has considered the ASX Corporate Governance Principles and Recommendations (“ASX Governance Principles”) and reports on compliance with these Principles.

This Corporate Governance Statement is based on the policies and practices in place and endorsed by the Board. The Board’s objective is to ensure investor confidence in the Company and its operations given its size, stage of development and complexity.

The Company has a Corporate Governance Charter, a copy of which is located on the Company’s website (www.saferoads.com.au) under the Investors icon.

The Board advises that it complies with the ASX Corporate Governance Principles set out below where stated and provides explanations in accordance with “if not, why not” reporting practices.

ROLES OF BOARD AND MANAGEMENT

The Company has established the functions reserved for the Board and those delegated to Management which is detailed in the Company’s Corporate Governance Charter and published on the Company’s website.

The primary responsibilities of the Board are to:

- determine the strategic direction of the Company,
- set financial targets,
- monitor the implementation and execution of strategy and performance against financial targets, and
- appoint and oversee the performance of executive management.

The Board has delegated day-to-day management responsibility to the Chief Executive Officer and his management team, reserving to itself the functions of strategic oversight and managerial guidance. Senior management responsibilities have been clearly set out in letters of appointment, position descriptions and employment contracts.

In essence, it is the responsibility of Management to manage the day to day operation of the business, ensuring that key performance indicators and financial measures are met, whilst also managing the Company in accordance with the strategies, plans and policies approved by the Board. The Board has also delegated to Management the responsibility for identifying areas of organic and acquisition growth, and developing appropriate business cases for board review and strategic decision making.

The Board accepts its responsibility for ensuring the management team performs to a consistently high standard. This is achieved through monthly board meetings where monthly performance reports are received and reviewed, and through regular briefings from Senior Management on progress in strategic developments.

DIRECTOR AND SENIOR EXECUTIVE APPOINTMENTS

The Company will undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director. Further, the Company is committed to providing shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company ensures there is a written agreement in place for each director and senior executive of the Company which sets out the terms of their appointment including their role and responsibilities and the Company’s expectations of them.

The Company Secretary, is accountable directly to the board through the Chairman.

The Company has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skill and knowledge needed to perform their role as directors effectively.

BOARD STRUCTURE

The Company acknowledges the importance of having independent directors on its board and is committed to having a board whose members have the capacity to act independently, together with having the composite skills to optimise the financial and operational performance of the Saferoads group. As at the end of the 2019 Financial Year, the Board comprised two independent directors and one non-independent director.

None of the Directors deemed to be independent has any business or other relationship with the Company which could materially interfere with – or which could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

The skills, experience and expertise of each of the directors are included in the Directors' Report. It is noted that all directors have served or are serving on other Boards.

The Chairman of the Board, Mr D Ashmore, is an independent director. Mr Ashmore has advised the Board that other positions he holds do not hinder his effective performance in the role of Chairman or pose any conflict of interest. The Chief Executive Officer is Mr D Hotchkin and there is clear delineation between their respective duties.

BOARD AND SENIOR EXECUTIVE PERFORMANCE

The Company has in place a Board Evaluation and Performance Review Self-Administered Questionnaire which is broadly aligned with the ASX Corporate Governance Principles and provides for additional comment from each of the Directors and Company Secretary. The results of the questionnaire are consolidated, and then discussed by the Board.

The Chief Executive Officer is performance-evaluated by the Board on an annual basis against key performance indicators (KPIs) clearly stated in position descriptions and as updated annually.

The KPIs are primarily growth and earnings related but also address non-financial measures including quality, safety, environmental and human resource issues.

ACCESS TO EXTERNAL RESOURCES

The Directors have access to external resources including independent professional advice, as required to fully discharge their obligations as directors of the Company as detailed in the Board Charter, published on the Company's website. The use of this resource is co-ordinated through the Chairman of the Board.

