

ASX principles compliance statement

This table provides a description of the manner in which Servcorp complies with the ASX Corporate Governance Principles and Recommendations or, where applicable, an explanation of any departures from the Principles. Compliance has been measured against the 3rd edition of the Principles and Recommendations.

RECOMMENDATION	SERVCORP BOARD RESPONSE
<p>Principle 1 Lay solid foundations for management and oversight <i>Establish and disclose the respective roles and responsibilities of the Board and management and how their performance is monitored and evaluated.</i></p>	
<p>Recommendation 1.1</p>	
<p>Disclose:</p> <p>(a) The respective roles and responsibilities of the Board and management; and</p> <p>(b) Those matters expressly reserved to the Board and those delegated to management.</p>	<p>The Board has adopted a charter that sets out the responsibilities reserved for the Board and those delegated to the managing Director and senior executives. Primary responsibilities are set out in the annual report each year.</p> <p>The Board Charter is available on Servcorp's website; servcorp.com.au</p>
<p>Recommendation 1.2</p>	
<p>(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and</p> <p>(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.</p>	<p>(a) The Board Charter requires appropriate checks be undertaken before appointing a person as a Director.</p> <p>(b) All relevant material information to make an informed decision on whether or not to elect or re-elect a Director is provided to shareholders in the notice of meeting.</p>
<p>Recommendation 1.3</p>	
<p>Have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	<p>The Company has a written agreement with each non-executive Director setting out the terms of their appointment.</p> <p>Servcorp has a written agreement with all senior executive setting out the terms of their employment.</p>
<p>Recommendation 1.4</p>	
<p>The Company Secretary should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>	<p>The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board, including all matters included in the commentary to this recommendation.</p>

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<p>Recommendation 1.5</p>	
<p>(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;</p> <p>(b) Disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(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</p> <p>(2) if the entity is a "relevant employer" under the <i>Workplace Gender Equality Act 2012</i>, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>The Company has not established a written policy concerning diversity. Servcorp has a culture that both embraces and achieves diversity in its global operations. The establishment of a written policy with measurable objectives for achieving gender diversity would not, in the Board's view, bring any efficiency or greater benefit to the current diverse culture.</p> <p>The Board has not set measurable objectives for gender diversity. Servcorp is culturally diverse in its employment practices and has a global culture of employing the best qualified available talent for any position regardless of gender, age, race or religion. Servcorp benefits from the diversity of its team members and has training programs to assist with developing their skills and with career advancement. Servcorp travels team members to work in its global locations, giving them exposure to, and understanding of, various differing cultures and marketplaces.</p> <p>Servcorp has a high participation of women across all employment levels, including in senior executive positions. There is one woman on the Board. The composition of the current Board is merit based and accordingly, in the view of Directors, is appropriate to maximise commercial returns for the benefit of shareholders. The respective proportion of men and women employees in Servcorp is provided in the corporate governance section of the annual report each year. "Senior executive" are general managers, senior managers and Head Office executives who report directly to the CEO, COO or Executive Director.</p>
<p>Recommendation 1.6</p>	
<p>(a) Have and disclose a process for periodically evaluating the performance of the Board, its Committees and individual Directors; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board operates under a charter and a code of conduct which recognises that strong ethical values must be at the heart of Director and Board performance.</p> <p>The non-executive Directors evaluate individual Director's performance and also the Board's performance. As a tool to evaluation, a questionnaire is completed annually by the non-executive Directors with the responses assessed and discussed by the non-executive Directors. A review was undertaken in the current financial year.</p> <p>There is good interaction between all Directors and with senior executives and it is considered that the non-executive Directors have a solid understanding of the culture and values of Servcorp.</p>
<p>Recommendation 1.7</p>	
<p>(a) Have and disclose a process for periodically evaluating the performance of senior executives; and</p> <p>(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The process for evaluating the performance of senior executives is included in the remuneration report in the annual report each year.</p>

