

# CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement of Class Limited ('Class' or the 'company') has been prepared in accordance with the 3<sup>rd</sup> Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained on our website at <https://investors.class.com.au/investors/>

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the company's Board of Directors ('Board') and is current as at 20 August 2019.

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

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

### **Recommendation 1.1 - A listed entity should disclose:**

- (a) the respective roles and responsibilities of its board and management; and**  
**(b) those matters expressly reserved to the board and those delegated to management.**

The company's Board maintains the following roles and responsibilities:

- demonstrating leadership and setting and reviewing Class and its subsidiaries (Class Group) purpose, objectives, goals and strategic direction, and assessing performance against these benchmarks;
- approving the Class Group's statement of values which in addition to its Code of Conduct, underpin the desired culture;
- overseeing the business and affairs of the Class Group, including its control and accountability systems;
- appointing the CEO;
- approving the appointment of the Chief Financial Officer (CFO), the Company Secretary and direct reports to the CEO;
- if necessary, approving the replacement of, and replacing, the CEO, CFO, Company Secretary or any direct reports to the CEO;
- monitoring senior executives' instilling of the Class Group's values and performance including the implementation of Class' objectives against measurable and qualitative indicators,
- encouraging enhanced effectiveness of senior executives and ensuring that appropriate resources are available;
- monitoring executive succession plans and ensuring a process of evaluating and rewarding key executives;
- when required, challenging management and holding it to account;
- satisfying itself that an appropriate framework exists for accurate, timely and clear information to be reported by management to enable the Board to perform its responsibilities;
- ensuring that a risk management framework is in place (for both financial and non-financial risks) and setting the risk appetite within which the board expects management to operate;
- establishing and maintaining a diversity policy outlining Class' commitment to diversity in the workplace and reviewing and approving measurable objectives for diversity, including gender diversity, across, and at various levels;
- monitoring Class' workplace health and safety performance;
- satisfying itself that remuneration policies align with the Class Group's purpose, values, strategic objectives and risk appetite;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- ensuring that Class' financial results are appropriately and accurately reported on a timely basis;
- seeking to promote effective engagement with shareholders and providing them with appropriate information and facilities to allow them to exercise their rights as shareholders effectively;
- approving budgets; and
- performing such other functions as are prescribed by law or are assigned to the Board.

The CEO is responsible, and accountable to the Board, for the day-to-day operations of Class. The CEO's delegated responsibility for the day-to-day management of Class includes the following responsibilities:

- develop and recommend to the Board strategic goals and objectives, business plans and budgets for Class;

## **Class Limited | Corporate Governance Statement**

- implement the strategic goals and objectives and business plans adopted by the Board;
- providing effective leadership, direction and supervision of Class' management to achieve the strategic goals and objectives, business plans and budgets adopted by the Board;
- develop and manage resources, policies and systems to ensure the effective operation of Class (including policies on risk management, internal control and human resources);
- manage Class' resources within budgets approved by the Board;
- ensure Class complies with applicable laws and regulations;
- ensure Class has sufficient information to set strategic goals and objectives and monitor performance; and
- act within the delegated authority set by the Board and comply with any conditions attached to that delegation.

Senior executives have their roles and responsibilities defined in specific position descriptions.

### ***Recommendation 1.2 - A listed entity should:***

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and***
- (b) provide security holders with all material information in its possession relevant to a decision on whether to elect or re-elect a director.***

Before appointing a director, or putting forward to shareholders a director for appointment, the company undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission ('ASIC').

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

The company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

### ***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination. These contracts are made with the director or senior executive personally and not through service companies or any other entity.

### ***Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.***

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- the coordination of all Board business, including agendas, board papers, minutes;
- communication with regulatory bodies and ASX, and all statutory and other filings;
- advising the Board and its committees on governance matters;
- monitoring and evaluating compliance with Board policy and procedures; and
- organising and facilitating the induction and professional development of directors.

### ***Recommendation 1.5 - A listed entity should:***

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;***
- (b) disclose that policy or a summary of it; and***

**(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:**

- (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or**
- (2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.**

The company recognises that a diverse and talented workforce as critical to its success. The company believes diversity leads to better performance and that managing diversity promotes innovation and creativity, and benefits the company’s shareholders, clients and other stakeholders. The company recognises that its team should reflect its client base and the communities it operates in.

