

Corporate Governance Statement as at 30 June 2018

The Company's Approach to Corporate Governance

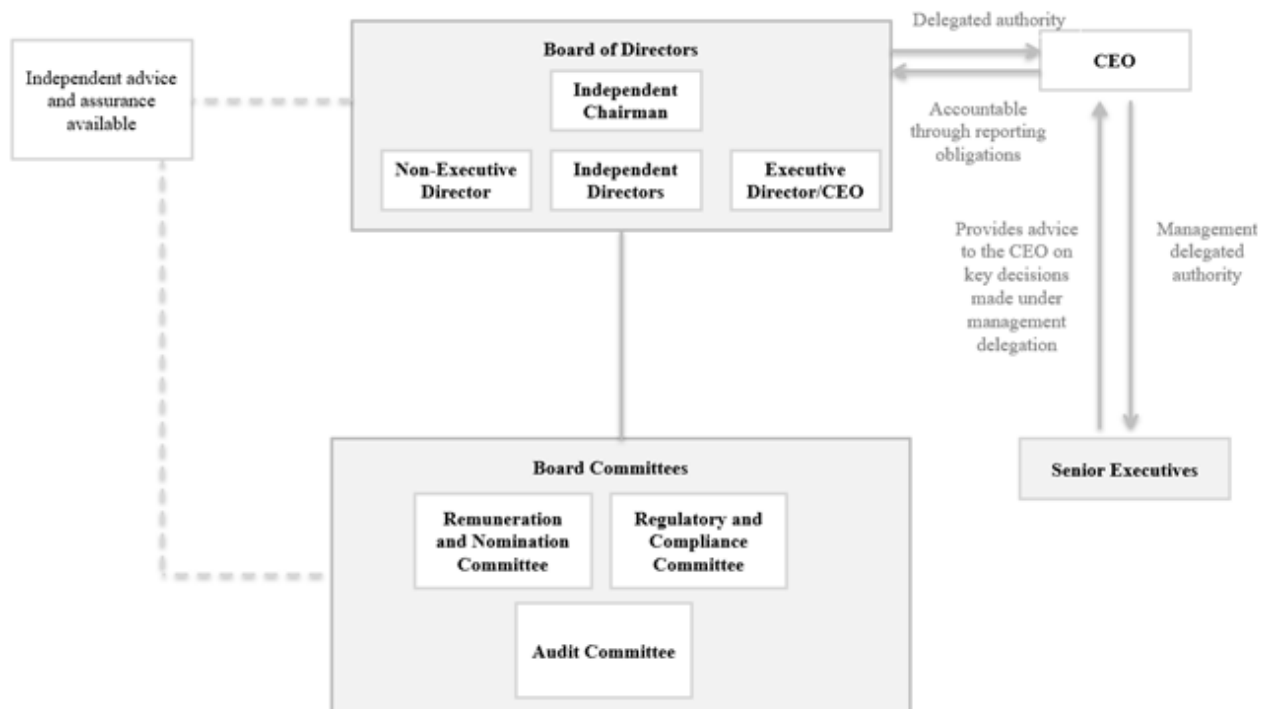
The Company's Board of Directors and management strongly support the principles of good corporate governance to create long-term value for shareholders and maintaining the Company's strong reputation for integrity. This is particularly important given the highly regulated nature of the industry within which the Company operates and is essential for securing new gaming licences and protection of current licences.

Set out below are the Company's corporate governance principles and practices in line with the ASX Corporate Governance Council ("Council") release of "Corporate Governance Principles and Recommendations 3rd edition". Statements to this corporate governance section have been referenced to the applicable ASX Recommendations and compliance is indicated by ☒.

This statement is current as at 24 October 2018 and has been approved by the Board of Directors.