NOMINATION COMMITTEE

The Board has established a combined Remuneration and Nomination Committee which carries out the duties of both functions under the one Committee. The Remuneration and Nomination Committee Charter is available on the Company's website.

The Board reviews its composition periodically and at least annually to ensure that it has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisors may be used to assist in such a process. Following the appropriate checks, the Board may then appoint the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

BOARD SKILLS MATRIX

The Company aims to maintain a Board that comprises Directors with a broad range of competencies, skills, expertise and experience who are able to effectively understand and manage the issues arising in the Company's business, review and challenge the performance of management and optimise the Company's performance. To this end, the Nomination Committee periodically assesses the appropriate mix of competencies, skills, experience and expertise required by the Board, to the extent to which the required skills and experience are represented on the Board.

A review of the matrix revealed that the Board has sufficient skills and experiences to carry out its duties.

CODE OF CONDUCT

The Company has established a Code of Conduct for directors as a guide to be followed in performing their duties, with a view to enabling them to achieve the highest possible standards in the discharge of their obligations. The Code is contained in the Corporate Governance Charter, section 4.

The Company has entered into employment agreements or contracts with other key management personnel. These agreements address issues of all senior personnel's ethical and responsible decision-making in the performance of their respective roles in the Company.

DIVERSITY AND EQUALITY POLICY

The Company has established a Diversity and Equality Policy which enshrines diversity and equality of employment throughout all levels of the Company.

In respect to gender diversity the Company notes that it is a small to medium sized enterprise that operates largely in a manufacturing environment. The Company recognises that a talented and diverse workforce is a key element in ongoing growth and business success and endeavours to employ the best available personnel to manage and service the Company.

A copy of the Company's Diversity and Equality Policy is located on the Company's website (www.saferoads.com.au) under the Investors icon.

Having regard to the Company's size and operations, the objectives of the Board are to maintain the current levels of gender diversity across the Company. As the opportunity to recruit across the Company arises, new appointments will be made in accordance with the Company's Diversity and Equality Policy.

AUDIT AND RISK COMMITTEE

The Board has established an Audit and Risk Committee.

Grant Thornton are the appointed independent external auditor. The independent auditor reports directly to the Audit and Risk Committee, and is also required to attend the annual general meeting of the Company to answer any shareholder questions about the audit and the preparation and content of the audit report.

The Audit and Risk Committee comprises Mr D Cleland (non-executive Director and Chairman of the committee) and Mr D Ashmore (non-executive director).

Given the size of the Company and the Board, the structure of the Committee is such that all non-executive Board members are involved.

This structure is considered appropriate at this time given the size and structure of the Board.

It is noted that the Committee structure is not in compliance with the Committee's own charter which requires that the Committee comprise three Directors, the Company Secretary and the Managing Director as an invitee. The current structure of the Committee provides for only two directors rather than three.

The Audit and Risk Committee's charter provides that the purpose of the Committee is to independently verify and safeguard the integrity of the company's financial reporting and to oversee the independence of the external auditors.

Responsibilities include:

- monitoring the establishment of an appropriate internal control framework
- monitoring corporate risk assessment and compliance with internal controls
- overseeing business continuity planning and risk mitigation arrangements
- reviewing reports on any material defalcations, frauds and thefts involving the Company
- monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements
- reviewing the nomination, performance and independence of the external auditors
- liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with committee members' information and knowledge and is adequate for Shareholder needs
- reviewing management processes supporting external reporting
- reviewing financial statements and other financial information distributed externally; and
- reviewing external audit reports to ensure that, where any major deficiencies or breakdowns in controls or procedures have been identified, ensure appropriate and prompt remedial action is taken by management.

The Audit and Risk Committee's charter is contained within the Company's Corporate Governance Charter (Section 5), a copy of which is located on the Company's website (www.saferoads.com.au) under the Investors icon.