The board is committed to diversity, and this commitment is set out in the company’s diversity policy which is available on the website.

The purpose of the company’s diversity policy is to support and facilitate an inclusive environment that embraces all areas of diversity such as gender, age, ethnicity, religious or cultural background, disability, marital or family status, sexual orientation, gender identity and other areas of potential difference.

The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the company to attract and retain employees with the best skills and abilities.

The policy requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the company’s progress towards achieving them on an annual basis.

**Diversity objectives**

<p><b>Ensure recruiting generates a diverse pool of talent</b></p>	<p>The company adopts recruiting practices to attract potential employees from a diverse pool of qualified and capable candidates. The company carries out most of its recruitment efforts using multiple employment agencies with a goal of maximizing the diversity of candidate groups. The company adopts a thorough selection process that involves interviewing, skills testing and reference checking to ensure all recruitment decisions are based on merit. This ensures the company has access to and consideration of the broadest pool of candidates. The importance of diversity is understood by executives and hiring managers.</p>
<p><b>Ensure that appropriate internal policies supporting and promoting diversity have been adopted and communicated to employees</b></p>	<p>The company has adopted a Diversity Policy which forms part of the Employee Handbook available to staff on the company intranet. A copy of the Diversity Policy can also be downloaded from the Corporate Governance section of the company website.</p>
<p><b>Review and monitor parity of remuneration and working conditions across the workforce</b></p>	<p>The NRHRC performs an annual review across all roles within the company to ensure parity of remuneration and working conditions across genders. The company continually reviews the working conditions of its employees and annually reviews remuneration to ensure that it is merit based and reflects the responsibilities of the role. The company also conducts annual performance reviews in which staff can raise concerns about their employment. The ways in which they can do this are outlined in the Employee Handbook which is available to staff on the company intranet.</p>
<p><b>Implement training to promote a culture of diversity e.g. harassment, appropriate behaviour</b></p>	<p>The company is committed to education and awareness sessions to promote a culture of diversity in the workplace. As such, the company provides regular compulsory training to staff and management to promote appropriate behaviour in the office. There are also channels by which staff can report offensive or inappropriate behaviour which is outlined in the Employee Handbook available to staff on the company intranet. Prompt and appropriate action will be taken to investigate each report received to ensure inappropriate conduct is detected and addressed</p>

## Class Limited | Corporate Governance Statement

	appropriately.
<b>Employee satisfaction</b>	The company takes part in the annual Great Place to Work® Trust Index© Employee Survey which is carried out by Great Place to Work® Australia. Over 89% of employees completed the survey this year. The company continues to score extremely high in the areas of diversity including age (95), race (91), gender (94) and sexual orientation (96). Overall employee engagement was down this year to 83, however these results are reflective of the significant changes in leadership occurring at the time the survey was conducted.

The Workplace Gender Equality Agency (“WGEA”) report (“WGEA Report”) submitted by the company relating to employees in Australia for the 2018 to 2019 period can be viewed on the website.

Based on the WGEA report for 2018-2019, females represent 40.7% (last year 38%) of the workforce. There has been an increase of 2.7% in the representation of females in 2018-2019. There are 2 female members on the board. Resignations during this period included 23.5% women and 76.5% were men. Promotions were awarded 17.6% to women and 82.4% to men.

The company continues to seek an increase in the representation of women in the workforce and reviews strategies and practices to continue to foster diversity in the company, particularly as to gender.

### **Recommendation 1.6 - A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

Formal performance evaluations were undertaken during the reporting period. The process involved the directors and senior executives completing a questionnaire and results being discussed by the board. The composition of committees was also formally reviewed after changes at Board level.

### **Recommendation 1.7 - A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive’s function, individual targets, group targets, and the overall performance of the company.

The CEO provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Nomination and Remuneration Committee. The last review of senior executives in accordance with this process was undertaken in June 2019.