Corporate Governance Framework

An overview of the Company's Corporate Governance Framework is depicted below:



Principle 1

Lay solid foundations for management and oversight

Role of the Board and Management

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Company, including guiding its strategic direction, approving and monitoring capital expenditure, monitoring financial performance, setting remuneration and reviewing the performance of the Chief Executive Officer (CEO). The Board is responsible for ensuring appointments, removals and succession plans for directors and where necessary, seeking shareholder approval. In addition, the Board is responsible for appointing, removing and creating succession policies for the CEO and senior executives. The Board establishes and monitors the achievement of management's goals, ensuring the integrity of internal control and management information systems and approves and monitors financial and other business related reporting.

The Board provides input into technical design, strategic guidance and overview of the Company with the responsibility for management of the day to day operations and implementation of the Group's strategy and policy initiatives delegated to the CEO. The CEO then delegates these responsibilities to other senior executives within the limits of specific authorities outlined in the delegations approved by the Board. A copy of the Board Charter detailing the roles and responsibilities of the Board and Management can be found in the Corporate Governance section within the Company's website. The Board Charter also outlines matters that are specifically reserved for the Board and its committees and those delegated to management.

Board Processes

To assist in the execution of its responsibilities, the Board has established three Board Sub-Committees as shown in the Corporate Governance Framework above. Each Committee has a Charter which includes a more detailed description of their duties and responsibilities. These Charters are regularly reviewed and approved by the Board and are available in the Corporate Governance section of the Company's website. The Board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Board currently holds scheduled meetings throughout the year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for the Board meetings is prepared in conjunction with the Chairperson, CEO and the Chief Financial Officer (CFO)/Company Secretary. Standing items include declaration of interests or conflicts, the CEO report, financial reports and any issues relating to strategic matters, governance and compliance requirements of the Company. Board papers and submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have the opportunity for contact with a wider group of employees and other stakeholders.

During the year under review, the Board met ten times and the Board members' attendance record is disclosed in the table of directors' meetings within the Annual Report.

Appointment and Re-election of Directors

When appointing new directors, the Board and the Remuneration and Nomination Committee look to ensure that an appropriate balance of skills, knowledge, experience, independence and diversity is maintained. Before a candidate is nominated by the Board, they must provide details of their other commitments and an indication of time involved, and confirm that they will have sufficient time to meet their obligations to the Company. The Company undertakes comprehensive checks including character reference, experience, education, criminal record, and bankruptcy history before it puts forward to shareholders a new candidate for election, as a director. In addition, due to the highly regulated environment that the Company operates, each director has to meet all gaming regulatory approval conditions prior to his or her formal appointment. The gaming regulators require detailed probity and compliance investigations be undertaken on the director candidates and their families, who are required to disclose extensive historical and current personal and financial information.

The Company discloses all material information that is relevant to a decision on whether or not to elect or re-elect a director in the Notice of Meeting provided to shareholders. Director candidates are also invited to address the meeting and provide the details of the relevant qualifications, experiences and skills they bring to the Board.

For each successful appointment of a new director, the director is provided with a written agreement setting out the terms of their appointment.

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. Each director is entitled to access the advice and services of the Company Secretary.

The decision to appoint or remove a Company Secretary is made by the Board in accordance with the Company's Constitution. Details of the Company Secretary are set out in the Directors' Report within the Annual Report.

Board Performance Review

The Chairman of the Board is responsible for evaluating the performance of the Board, its committees and individual directors. The performance of the Board was assessed during the year in accordance with the process described below.

The process for conducting the Board's performance review consists of individual interviews with each director. The review includes an assessment of the individual contribution of each Board member as well as the performance of the Board as a whole. The performance criteria that is taken into account include each director's contribution to setting the direction, strategy and financial objectives of the group and monitoring compliance with regulatory requirements and ethical standards. A written report discussing the results, issues for discussion and recommendations is to be presented to the Board and discussed at a Board meeting. Each of the Board Sub-Committees undertakes a periodic review of their performance in accordance with their Charters. The results of these reviews are then presented and discussed at a Board meeting.

Appointment and Performance of Key Executives

Senior executives are provided with a written service agreement, which sets out the terms and conditions of their appointment. Contract details of senior executives which are defined as Key Management Personnel (KMP) are summarised in the Remuneration Report within the Annual Report.

