
ARIADNE

ARIADNE AUSTRALIA LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of Ariadne Australia Limited (“Ariadne” or “the Company”) is responsible for the corporate governance practices of the Company and its controlled entities (“the Group”). The Board guides and monitors the business and affairs of Ariadne on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board supports the principles developed by the Australian Securities Exchange (“ASX”) Corporate Governance Council (“the Council”) as a basis for enhancing the credibility and transparency of our capital markets.

This statement is current as at 28 August 2020, and has been approved by the Board.

The Board believes that corporate governance policies should be tailored to account for the size and structure of the company, risks associated with the company’s operations and the company’s inherent strengths and weaknesses. The ASX concurs with this view and allows companies to explain deviations from the Council’s recommendations. Areas where Ariadne has deviated from the Council’s recommendations are discussed below, but the Board believes the areas of non-conformance do not impact on the Group’s ability to operate with the highest standards of Corporate Governance. Any major change in the Group’s operations will result in a review of the Corporate Governance policies.

I. Functions of Board and Management

The Board is responsible to shareholders for the Group’s corporate governance practices, and for the direction and oversight of the Group’s businesses on behalf of the shareholders. The Board’s responsibilities include:

- reviewing and determining the Group’s strategic direction and operational policies;
- establishing goals for management and monitoring the achievement of these goals;
- reviewing and approving the Group’s Business Plan;
- appointing and remunerating the Executive Management team;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- monitoring business risk exposures and risk management systems;
- approving and monitoring financial, corporate and other external reporting;
- approving changes to the Group’s capital structure;
- considering approaches made to the Company in respect of takeovers;
- reporting to shareholders; and
- promoting ethical conduct.

The Board delegates responsibility for the implementation of strategy and administration of day-to-day business to the Executive Management team. The Executive Management team currently comprises the Executive Director the Chief Financial Officer and the Investment Officer. The Company Secretary is accountable directly to the Board, through the Chairman, on matters to do with the proper functioning of the Board.

The Executive Management team is responsible for:

- ensuring business development and other activities are conducted in accordance with the Group’s overall business strategy;
- managing the Group’s investments, operations and other activities to maximise returns to shareholders;

- informing the Board on a regular basis of the status of all investments and the performance of all Group assets;
- managing relationships with shareholders, bankers and the financial community;
- approving capital expenditure and business transactions;
- planning in accordance with the financial control guidelines which govern the allocation and management of financial resources throughout the Group;
- ensuring that appropriate financial and operational reporting is provided to the Board on a regular basis; and
- establishing and monitoring the Group's risk management framework to ensure that policies, guidelines and controls are effective in reducing the Group's operational and financial exposures to an acceptable level.

An evaluation of performance of the Executive Director is undertaken each year by the Board. The Chief Financial Officer's performance and the Investment Officer's performance are evaluated by the Executive Director annually against appropriate measures, in consultation with the Board.

2. Structure of the Board

The Board comprises the Chairman and the other independent and non-independent Directors. Four of the five directors of the Company are non-executive. The size and composition of the Board is formulated to provide an appropriate range of experience, skills, knowledge and perspective to enable it to appoint, guide and supervise a high standard of management for the Group's business. The names, skills, experience and expertise of each director of the Company are set out in the Directors' Report and are included on the Company's website.

Directors are considered to be independent when they do not participate in day-to-day management activity and are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgment. In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. The Board generally considers an item to be material if it is greater than 5% of the appropriate base amount. Qualitative factors are also considered, including whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with this definition of independence, Mr D Baffsky, AO the Chairman, Mr J Murphy and Mr C Barter are considered to be independent directors. Mr K Seymour, AM in his capacity as director, represents the interest of a significant shareholder and more recently the Group has collaborated with entities associated with Mr K Seymour on a number of investment opportunities. Although the materiality of the shareholding does not in itself impact on the ability of the director to act on an objective and independent basis, given the participation in material investment opportunities alongside the Group Mr K Seymour is not considered to be an independent director. Dr G Weiss, AM is also not an independent director by virtue of his executive role and his significant shareholding in the Company as described in the Annual Report. The majority of the Board is therefore comprised of independent directors as is recommended by the Council.