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

### **Recommendation 2.1 - The board of a listed entity should:**

- (a) have a nomination committee which:**
  - (1) has at least three members, a majority of whom are independent directors; and**
  - (2) is chaired by an independent director,****and disclose:**
  - (3) the charter of the committee;**
  - (4) the members of the committee; and**
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

## Class Limited | Corporate Governance Statement

The Board maintains a combined Nomination, Remuneration and Human Resources Committee (NRHRC), whose members during the financial year, were as follows:

Director's name	Executive status	Independence status
Kathryn Foster – Chair	Non-Executive Director	Independent
Mr Christopher Cuffe	Non-Executive Director	Independent
Matthew Quinn	Non-Executive Chairman	Independent

The NRHRC has two roles. Its nomination role is to assist and advise the Board on the following:

- director selection and appointment practices;
- induction and continuing professional development programs for directors;
- director performance evaluation processes and criteria;
- Board composition; and
- succession planning for the Board and the CEO,
- to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interest of Class as a whole.

The Charter of the Committee is available on the company's website.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

**Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.**

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It is therefore used when recruiting new directors and assessing which skills need to be outsourced based on the attributes of the current Board members.

Directors are expected to maintain their knowledge and skills as required to carry out their duties and obligations. The Board is provided with papers, presentations and briefings on matters that may affect Class' business or operations, and is briefed on relevant changes in the legislative, regulatory or industry framework.

The Board uses the skills matrix to guide its assessment of the directors and to identify any gaps in the collective skills of the Board. During the Reporting Period, each director completed an assessment of their own capabilities against the 17 categories within the skills matrix (see below). These responses were reviewed by the Chair of the Board.

Skill Area	Description	Total out of 6 Directors as at 30 June 2019*
Leadership & Governance	Strategy	6
	Innovation & Entrepreneurship	5
	CEO / Senior Executive level experience	6
	Corporate Governance	6
Financial & Risk	Financial Acumen	5
	Banking & Finance	6
	Compliance & Risk Management	5
Understanding of Business & Industry	Software as a Service	2
	Information Technology	3
	Financial Services	5
	Superannuation, Accounting & Financial Planning	5
Business Experience	M&A and capital markets experience	5
	Business development / access to networks	5
	Marketing	6
Other Areas	HR / Remuneration	5
	Government, public policy & regulatory	5
	Diversity & inclusion	5

\* This column represents the number of directors rated as being 'competent' or higher in respect of the relevant skill.

## Class Limited | Corporate Governance Statement

In addition to the specific areas that are required at Board level identified in the matrix above, all members of the Board are assessed for the following attributes before they are considered an appropriate candidate.

### Board Member Attributes

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

### **Recommendation 2.3 - A listed entity should disclose:**

- (a) the names of the directors considered by the Board to be independent directors;**  
**(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and**  
**(c) the length of service of each director.**

The Board will regularly review the independence of each director. In particular, the Board will have regard to whether a director:

- is a substantial shareholder of Class or an officer of, or otherwise associated directly with, a substantial shareholder of Class;
- has been employed in an executive capacity by Class or any of its subsidiaries within the last 3 years;
- has been a partner, director or senior employee of a provider of material professional services to Class or any of its subsidiaries within the last 3 years;
- has been in a material relationship (e.g. as a supplier or customer) with Class or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship, within the last 3 years;
- has a material contractual relationship with Class or any of its subsidiaries other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of Class for such a period that his or her independence may have been compromised.

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

Director's name	Appointment date	Independence status
Matthew Quinn (Chairman)	1 July 2015	Independent Non-executive
Kevin Bungard (Ceased 8 November 2018)	15 June 2015	Not-independent Executive Director
Christopher Cuffe	16 October 2017	Independent Non-executive
Kathryn Foster	1 July 2015	Independent Non-executive
Rajarshi Ray	18 November 2008	Independent Non-executive
Nicolette Rubinsztein	1 April 2017	Independent Non-executive
Andrew Russell	14 May 2019	Not-independent Executive Director

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

As part of its independence assessment, the Board considers the length of time that a director has been on the Board, as a prolonged service period may also be seen to impair independence. Such a period is generally considered to be in excess of 10 years, however being on the Board for a period in excess of 10 years does not automatically constitute a deeming of non-independence.