The Remuneration and Nomination Committee reviews the performance of the Company's CEO and senior executives who directly report to the CEO. Their findings are reported to the Board. A performance management review process is undertaken which involves review against previously established goals and objectives set by the Board. The performance of the Company's senior executives has been assessed this year in accordance with this process. Key aspects of the review process are described below.

The CEO Key Performance Indicators (KPIs) are annually determined by the Board based on recommendations from the Remuneration and Nomination Committee. The key aspects included in the KPIs are financial performance measures, strategic initiatives, staff and human relations matters and compliance performance. The Remuneration and Nomination Committee reviews performance against the established KPIs on an ongoing basis, with a formal evaluation being completed at the end of each financial year and its findings are reported to the Board.

The CEO evaluates, at least annually, the performance of the following key executives: CFO/Company Secretary, Chief Technology Officer (CTO), General Manager of Manufacturing, General Counsel, Group Compliance Manager, General Manager of Business Services, General Manager of Online and Social Gaming, and Divisional Sales Managers. Both qualitative and quantitative measures are used that vary according to an individual's role. Factors that are taken into consideration when accessing performance include relative contributions to profit, how business is conducted, people leadership and

adherence to the Company's Code of Conduct and compliance policies. These performance assessments are reviewed by the Remuneration and Nomination Committee and reported to the Board.

Diversity and Inclusion

The Company recognises that a diverse and inclusive workforce is important in attracting and retaining talented employees, inspiring greater innovation, and embracing the Company business objectives. The Company is supportive of the ASX diversity recommendations and will continue to be committed to promote and achieve diversity across the Company. In addition to the Company's Equal Employment Opportunity/Anti-Discrimination Policy, the Company has established a Diversity Policy which is available in the Corporate Governance section on the Company's website. The Board will continually develop measureable objectives for key diversity categories in line with the Diversity Policy. The Remuneration and Nomination Committee will review the progress of the objectives annually and will report the outcomes and make recommendations as appropriate to the Board.

The Company aims to demonstrate its commitment to gender diversity by increasing the number of women on the Board, in senior management and Company-wide on a year to year basis. The Company has defined senior management as senior executives reporting directly to the CEO, senior managers and senior specialists across the Group with input into directing operational decision-making within specific departments and for identified geographical regions.

The proportion of women at various levels within the Company at the end of the financial year is shown in the chart below.

Category	30 June 2017	30 June 2018
Board of Directors ⁽¹⁾	14%	17%
Senior Management	13%	16%
Company-wide	29%	29%

⁽¹⁾ Based on a percentage of independent non-executive directors only, the proportion of woman represented on the Board is 25% in 2017 and 2018.

During the reporting period, the Company has achieved its measurable objectives for achieving gender diversity at the Board of Directors and Senior Management levels. The female representations in both of these categories have increased compared to prior reporting period and the Company remains committed in promoting gender diversity across all categories.

As part of the requirements set by the Workplace Gender Equality Act 2012 (WGEA), the Company has reported against a set of standardised gender equality indicators (GEIs). The GEIs relate to areas that are critical to gender equality are outlined below:

- GEI 1 - Gender composition of the workforce;
- GEI 2 - Gender composition of governing bodies;
- GEI 3 - Equal remuneration between women and men;
- GEI 4 - Flexible working arrangement for employees with family and caring responsibilities;
- GEI 5 - Consultation with employees on issues concerning gender equality in the workplace; and
- GEI 6 - Sex-based harassment and discrimination.

A copy of the 2018 report provided to the Workplace Gender Equality Agency under WGEA can be viewed at:

<http://www.agtslots.com.au/corporategovernance>

☒ ASX Corporate Governance Council's Recommendations 1.1,1.2,1.3,1.4, 1.5,1.6,1.7

Principle 2

Structure the Board to add value

Composition of the Board

The names and details including the experience, special responsibilities, and other directorships held and term of office of each member of the Board can be found in the Directors' Report within the Annual Report. The composition of the Board is evaluated and reviewed to ensure it provides a broad range of skills, personal qualities, expertise, ability to exercise independent judgment and diversity required to discharge its responsibilities. Provision of such skills and experience is aimed to assist the Company to achieve its objectives and continual development. The Remuneration and Nomination Committee assists the Board in regularly evaluating the effectiveness, size and composition of the Board. It identifies and evaluates suitability qualified candidates as directors and makes recommendations to the Board for consideration.