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<p>Principle 2 Structure the Board to add value <i>Have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i></p>	
<p>Recommendation 2.1</p>	
<p>(a) Have a Nomination Committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent Directors; and (2) is Chaired by an independent Director, <p>and disclose:</p> <ul style="list-style-type: none"> (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 <p>(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.</p>	<p>The Board has established a Nomination Committee.</p> <ul style="list-style-type: none"> (1) all three current members of the Nomination Committee are independent non-executive Directors. (2) the Chair of the Committee is independent. (3) the Nomination Committee Charter is available on Servcorp's website; servcorp.com.au (4) the members of the Committee are disclosed in the annual report. (5) the number of times the Committee meets during each year is disclosed in the annual report.
<p>Recommendation 2.2</p>	
<p>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.</p>	<p>The current non-executive Directors each bring a mix of skills and experience to the Board.</p> <p>A skills matrix is available on Servcorp's website; servcorp.com.au</p>
<p>Recommendation 2.3</p>	
<p>Disclose:</p> <ul style="list-style-type: none"> (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. 	<p>The names of Directors considered by the Board to be independent, and the length of service of each Director, is disclosed in the Directors' Report each year.</p> <p>The Board regularly assesses the materiality of any interest, position, association or relationship each non-executive Director has with the Company to determine whether it may interfere with the Director's capacity to bring independent judgement to bear on issues or to act in the best interest of the Company and its shareholders.</p> <p>Details of related party transactions are disclosed in note G2 to the Consolidated financial report.</p> <p>Mr B Corlett and Mr R Holliday-Smith have both been non-executive Directors since 1999. The Board has assessed this length of service and considers that Mr B Corlett and Mr R Holliday-Smith continue to bring independent judgement to bear on all issues and to act in the best interests of the Company and its shareholders.</p>

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<p>Recommendation 2.4</p>	
<p>A majority of the Board should be independent Directors.</p>	<p>The Board has a majority of independent Directors.</p>
<p>Recommendation 2.5</p>	
<p>The chair of the Board should be an independent Director and, in particular, should not be the same person as the CEO.</p>	<p>The Chair is an independent Director. The roles of Chair and Managing Director/ CEO are not exercised by the same individual.</p>
<p>Recommendation 2.6</p>	
<p>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.</p>	<p>All newly appointed Directors must undertake an induction program. The Company provides appropriate professional development opportunities to develop and maintain the skills and knowledge required by Directors.</p>
<p>Principle 3 Act ethically and responsibly <i>Act ethically and responsibly</i></p>	
<p>Recommendation 3.1</p>	
<p>(a) Have a code of conduct for Directors, senior executives and employees; and (b) Disclose that code or a summary of it.</p>	<p>Servcorp has established codes of conduct and ethical standards which all Directors, executives and employees are expected to uphold and promote. They guide compliance with legal requirements and ethical responsibilities, and also set a standard for employees and Directors dealing with Servcorp's obligations to external stakeholders. Servcorp's codes and standards are contained in online resources which provide continual education for all employees on the expected quality of service, respect for fellow employees, commitment to the community and the environment, responsible dealings with clients and suppliers and upholding of the Servcorp brand.</p>

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<p>Principle 4 Safeguard integrity in corporate reporting <i>Have formal and rigorous processes that independently verify and safeguard the integrity of corporate reporting.</i></p>	
<p>Recommendation 4.1</p>	
<p>(a) Have an Audit Committee which:</p> <ol style="list-style-type: none"> (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: <ol style="list-style-type: none"> (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 corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	<p>The Board has established an Audit and Risk Committee.</p> <ol style="list-style-type: none"> (1) all three current members of the Audit and Risk Committee are independent non-executive Directors. (2) the Chair of the Committee is not the Chair of the Board. (3) the Audit and Risk Committee Charter is available on Servcorp's website; servcorp.com.au (4) the relevant qualifications and experience of the members of the Committee are provided in the annual report. (5) the number of times the Committee meets during each year, and the attendance at meetings, is disclosed in the annual report.
<p>Recommendation 4.2</p>	
<p>The Board 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 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 and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The CEO and CFO provide such assurances.</p>
<p>Recommendation 4.3</p>	
<p>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.</p>	<p>The external auditor attends the AGM each year and is available to answer questions from shareholders.</p>