In the case of Mr Ray, the Board is satisfied that he is able to conduct his duties as a Director without compromise or bias and maintains the view that he is independent, despite his long tenure.

## Class Limited | Corporate Governance Statement

Where it is determined that a non-executive director should no longer be considered independent, the company shall make an announcement to the market.

### **Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.**

The Board considers each of Mr Quinn, Mr Cuffe, Ms Foster, Mr Ray, and Ms Rubinsztein to be independent directors of Class. Mr Russell is not considered independent.

### **Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.**

It is noted that the roles of CEO and Chair of the Board are not held by the same person.

### **Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.**

New directors undertake an induction program coordinated by the Company Secretary on behalf of the Nomination and Remuneration Committee. The program includes strategy briefings, explanations of company policies and procedures, governance frameworks, cultures and values, company history, director and executive profiles and other pertinent company information. A director development program is also available which is coordinated by the Company Secretary to ensure that directors can enhance their skills and remain abreast of important developments to enable them to discharge their director obligations as effectively as possible.

The induction program is reviewed periodically to ensure and assess the need for existing directors to undertake personal development to maintain the skills and knowledge required to perform their role effectively. The board also receives briefings and training at in-meeting and offsite sessions throughout the year to remain across developments in industry trends, the laws, regulations and accounting standards relevant to the Class Group and the industry in which it operates.

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

### **Recommendation 3.1 - A listed entity should:**

- (a) have a code of conduct for its directors, senior executives and employees; and**
- (b) disclose that code or a summary of it.**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a code of conduct to be followed by the Board along with all officers, employees, contractors and consultants. The code sets out Class' policies on various matters including conflicts of interest, use of Class' property, confidentiality, bullying, harassment, health and safety. It also sets out the consequences for any breach of that code.

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

### **Recommendation 4.1 - The board of a listed entity should:**

- (a) have an audit committee which:**
  - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
  - (2) is chaired by an independent director, who is not the chair of the board, and disclose:**
    - (3) the charter of the committee;**
    - (4) the relevant qualifications and experience of the members of the committee; and**
    - (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board maintains a combined Audit and Risk Committee (ARC), whose members during the financial year were as follows:

<b>Director's Name</b>	<b>Executive Status</b>	<b>Independence Status</b>
Nicolette Rubinsztein (Chair)	Non-executive	Independent
Rajarshi Ray	Non-executive	Independent

## Class Limited | Corporate Governance Statement

Christopher Cuffe

Non-executive

Independent

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The role of the ARC is to provide an objective, non-executive review of the effectiveness of Class' financial reporting and risk management framework, and to assist the Board in carrying out its accounting, audit, risk management, regulatory compliance and financial reporting responsibilities, including oversight and review in respect of:

- the integrity of Class' external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of Class' external auditors;
- the overall policy direction of the audit, compliance and risk management functions;
- systems to ensure effective management of financial and non-financial risks;
- Class' systems and procedures for compliance with relevant laws, regulations and codes;
- the internal and external audit processes including review of the annual internal audit plan and monitoring of progress and internal audit reports; and
- Class' internal control framework.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.***

In relation to the financial statements for the financial year ended 30 June 2019 and the half-year ended 31 December 2018, the company's CEO and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the company have been properly maintained; and
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company.

They confirm that their opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

***Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.***

The engagement partner for the company's audit attends the AGM and is available to answer shareholder questions relevant to the audit.

Periodic non-audited reports made to the market such as the Class Group's Quarterly Shareholder Update are verified through internal processes.

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

***Recommendation 5.1 - A listed entity should:***

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and***  
***(b) disclose that policy or a summary of it.***

Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the Corporations Act 2001.

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought from the company's external counsel.

## **Class Limited | Corporate Governance Statement**

The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention for potential announcement. Where the matter is urgent, and the CEO is not contactable, the Chairman is contacted. Where the Chairman is not contactable, the Company Secretary may decide whether an announcement is made, or whether a trading halt is warranted.

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

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

No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

Directors are provided copies of all material announcements as soon as they are made to the market. This includes copies of any new or substantive investor or analyst presentations which are released prior to being shared with external parties.