An objective of the Company is to ensure that the majority of the Board should comprise independent, non-executive directors with no other significant business or other links to the Company. An independent director is a director who is not a member of the management (i.e. a non-executive director) team and who:

- holds less than five percent of the voting shares of the Company and is not an officer of the Company, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or has been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another group member;
- within the last three years has not been a material* supplier or customer of the Company or another group member, or an officer of the Company or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another group member other than as a director of the Company;
- has no close family ties with any person who falls within any of the categories described above;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

* the Board considers, "material", in this context to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10% of the relevant segment's or the director-related business's revenue. The Board has considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold. Based on the criteria outlined above, the Board was of the view that there were no factors affecting the independent status of any non-executive directors throughout the financial year and as at the date of this statement.

The majority of the Board comprises independent non-executive directors with the roles of the Chairperson and CEO not being exercised by the same individual.

Each director has the right of access to all Company information and to the Company's executives. Further, subject to informing the Board, a director may seek independent professional advice from a suitably qualified adviser at the Company's expense. A copy of the advice received by the director is to be made available to all other members of the Board.

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to meet with management to gain a better understanding of business operations. Directors are able to access continuing education opportunities to update and enhance their skills and knowledge to perform their role as directors effectively.

Sub-Committees of the Board

1. Audit Committee

Details regarding the composition of the Committee, its role and responsibilities are provided under Principle 4 of this statement.

2. Remuneration and Nomination Committee

Details regarding the composition of the Committee and its role and responsibilities are provided under Principle 8 of this statement.

3. Regulatory and Compliance Committee

The members of the Committee during the year are set out below:

Composition of Regulatory and Compliance Committee

Chairman: Mr MB Yates (Independent Non-Executive Director)

Members: Mr HA Scheibstock (Independent Non-Executive Director)
Mr DE Gladstone (Executive Director/ CEO)
Mr JF O'Reilly (Independent Member)

Due to the highly regulated nature of the gaming industry within which the Company operates, the securing of new gaming licences and protection of current licences is an ongoing process which is of great importance to the Company. The Regulatory and Compliance Committee Charter, which is reviewed regularly and has been approved by the Board, outlines responsibilities to monitor, review, advise and assist the Board to ensure all compliance related matters and procedures have been established and are operating effectively. The Charter is available on the Corporate Governance section of the Company's website. A majority of members are independent; including two non-executive directors and the Chairman is not the Chairman of the Board.

The Regulatory and Compliance Committee monitors probity related matters, technical compliance issues and compliance conduct and issues, systems and procedural requirements to ensure that the Company maintains a high standard of compliance with all of its gaming regulatory and licence obligations. In addition, the Regulatory and Compliance Committee advises and makes recommendations to the Board regarding regulatory compliance matters, including the suitability of key employees and other persons or entities with whom the Company has or intends to have an association or affiliation, in line with gaming regulations.

The Group Compliance Manager, General Manager of Business Services and General Counsel are invited to the Regulatory and Compliance Committee meetings to present and discuss their reports and recommendations. The Regulatory and Compliance Committee met four times during the year and the directors' attendance record is disclosed in the table of directors' meetings within the Annual Report. Due to the importance of the regulatory environment within which the Company operates, and to ensure the commitment by the Board within this important area, the Committee is scheduled to meet at least four times each financial year and as required to address any specific issues that may arise.