Before approving Financial Statements, the Board ensures it receives a written declaration from the Chief Executive Officer and the Chief Financial Officer, in accordance with section 295A of the Corporations Act stating that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

CONTINUOUS DISCLOSURE POLICY

The Board is aware of its obligations to make timely and balanced disclosures both to the ASX and to the financial market in general. Continuous disclosure is a standing item on the agenda for each Board meeting. During the course of 2018-19 the Board made several announcements as material issues arose.

The Company has a written Continuous Disclosure Policy designed to ensure compliance with listing rules. The policy identifies the type of information that should be disclosed, the decision making process concerning the disclosure obligation, the roles and responsibilities of directors and senior management in the disclosure context, and identification of the personnel authorised to make disclosure to the ASX and to discuss corporate issues with analysts, the media, shareholders and the general public.

A copy of the Company's Continuous Disclosure Policy is located on the Company's web site (www.saferoads.com.au) under the Investors icon.

SHAREHOLDER COMMUNICATION POLICY

The Company's approach to communications with shareholders is contained in Section 2.15 of the Company's Corporate Governance Charter. The Company aims to ensure that shareholders are kept informed of all major developments affecting the Company. This is achieved through compliance with the ASX continuous disclosure rules and through providing links from the Company's website to announcements made to the market via the ASX.

The Board encourages full attendance at and participation in the annual general meeting where presentations of the Company's current performance and future growth prospects are made. If shareholders are unable to attend in person, they are encouraged to appoint a proxy to exercise their voting rights on their behalf.

A copy of the Company's Corporate Governance Charter is located on the Company's website (www.saferoads.com.au) under the Investors icon.

RISK

The Company's Audit and Risk Committee focuses on both audit and risk. The Committee is responsible for ensuring that adverse risks are identified and appropriate actions put in place to mitigate those risks.

The Company has a Risk Management Policy, a copy of which is located on the Company's web site (www.saferoads.com.au) under the Investors icon.

A register of material business risks has been established, risks have been analysed and evaluated, risk management processes and controls have been put in place and reporting schedules developed. The Company's risk management framework is reviewed annually to satisfy itself that it continues to be sound.

The Company continually reviews and evaluates various risks, both ongoing and emerging, to ensure they are effectively managed. Senior Management has reported to the Board that it considers that the management of the Company's material business risks has been effective. Further, the Company is accredited with ISO 9001, 14001 and 18001, which includes the review of processes, policies and risks associated with quality assurance, environment and safety.

REMUNERATION COMMITTEE

The Board is committed to ensuring that appropriate remuneration practices are established and followed within the Company, and that they are aligned with its Corporate Strategy. For this reason the Company has established a Remuneration and Nomination Committee.

The Committee's purpose is to advise on remuneration and issues relevant to remuneration policies and practices for Senior Management. Responsibilities include:

- Reviewing and evaluating market practices and trends in relation to remuneration relevant to the Company;
- Reviewing and making recommendations to the Board in relation to the Company's remuneration policies and practices for Senior Management; and
- Preparing for the Board any report that may be required under applicable legal or regulatory requirements in relation to remuneration matters.

Meetings and attendance are reported in the Directors' Report.

The Remuneration and Nomination Committee is comprised of Mr D Ashmore (non-executive Director and Chairman of the committee) and Mr D Cleland.

Detailed disclosure of the remuneration of non-executive Directors, executive Directors and Senior Management is made in the remuneration report forming part of the Directors' Report.

The remuneration of the non-executive directors comprises only directors' fees and statutory superannuation. They have no other entitlement. The remuneration of the senior managers comprises a base salary, statutory superannuation and an at-risk component based on critical key performance indicators for their respective roles.

There is no scheme for retirement benefits for non-executive directors, other than for statutory superannuation for non-executive directors.

The Company does not have an active equity-based remuneration scheme.

A copy of the Remuneration and Nomination Committee Charter is included in the Corporate Governance Charter, section 6 which is located on the Company's website (www.saferoads.com.au) under the Investors icon.