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

***Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.***

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

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

***A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).***

***A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).***

For the investors to gain a greater understanding of the company's business, governance practices, financial performance and prospects, the company schedules interactions during the year where it engages with institutional and private investors, analysts, proxy advisers and the financial media.

Meetings and discussions must be approved by the CEO and are generally conducted by the CEO and CFO along with any other Director or executive who may be relevant to the discussion. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information. These meetings are not held within a six-week blackout period in advance of the release of interim or full-year results.

The company encourages shareholders to attend the company's AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to. Recordings of release calls and transcripts of the meeting are made available on the company's website.

All substantive resolutions at a meeting of security holders are decided by a poll rather than a show of hands.

***Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.***

The company engages its share registry to manage most communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Link Market Services at <https://www.linkmarketservices.com.au>

**Principle 7: Recognise and manage risk**

**Recommendations 7.1 and 7.2**

**The board of a listed entity should:**

**(a) have a committee or committees to oversee risk, each of which:**

**(1) has at least three members, a majority of whom are independent directors; and**

**(2) is chaired by an independent director,**

**and disclose:**

**(3) the charter of the committee;**

**(4) the members of the committee; and**

**(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

**(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).**

**The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).**

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Recommendation 4.1.

The Charter of the Committee is available at the company's website. The charter includes the committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities. The key aspects of the charter follow.

The Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policy and monitoring corporate activity within the scope of its remit, making recommendations to the Board for resolution, and assisting the Board understand risks which may:

- impede the company from achieving its goals and objectives;
- impact on the company's performance;
- affect the health, safety or welfare of employees, visitors and others in relation to the company's operations;
- threaten compliance with the company's regulatory and legal obligations;
- impact on the community and the environment in which the company operates;
- impact on the company's reputation, or that of its people; and
- result in personal liability for company officers arising from the company's operations.

Its responsibilities include review of the following elements:

- company risk appetite and risk tolerance, as determined by the Board across the company and within specific operational segments;
- the likelihood of occurrence, severity of impact, and any mitigating measures affecting those risks;
- responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles;
- procedures for periodic and critical reporting of matters to the Board and the risk committee;
- communication of risk management policies and strategies throughout the company to ensure it is embedded as part of the company's corporate culture;
- internal communication and control systems to encourage the timely flow of risk-related information to personnel;
- reports from management, external auditors, internal auditors, legal counsel, regulators, and consultants as appropriate, regarding risks the company faces and the company's management of those risks;
- assessment of the internal processes for determining and managing key risk areas, with particular focus on compliance with laws, regulations, standards and best practice guidelines, important judgments and accounting estimates, litigation and claims, and fraud and theft;
- assessment of effectiveness of the internal controls, risk management and performance management systems after consultation with management and the internal and external auditors;
- assessment of effectiveness of, and compliance with, the corporate code of ethical conduct and compliance with internal plans, policies and procedures;
- obtaining regular updates from management and company lawyers about compliance matters;
- ensuring the chief executive officer (or equivalent) and the chief financial officer (or equivalent) are reasonably able to state that their declarations under section 295A of the Corporations Act 2001 relating to financial statements and reports of the company 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 the financial reporting risks;

## Class Limited | Corporate Governance Statement

- how certain risks of the company have been mitigated by risk transfer strategies;
- the scope, adequacy and cost of the company's insurance arrangements;
- ensure appropriate corporate governance is in place within the scope of its remit; and
- confirm annually that all responsibilities outlined in this charter have been carried out.

The Risk Committee reviews the company's risk management framework at least annually to ensure that it is still suitable to the company's operations and objectives and that the company is operating within the risk parameters set by the Board. As a consequence of the last review undertaken for the year ended 30 June 2019, the risk framework was updated, however, there were no significant recommendations made.

### **Recommendation 7.3 - A listed entity should disclose:**

- (a) if it has an internal audit function, how the function is structured and what role it performs; or**  
**(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

The company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the CEO/Managing Director and CFO who continually monitor the company's internal and external risk environment. Necessary action is taken to protect the integrity of the company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of company assets.