The main responsibilities of the Regulatory and Compliance Committee are to:

- oversees activities of the compliance, licencing and technical compliance functions;

- regularly review the application of compliance to ensure that the Company meets all requirements outlined in its Compliance Policy;
- deal with and investigate any breaches, complaints and derogatory information of which it becomes aware;
- provide assistance and advice to the Board on matters pertaining to the Company's continuing suitability to obtain and maintain gaming licences;
- review operational policies and recommendations relating to compliance issues; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

The Regulatory and Compliance Committee may seek independent professional advice, at the Company's expense, in carrying out these duties, subject to informing the Board. The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and is provided with the right to direct access to any person within the Company.

 [ASX Corporate Governance Council's Recommendations 2.1,2.2,2.3,2.4,2.5,2.6](#)

Principle 3

Promote ethical and responsible decision-making

Ethical Standards

All directors, managers and employees are expected to act with complete integrity and objectivity in all their activities related to the Company, striving at all times to enhance the reputation and performance of the Company. Every employee has a nominated supervisor to whom they may refer any issues or complaints arising from their employment. To further promote a culture within the Company where ethical standards are maintained in accordance with Company policy, the Company has established a "Whistle-blower" Policy, which ensures protection of individuals reporting any incidents of misconduct or unethical behaviour.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to ensure that directors disclose any potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not participate in any discussion and voting on the applicable matter and, if considered appropriate, the director is requested not to be present whilst the matter is considered. Details of director related transactions with the Company are set out in the Notes of the Financial Statements within the Annual Report.

Code of Conduct

The Company has established a Code of Conduct that embraces high standards of personal and corporate conduct. Each director, senior executive and employee has been advised that they must comply with this Code. The full Code of Conduct may be viewed on the Corporate Governance section of Company's website and it requires all directors, senior executives and employees to:

- conduct all dealings with internal and external stakeholders in a truthful, honest and trustworthy manner;
- value and maintain professionalism;
- treat all persons with whom they interact, with respect and dignity;
- respect the rights of individuals;
- act towards others without discrimination;
- comply with the Company's internal policies and procedures;
- report unethical behaviour or wrongdoing;

- use authority in a fair and unbiased way;
- comply with all applicable laws, regulations and licensing conditions; and
- not knowingly make a misleading statement.

A copy of the Code of Conduct is made available to all staff. The Code is reviewed regularly by the Board and processes are in place to communicate any amendments to the Code to all staff. New employees are issued with an employee handbook containing the Code of Conduct and prior to commencing their respective employment, they are required to certify that they have read and understood the requirements contained within it. The Company has established procedures to monitor compliance with the Code of Conduct.

In addition to the Code of Conduct and the Whistleblower policy, the Company also has policies, which govern:

- Workplace Health and Safety; and
- Dealing in Company's securities.

All employees are required to complete the workplace grievance and compliance training conducted by the Company. The workplace grievance training covers issues like harassment, discrimination, bullying and violence which are governed by the Company's policies and copies of these documents are available on the Company's website.

[ASX Corporate Governance Council's Recommendations 3.1](#)

Principle 4 **Safeguard integrity in financial reporting**

Audit Committee

The members of the Committee during the year are set out below:

Composition of the Audit Committee

Chairman: Mr CJ Henson (Independent Non-Executive Director)

Members: Mr MB Yates (Independent Non-Executive Director)
Mr GJ Campbell (Chairman & Independent Non-Executive Director)

The Audit Committee has a documented Charter, which is regularly reviewed and approved by the Board. All members are independent non-executive directors, financially literate and have sufficient understanding of the industry in which the entity operates. The Chairman of the Committee is not the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal financial control for the management of the Company.

The external auditors, the CEO and CFO/Company Secretary, are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee met twice during the year and Committee members' attendance record is disclosed in the table of directors' meetings within the Annual Report. The external auditor met with the Audit Committee and the Board during the year, without management being present.

Prior to the approval of the Group's financial statements for the 2018 financial year, the CEO and CFO/Company Secretary gave the Board a declaration that, in their opinion, the financial records of the

Company had been properly maintained in accordance with section 295A of the Corporations Act 2001, that the financial statements complied with the relevant accounting standards and gave a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of a sound system of risk management and internal control which was operating effectively.