The Board's skill set includes both executive and non-executive director experience in investment analysis, operating businesses, corporate strategy, equity markets, property development and corporate restructuring.

The Board has adopted the following measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes:

- directors are entitled to seek independent professional advice at the Company's expense, subject to the approval of the Board;
- directors having a conflict of interest in relation to a particular item of business must absolve themselves from discussion or any decision on the topic;
- independent directors confer on a needs basis; and
- the independence of each non-executive Director is assessed regularly by the Board.

The Board has established a clear distinction between the roles of the Chairman and the Executive Director, to whom the Board has delegated responsibility for the execution of strategy and administration of day-to-day business.

Due to the size and structure of the Board, a Nominations Committee has not been established as recommended under the Council's recommendation 2.1. All directors may make recommendations to the Board regarding the membership of the Board, including proposed new appointments 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. However, all directors must agree unanimously on any new director appointments. Appropriate checks are undertaken prior to recommending that person for election as a Director. These include checks as to the person's background, character, experience, education, criminal record and bankruptcy history before a person is appointed to the Board.

Ariadne's Constitution provides that no director who is not a managing director may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected. In addition, any new director appointed by the Board during the year is automatically offered for re-election at the next annual general meeting. Shareholders are provided with all material information in the Company's Notice of Annual General Meeting relevant to a decision on whether or not to elect or re-elect a director. The Board believes that these alternative procedures are appropriate to ensure the Board adequately discharges its responsibilities and duties.

All Directors and senior executives of the Company have in place formal appointment letters describing their terms, duties, rights and responsibilities and entitlements. Upon joining the Company, all Directors receive an induction pack containing information about the Company including policies and procedures and other necessary information for them to familiarise themselves with the operations of the Group and to allow them to participate fully and actively in Board decision making at the earliest opportunity. Board members are also provided comprehensive information on a regular basis by the Executive Management team so that they can discharge their Director responsibilities effectively. The Company Secretary coordinates the timely completion and dispatch of such materials to the Board. Directors participate in ongoing education sessions on a regular basis ensuring that the Board is kept up to date with appropriate corporate developments.

The Board conducts regular internal assessments of the performance of the Board, individual Directors and the Board Committees. An evaluation of the performance of the Board and of individual Directors took place in the reporting period. Steps involved in the evaluation included the completion of a questionnaire by each Director, review of responses to the questionnaire at a Board meeting and a private discussion between the Chairman and each of the Directors.

3. Instil a culture of acting lawfully, ethically and responsibly

The Board encourages the highest standards of ethical conduct by all Directors and employees of the Group. The Board has adopted a Code of Conduct that sets out the principles, values and standards with which all Group Officers and employees are expected to comply in the performance of their respective functions. A copy of the Code of Conduct is available on the Company's website.

The Code of Conduct is integrated into the Company's management practices. Directors, Executives and employees are all made aware of the Company's Code of Conduct upon commencement of employment and any updates as and when they occur.

Executive Management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

The Company recognises the benefits arising from employees, and the importance of benefiting from all available personnel. The Company promotes a diverse environment which is conducive to the appointment of well qualified personnel so there is appropriate diversity which will assist with maximising the achievement of the goals of the Company. The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The gender diversity of the Group's employees is disclosed in the Directors' Report. Given the size of the Company and the number of employees, the Board has decided not to develop and implement any specific measures at this point in time.

4. Integrity of Corporate Reports

Ariadne's Executive Director and Chief Financial Officer declare in writing to the Audit and Risk Management Committee ("ARMC") and the Board that the consolidated financial statements of the Company and its controlled entities for each financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards.

Although Ariadne does not have a formal internal audit function, the ARMC operated throughout the year with the primary objective to assist the Board in fulfilling the Board's responsibilities relating to evaluating and continually improving the effectiveness of the accounting, reporting, risk management and internal control practices of the Company.

In fulfilling this objective, the ARMC meets at least two times each year. The main duties and responsibilities as documented in the Committee Charter include:

- review and consideration of statutory compliance matters, including various taxation considerations;
- review of the annual and half-yearly financial reports;
- recommend to the Board nominations for appointment as external auditors;
- review the scope of the audit, the level of audit fees and the performance of the external auditors;
- liaison with external auditors, review of audit planning and consideration of audit results; and
- evaluation of the adequacy and effectiveness of the Company's risk management, administrative, operating and accounting policies and controls through active communication with operating management and the external auditors.