The board periodically reviews the need for a dedicated internal audit function.

### **Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

The company does not have any material exposure to environmental or social sustainability risks, however, the management of the company and the execution of its growth strategies are subject to several other risks which could adversely affect the company's future development.

The following is not an exhaustive list or explanation of all risks and uncertainties associated with the company (and its subsidiaries), but those considered by management to be the principal material risks:

<p><b>Failure to retain and attract customers</b></p>	<p>Class' key customers are accountants and financial advisers who administer SMSFs and other portfolios on behalf of their clients. Class' business is dependent on its ability to retain its existing customers and attract new customers. Class relies on its customers paying licence fees monthly for subscriptions to its products.</p> <p>As at 30 June 2019, the top ten customers of Class contribute approximately 18% of Class' Annualised Committed Monthly Revenue. Loss of any of these customers would have an adverse impact on Class' business.</p> <p>Class has entered into a mix of ongoing and month-to-month contracts with its customers. The majority of the ongoing contracts can be terminated with 90 days' notice by the customer.</p> <p>Customers may terminate their contracts if an existing or new competitor introduces a competing product which is perceived by customers to be superior to Class' products or Class introduces a product, or makes changes to its existing products, that are not well received by customers. There is also the risk that Class may fail to maintain its current customer service standards or may not develop product offerings that meet its customers' future requirements.</p> <p>A failure by Class to retain and attract customers could have an adverse impact on Class' business, operations and financial performance</p>
<p><b>Competition</b></p>	<p>Class operates in a competitive market. The factors that may affect the competitive advantage of Class include awareness of its brand, the loyalty of and its relationship with its customers, the scope and features of its product offerings and its level of product innovation.</p> <p>There is a risk that existing or new competitors could gain market share through product innovation, price discounting or aggressive marketing campaigns. Competition may also come from providers of complementary products or services offering products similar to those of Class. In addition, Class could lose customers and market share if it fails to adapt to technological and regulatory changes or customer expectations at the same rate as its competitors.</p> <p>Increased competition could result in margin reductions and loss of market share, which could adversely affect Class' business, operations and financial performance.</p>