The main responsibilities of the Audit Committee are to:

- assist the Board to discharge its fiduciary responsibilities with regard to the Company's accounting, control and reporting practices by monitoring the risk and internal control environment and management over corporate assets;
- review internal controls and any changes thereto approved and submitted by the Company's CFO/Company Secretary;
- provide assurance regarding the quality and reliability of financial information used by the Board;
- oversee the activities of the internal audit function and external audit staff of the Company and to review the Company's risk management policies and internal control processes;
- review and recommend to the Board the adoption of the Company's half year and annual financial statements;
- liaise with and review the performance of the external auditor;
- consider whether non-audit services provided by the external auditor are consistent with maintaining the external auditors' independence; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit and internal audit plan;
- identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final reports and any significant adjustments required as a result of the auditor's findings prior to lodgement with the ASX;
- review the results and findings of the auditor and monitor the implementation of any recommendations made; and
- organise, review and report as required on any special reviews or investigations deemed necessary by the Board subject to the engagement not impairing audit independence.

The Audit Committee's Charter is available in the Corporate Governance section of the Company's website. The Audit Committee also considers the selection and appointment of external auditors and the rotation of external audit engagement partners. The Company's external auditor attends the AGM and is available to answer questions from security holders relevant on:

- conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

☒ [ASX Corporate Governance Council's Recommendations 4.1,4.2,4.3](#)

Principle 5

Make timely and balanced disclosure

The Company is listed on the ASX and is committed to ensuring that information which is expected to have a material effect of the price or value of its shares is notified to the ASX in a timely and balanced manner, with regard to the *Corporations Act 2001* and ASX Listing Rules outlining continuous disclosure requirements for listed companies. The Company's Continuous Disclosure Policy is regularly reviewed to ensure that it reflects current best practice of making timely and balanced disclosure and good corporate governance principles and practices. This policy is available in the Corporate Governance section of the Company's website.

All senior executives must follow a process, which involves monitoring all areas of the Company's internal and external environment to identify and communicate significant matters in a timely manner to the CFO/Company Secretary. The CEO and CFO/ Company Secretary are responsible for determining whether matters are required to be disclosed in accordance with the above continuous disclosure requirements and for informing the Board accordingly.

The CFO/Company Secretary is responsible for co-ordinating disclosure to the ASX and ensuring that such information is not released to any person until the ASX has confirmed its release to the market. Such matters are advised to the ASX on the day they are identified as being material.

☒ [ASX Corporate Governance Council's Recommendations 5.1](#)

Principle 6

Respect the rights of shareholders

The Company keeps investors informed of itself and its governance via its website, www.agtslots.com.au. The names and biographical information for each of the directors are set out on the website. Investors can access copies of its annual reports and financial statements, ASX announcements, notices of meetings, and investor presentations. The 'Corporate Governance' section sets out the key corporate governance policies and other corporate governance materials referred to in this document.

The Company conducts regular briefings including interim and full year results announcements, investor days and attends industry specific tradeshow in order to facilitate effective two-way communication with shareholders and the wider investment community. All discussions with analysts are conducted by the CEO and CFO/Company Secretary and are limited to an explanation of previously published material and general discussion of non-price sensitive information.

The Company commits to ensuring that opportunity is given to shareholders to participate in general meetings. Where a shareholder is not able to attend the general meeting and exercise their right to ask questions about, or make comments on the Company, the Company gives the shareholder the opportunity to provide questions or comments ahead of the meeting. Where appropriate, these questions are answered at the meeting, either by being read out and then responded to at the meeting or by providing a transcript of the question and a written answer at the meeting. Online proxy voting facility is available to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.

The Company encourages investors to receive communications from, and send communications to, the Company and the share registry electronically. The Company gives shareholders the option to receive emails when important information becomes available such as dividend statements, voting forms and annual reports.