The ARMC comprises non-executive and independent directors. Mr J Murphy, Mr C Barter and Mr D Baffsky, AO are members of the ARMC and Mr J Murphy acts as Chairman. Their experience and skills outlined in the Directors' Report provide a high level of financial technical expertise to the ARMC. The number of ARMC meetings held in the reporting period and the attendance by each director is disclosed in the Directors' Report.

A copy of the ARMC Charter is available on the Company's website.

5. Continuous Disclosure to ASX

Procedures are in place to identify matters that are likely to have a material effect on the price of the Company's securities and to ensure those matters are notified to the ASX in accordance with the Company's Listing Rule disclosure requirements. The Executive Director and Chief Financial Officer are responsible for monitoring the Company's activities in light of its Continuous Disclosure Policy and where necessary discussing disclosure obligations with the Board. The Company Secretary is responsible for all communications with the ASX. No announcements are made by the Company without the prior review and approval of the Chairman and/or the Executive Director.

All communications with external stakeholders in respect of sensitive company information is subject to relevant safeguarding and confidentiality procedures. These communications are undertaken in light of continuous disclosure requirements of the ASX and the broad principle of ensuring the market is fully informed of price sensitive information.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

6. Communication with Shareholders

The Group encourages communication with shareholders and other stakeholders in an open, regular and timely manner. Mechanisms employed include:

- regular shareholder communications such as half-yearly reports and the Annual Report;
- financial results presentations at the Company's Annual General Meeting ("AGM");
- shareholder access to communications through the ASX announcements platform and the Company's website; and
- utilising the Company's share registry service provider, to facilitate the electronic delivery of reports and other information to shareholders.

The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and understanding of the Group's historical results and future strategy and goals. The Company's auditors are also required to attend the AGM and are available to shareholders should they have any questions.

7. Risk Management

The Board is responsible for oversight of the Group's risk management and internal control framework. The ARMC assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group and its risk management and control framework. A framework designed to ensure that the Group's risks are identified and that appropriate internal controls are in place and functioning effectively is in place.

Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Executive Director and Chief Financial Officer having ultimate responsibility to the Board and the ARMC for the Group's risk management and internal control activities.

Current arrangements put in place by the Board to monitor risk management include:

- regular reporting to the Board in respect of operations and the financial position of the Group;
- reports by the Chairman of the ARMC and circulation to the Board of the minutes of each meeting held by this Committee;
- presentations made to the Board or committees of the Board throughout the year by appropriate members of the Group's management team (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
- any director may request that operational and project audits be undertaken by management.

In conjunction with the ARMC, the Executive Management team has a risk management framework for the Group that includes a documented Enterprise Risk Management Policy which is reviewed annually. A review of the Enterprise Risk Management Policy was undertaken in the reporting period. Information on the Group's exposure to risks more generally can also be found in the Company's Annual Report.

8. Remuneration

Due to the size of the Group and current number of employees, the Board acts as the Remuneration Committee. The Company's policies relating to directors' and executives' remuneration are set out in the Group's Remuneration Report, which forms part of the Directors' Report.

It is the Company's objective to benefit from the retention of a high quality Board and Executive Management team by remunerating Directors and key Executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the nature and amount of Executive Directors' and Officers' emoluments are linked to the Group's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- motivate executives to pursue the long term growth and success of the Group;
- attraction of quality management to the Group; and
- performance incentives which allow Executives to share the rewards of the success of the Group.

The Board exercises discretion in relation to the payment of bonuses and issue of options, having regard to the overall performance of the Group and the performance of the employee during the period. The Ariadne Executive Share Option Plan was approved by shareholders at the 1996 AGM. As far as the Group is aware, no Director or Executive uses hedging instruments to limit their exposure to risk on either shares or options in the Company. The Company's Securities Trading Policy prohibits the use of such hedging instruments.

The level of remuneration of Non-Executive Directors was approved by shareholders at the 2011 AGM, as distinct from Executives, whose remuneration is approved by the Board. A performance review was undertaken for all Executives in the reporting period in accordance with the Company's performance review criteria.