## Class Limited | Corporate Governance Statement

<b>Fee risks</b>	<p>Class charges licence fees to its customers for use of its products. There is a risk that Class may not be able to maintain its revenue per customer. This may occur, for example, due to price discounting by competitors or if customers do not perceive value in Class' products.</p> <p>Class may also need to reduce the level of its fees, for example because of a strategy to grow market share.</p>
<b>Product development, maintenance and support</b>	<p>The retention and growth by Class of its customer base is dependent on continued product development and innovation, and the level of maintenance and customer support. Class may need to invest more on these matters than anticipated due to competitor activity, technological advances or regulatory changes.</p> <p>This increased investment could lead to reduced return on its products as well as delays in introducing product innovations to the market. This may impact on Class' brand and reputation, business and financial performance.</p> <p>In addition, if there is a decline in customer service delivery, this may also adversely impact on Class' brand and reputation.</p>
<b>New products</b>	<p>Class' strategy involves the introduction of new product offerings or the expansion into other markets. There is a risk that these strategies may result in unforeseen costs or risks or may not deliver the outcomes intended. There may also be unforeseen delay in the introduction of such products which may have an impact on Class' brand and reputation.</p>
<b>Decline in SMSF sector</b>	<p>Class currently provides products for the administration of SMSFs. Therefore, the volume and growth of Class' customers is linked to the size and growth of the SMSF sector.</p> <p>There is a risk that the SMSF sector may not grow as anticipated or may decline, for example due to changes in regulation that adversely affect SMSFs versus other superannuation vehicles, increased administrative costs associated with establishing or maintaining a SMSF, or a downturn in the Australian economy. This would have a material adverse impact on Class' business, operations and financial performance.</p>
<b>Regulation changes</b>	<p>Changes to laws, regulations, standards and practices applicable to the industry in which Class operates (for example, regulatory changes applicable to the administration of SMSFs, requirements for audits, actuarial certificates, changes to super contribution caps and changes to the tax treatment of super) may have an impact on Class' business.</p> <p>If Class fails to adequately respond to such changes, including by making such changes to its product offerings as required, or does not do so as effectively as its competitors, its business, operations and financial performance may be materially adversely affected.</p>
<b>Arrangements with third party suppliers</b>	<p>Class relies on some third-party suppliers and counterparties to maintain and support its technology platform and to provide continued access to its platform and data (such as the direct-connect data feed) to its customers.</p> <p>Class could face business disruption, reputational damage and significant additional costs if:</p> <ul style="list-style-type: none"> <li>• any of its third-party providers should suffer outages which results in disruption to service to Class' technology platform;</li> <li>• any of its third-party providers fail to perform their obligations to Class as contracted for whatever reason; or</li> <li>• Class' arrangements with such providers are terminated or altered in any way that is detrimental to Class or the functioning and features of its products, and Class is not able to find alternative sources of supply of the relevant product or service on commercially reasonable terms on a timely basis.</li> </ul>
<b>Data loss or corruption and security breaches</b>	<p>Class provides its products online through its technology platform. Cyber-attacks or exploitation of some unidentified vulnerability in Class' technology platform could lead to loss, theft or corruption of data. This could render the platform unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of customers' data, resulting in reputational damage, claims from customers and their clients and regulatory scrutiny and fines. This could lead to adverse impacts on Class' revenue and financial performance.</p> <p>Although Class has strategies and protections in place to minimise security breaches and to protect data, these strategies might not be successful. Class also maintains insurance against cyber risks, but this insurance may not cover all potential losses.</p>
<b>Disruption to Class' technology platform</b>	<p>Class' business is dependent on the performance, reliability and availability of its technology platform, which in turn, is reliant on third party communications systems (including servers, the internet and hosting services).</p> <p>There is a risk of disruption to Class' platform for reasons which may include, without limitation:</p> <ul style="list-style-type: none"> <li>• failure in the design and construction of Class' technology platform (including inability for the platform to handle an increase in customers, or errors and omissions in the performance of tasks or functions on the platform);</li> </ul>