The Company is committed to keeping shareholders fully informed of significant developments and activities of the Company. This commitment is fulfilled as follows:

- all announcements made to the market and related information (including investor presentations, information provided to analysts or the media during briefings), are placed on the Company's website after lodgement with the ASX;
- the Annual Report (including relevant information about the operations of the Company during the year and changes in the state of affairs) is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- the half yearly report contains summarised financial information and a review of the operations of the Company during the period. The half year review financial report is lodged with the Australian Securities and Investments Commission and the ASX and sent to any shareholder who requests it;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- the Board encourages full participation of shareholders at the AGM, to ensure a high level of accountability and identification with the Company's strategy and goals;
- important issues are presented to shareholders as single resolutions; and
- shareholders are requested to vote on the appointment and aggregate remuneration of directors as well as changes to the Constitution. The Constitution is available on the website of the Company and copies are given to shareholders who request for the same.

☒ [ASX Corporate Governance Council's Recommendations 6.1,6.2,6.3,6.4](#)

Principle 7

Recognise and manage risk

Oversight of the Risk Management System

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has established and implemented the risk management system for identifying, assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. The Board has reviewed the financial reporting risk management and associated compliance and controls and they are found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company and material associates. There are a number of material business risks that could affect the Company and the achievement of the of the Group's financial performance objectives. Those risks and how they are managed are addressed in the Notes of the Financial Statements within the Annual Report. Although the Company's operations do not have any material exposure to environmental and social sustainability risks, the Company continually monitors its exposure to these risks.

Risk Profile and the Audit Committee

The Audit Committee reports to the Board on the status of risks through integrated risk management processes and programs aimed at ensuring that risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the risk management system.

The major risks that the Company faces are allocated to individual executives and are reviewed to determine progress and to provide updates as to the individual status and to ensure the identification of any further risks.

Risk Management and Compliance and Control

The Company has implemented a compliance program, which complies with the Australian Standard for Compliance Programs AS 3806. This Standard was prepared by the Standards Australia Committee following a request by the Australian Competition and Consumer Commission and details the essential elements of an effective compliance program. The Standard provides principles for the development, implementation and maintenance of an effective compliance program, whilst emphasising the need for continuous improvement. The use of these principles will enable the Company to identify risks and to

develop processes to ensure compliance with relevant laws and regulations, including gaming regulatory and licence obligations.

The Company's quality management system complies with the AS/NZ ISO 9001:2015 standard *Quality Management System-Requirements*, published by the International Organisation for Standardisation (ISO). The surveillance audit was conducted successfully in July 2018 by independent auditors further demonstrating the Company's commitment to continuous improvement. The next annual surveillance audit is currently scheduled for April 2019. As a Nevada licence holder, the Company has obligations under its Nevada Gaming Compliance Plan in addition to licence and reporting obligations under its other licences.

The Company continually reviews internal controls and operating procedures, to enable compliance with Gaming Machine National Standards and the Company's Control System Manual. As part of the induction program, all new employees receive an Employee Handbook incorporating a comprehensive section on Compliance that includes the Code of Conduct, Securities Trading Policy, anti-money laundering and countering the financing of terrorism, and anti-bribery training. On an annual basis, staff are required to declare any conflicts of interest with a customer, supplier or competitor and whether the staff member has even been investigated by a regulator authority (that the Company is not aware of). All of these measures are part of the Company's risk management controls to mitigate both internal and external risks. In addition, staff were reminded of the Company's Policy on Drugs and Alcohol to ensure a safe and healthy work environment.

To ensure that these standards are maintained, there are a number of internal reporting measures including monthly Compliance Reports from all department managers and monthly Continuous Disclosure Reports from all senior executives. The Regulatory and Compliance Committee receives details from the above reports and reviews the Company's reporting and processes on all these matters.

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal control is continually under review to ensure it keeps pace with internal and external changes. The Board oversees the Company's internal compliance and control systems, including:

Operating unit controls – Operating units confirm compliance with financial controls and procedures, including information systems controls detailed in procedures manuals;

Functional specialty reporting – Key areas subject to regular reporting to the Board include Treasury and Risk Management, Environmental, Legal and Insurance matters; and

Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size, obtain prior Board approval;
- workplace health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel is maintained (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance (see below).