## Class Limited | Corporate Governance Statement

	<ul style="list-style-type: none"> <li>a force majeure event that affects the systems of either Class or its suppliers, including interruption by fire, natural disaster, power loss, telecommunications failures, terrorist attacks, internet failures, computer viruses or other events beyond Class' control.</li> </ul> <p>Although Class has strategies in place to minimise the risk of such disruption, these strategies may not be successful. Unavailability of Class' platform could lead to reputational damage and have an adverse impact on Class' relationships with its customers, and its business, operations and financial performance.</p>
<b>Protection of intellectual property</b>	<p>Class' business is heavily dependent on its ability to maintain its rights to the intellectual property in its products and platform. Class relies on laws relating to trade secrets, copyright (including in or relating to its software products) and trade marks to assist in protecting its proprietary rights. However, there is a risk that unauthorised use or copying of Class' software, data, technology or trade mark may occur. Monitoring unauthorised use of Class' intellectual property is difficult and may require significant resources. Class may be unable to detect unauthorised use of its intellectual property rights.</p> <p>In addition, there may be a risk that the validity, ownership or use of intellectual property relating to Class' business is challenged by third parties.</p> <p>Class may be required to incur significant costs and expenses in protecting its intellectual property rights or defending claims by third parties for infringement of intellectual property rights. If Class is not successful in any such litigation or claims, it may be required to pay damages and costs to third parties. In addition, if any such claims result in Class being unable to continue to use any of its key intellectual property, and it is unable to find a cost-effective alternative, then this may materially adversely impact on Class' reputation, business, operations and financial performance. Moreover, whether or not litigation is successful, Class' involvement in litigation could result in significant cost and expense to Class and cause a distraction to management.</p> <p>There is also the risk that if Class develops new intellectual property in the future, it may not be able to obtain adequate legal protection for such intellectual property. Competitors may also be able to independently develop intellectual property and technologies similar to that of Class, without infringing any of its intellectual property or other proprietary rights. This may adversely impact on Class' competitiveness, revenue and financial performance.</p>
<b>Compliance with regulation</b>	<p>Class is subject to regulation concerning how its business is conducted. Class Super Pty Limited holds an Australian Financial Services Licence and both Class Super Pty Limited and the Company hold a tax agent's registration and must comply with relevant requirements of the Corporations Act and tax agent services legislation (and the relevant licence and registration conditions) respectively in relation to such licence and registration.</p> <p>A failure to comply with all relevant regulation may result in the Company (or its relevant Subsidiary) incurring a penalty (such as a fine), censure which restricts the normal conduct of business, an obligation to pay compensation, the need to give a written undertaking to comply or receiving a direction to comply. In some cases, a regulator may cancel or suspend the relevant licence or registration or undertake proceedings against the Company (or its Subsidiary).</p> <p>A significant failure to comply with regulatory requirements, including in relation to data and information privacy may also give rise to reputational damage, and an adverse impact on Class' business and financial performance.</p>
<b>Key personnel risk</b>	<p>The success of Class, including its ability to effectively execute its business strategy, depends to a significant extent on its key personnel, in particular the senior management team. These individuals have extensive experience in, and knowledge of, the industry in which Class operates. Changes that adversely affect Class' ability to retain key personnel or an inability to recruit or retain suitable replacement or additional personnel could materially impact Class' business, operational performance and financial results.</p> <p>Class has sought to mitigate this risk by adopting the Employee Share Option Plan (ESOP). It is intended that the ESOP will enable Class to retain and attract skilled and experienced employees and provide them with the motivation to make Class more successful.</p>
<b>Foreign exchange risk</b>	<p>The Group's financial statements are presented in Australian Dollars. Approximately 5% of expenditure is denominated in currencies other than the Australian Dollar. Future changes in the exchange rates in the currencies of which goods and services sourced by the Group are paid may adversely impact the Group's operating and financial performance.</p>
<b>Risk of litigation claims and disputes</b>	<p>Class may be subject to litigation and other claims and disputes during its business, including contractual disputes with suppliers or customers, employment disputes, indemnity claims, and occupational and other claims.</p> <p>There is a risk that such litigation, claims and disputes could materially adversely impact Class' operating and financial performance due to the cost of settling such claims, and affect Class' reputation.</p>

Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

**Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1 - The board of a listed entity should:**

**(a) have a remuneration committee which:**

- (1) has at least three members, a majority of whom are independent directors; and**
- (2) is chaired by an independent director, and disclose:**
  - (3) the charter of the committee;**
  - (4) the members of the committee; and**
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

**(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board maintains a combined Nomination and Remuneration and Human Resources Committee. The members of the Committee are detailed in Recommendation 2.1 above.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The Remuneration Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

The Charter of the Committee is available at the company's website. The Committee's charter sets out the roles and responsibilities, composition and structure of the Committee. In summary, the charter provides for the committee to monitor and advise upon the following matters:

- the company's remuneration structure including long term incentives and superannuation arrangements;
- remuneration and incentives of the Board, CEO and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;
- workplace health and safety;
- workplace diversity;
- employee share payment plans;
- recruitment, retention and termination strategies;
- management succession, capability and talent development; and
- the Remuneration Report contained within the Directors' report.

When considered necessary, the Committee may obtain external advice from independent consultants in determining the company's remuneration practices including remuneration levels.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

**Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.**

Non-executive directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making. For the same reason, equity-based remuneration is limited to non-performance-based instruments such as shares.

Remuneration for executive directors and other senior executives is aligned with the Class Group's short, medium and long term performance objectives and discretion is retained, where appropriate, to prevent performance-based remuneration rewarding conduct contrary to the Class Group's values or risk appetite.

Executive directors and other senior executives are remunerated using combinations of fixed and performance-based remuneration. Class fixed remuneration is positioned at the market median against the appropriate index for roles of comparative size, or relative to their counterparts in related industries. Variable remuneration provides executives the opportunity to earn upper quartile total remuneration for stretch performance. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

## **Class Limited | Corporate Governance Statement**

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

***Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:***

- (a) have a policy on whether participants are permitted to enter into transactions (whether using derivatives or otherwise) which limit the economic risk of participating in the scheme; and***
- (b) disclose that policy or a summary of it***

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