Quality and integrity of personnel

Written confirmation of compliance with policies of the Company is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management. A formal succession plan has been established to ensure competent and knowledgeable employees fill senior positions, as and when retirements or resignations occur.

Financial reporting

The CEO and the CFO/Company Secretary have declared, in writing to the Board, that the Company's financial reports are founded on a sound system of risk management and internal compliance and control. Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Company's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breaches of those environmental requirements as they apply to the Company.

Assessment of Effectiveness of Risk Management

Internal audit

To further assist the Board in ensuring compliance with these internal controls and risk management programs, the Company allocated the responsibilities of the Internal Audit function to a key employee within the Company's compliance department. This role is to regularly review the effectiveness of the abovementioned compliance and control systems and conduct regular audits against the International and Australian Standards as well as against all operating policies and procedures. The Audit Committee is responsible for approving the internal audit plan to be undertaken during the year and for the scope of the work to be performed.

 [ASX Corporate Governance Council's Recommendations 7.1,7.2,7.3,7.4](#)

Principle 8

Remunerate fairly and responsibly

Remuneration and Nomination Committee

The members of the Committee during the year are set out below:

Composition of the Remuneration and Nomination Committee

Chairman: Mr CJ Henson (Independent Non-Executive Director)

Members: Ms HA Scheibstock (Independent Non-Executive Director)
Mr GJ Campbell (Chairman & Independent Non-Executive Director)

The Remuneration and Nomination Committee has a documented Charter, which is regularly reviewed and approved by the Board. A majority of members are independent non-executive directors and the Chairman of the Committee is not the Chairman of the Board.

The CEO and Human Resources/Payroll Manager are invited to attend the Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages. The CEO and CFO/Company Secretary are not involved in matters pertaining to their own remuneration.

During the year under review, the Committee met four times and the directors' attendance record is disclosed in the table of directors' meetings within the Annual Report.

The main responsibilities of the Remuneration and Nomination Committee are to:

- review the composition of the Board and make evaluations and recommendations thereon;
- identify and evaluate potential candidates as non-executive directors and report findings to the Board;
- recommend the selection, appointment, induction process and succession planning process for the CEO, the CFO/Company Secretary and other senior executives;
- recommend to the Board ways in which the skills, experience and expertise levels of existing directors and senior executives can be enhanced and developed;
- conduct an annual review of performance of the CEO, the CFO/Company Secretary and the senior executives reporting directly to them, and report findings to the Board;
- review and make recommendations to the Board on remuneration packages and incentive policies applicable to the CEO, CFO/Company Secretary, senior executives and directors themselves;
- establish, review and monitor key diversity objectives outlined in the Company's Diversity Policy and an annual review of measureable objectives is to be undertaken with outcomes and recommendations reported to the Board as appropriate; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

Further details of the Remuneration and Nomination Committee's responsibilities are outlined in its Charter, which is available in the Corporate Governance section on the Company's website. The policy and procedure for appointment of directors also forms a part of the Committee's Charter.

Remuneration Policies

Details of the principles and amounts of remuneration including equity-based remuneration of non-executive directors, executive directors and specific senior executives, who are defined as KMP, are set out in the Remuneration Report within the Annual Report.

Prohibition on Share Trading

The Group's Share Trading Policy prohibits all employees including directors to trade in the Company's securities for a short term or speculative gain, dealing with any securities at any time when they possess information which, if disclosed publicly, would be likely to materially affect the market price or value of those securities, and must not deal in securities at any time outside a Window Period unless the CEO or CFO/Company Secretary has given a written consent to do so. All directors, senior executives and all other employees are prohibited from hedging or otherwise limiting their exposure to risk of equity-based remuneration scheme that either has not vested or has vested, irrespective of trading windows. The Company's Securities Trading Policy is available in the Corporate Governance of the Company's website.

☒ [ASX Corporate Governance Council's Recommendations 8.1,8.2,8.3](#)