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<p>Principle 5 Make timely and balanced disclosure <i>Make timely and balanced disclosure of all matters concerning the company that a reasonable person would expect to have a material effect on the price or value of its securities.</i></p>	
<p>Recommendation 5.1</p>	
<p>(a) Have a written policy for complying with continuous disclosure obligations under the Listing Rules; and (b) Disclose that policy or a summary of it.</p>	<p>The Company has established a continuous disclosure compliance plan. The Board and management continually monitor information and events and their obligation to report any matters. Responsibility for communications to the ASX on all material matters rests with the Company Secretary following consultation with the Chair and Managing Director.</p>
<p>Principle 6 Respect the rights of security holders <i>Respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</i></p>	
<p>Recommendation 6.1</p>	
<p>Provide information about the Company and its governance to investors via its website.</p>	<p>The Company has a corporate governance page on its website. This page includes copies of the Company's annual reports, annual and half-year financial reports, announcements to ASX and other governance documents.</p>
<p>Recommendation 6.2</p>	
<p>Design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Servcorp aims to communicate clearly and transparently with shareholders and the community. Servcorp actively engages with security holders by holding briefings following the release of annual and half-year results; the time and location of which are notified to the market. The Company also meets with investors upon request and responds to any enquiries made from time to time.</p>
<p>Recommendation 6.3</p>	
<p>Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The annual general meeting is made available by webinar and phone conference. Shareholders are invited to submit questions prior to the meeting. All shareholders are given a reasonable opportunity to ask questions at the annual general meeting and are encouraged to participate. This includes shareholders present at the meeting and those attending by webinar or phone conference.</p>
<p>Recommendation 6.4</p>	
<p>Give security holders the option to receive communications from, and send communications to, the Company and its security registry electronically.</p>	<p>All shareholders are given the option to receive communications from, and send communications to, the Company and its security registry electronically.</p>

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<p>Principle 7 Recognise and manage risk <i>Establish a sound risk management framework and periodically review the effectiveness of that framework.</i></p>	
<p>Recommendation 7.1</p>	
<p>The Board should:</p> <p>(a) Have a Committee or Committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is Chaired by an independent Director,</p> <p>and disclose:</p> <p>(3) the Charter of the Committee;</p> <p>(4) the members of the Committee; and</p> <p>(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</p> <p>(b) If it does not have a Risk Committee or Committee that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company has a combined Audit and Risk Committee.</p> <p>Responses to this recommendation have been provided for the Audit Committee in Recommendation 4.1.</p>
<p>Recommendation 7.2</p>	
<p>The Board or a Committee of the Board should:</p> <p>(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) Disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Board has established an Audit and Risk Committee that is comprised only of non-executive Directors. The Committee reviews the Company's risk management strategy, its adequacy and effectiveness and the communication of risks to the Board. Risk is considered across the financial, operational and organisational aspects of the Company's affairs.</p> <p>A review is undertaken in each reporting period.</p> <p>The Committee is satisfied that the Company and management have a culture of risk control and are gradually formalising the infrastructure of this culture. Although not all policies have been formally documented, the identified risks are tightly controlled and being managed effectively.</p> <p>The Company is heavily reliant on financial controls and senior executive controls. Day to day responsibility is delegated to the Chief Executive Officer and senior management. The Chief Executive Officer and senior management are responsible for:</p> <ul style="list-style-type: none"> - identification of risk; - monitoring risk; - communication of risk events to the Board; and - responding to risk events, with Board authority. <p>The Audit and Risk Committee works with management to ensure continuous improvement to the risk management and internal control systems.</p>

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<p>Recommendation 7.3</p>	
<p>Disclose:</p> <p>(a) If the Company has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) If the Company 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.</p>	<p>The Company does not have a formal internal audit function, however the Company has:</p> <ul style="list-style-type: none"> - a diversified business; - many individual floors run by a small team; - tight accounting policies over those floors; - tight cash control over the whole business; - central oversight by head office with systems in place to enable this oversight; and - regular visits and spot checks by business and financial management to all locations. <p>As such, there is a process creating a control framework without a specified, dedicated internal control function.</p>
<p>Recommendation 7.4</p>	
<p>Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Board has reviewed and assessed the Company's exposure to economic, environmental and social sustainability risks, and the application of materiality and risk management processes.</p> <p>The Company operates in 24 countries, including a politically restricted country with exchange controls, and as such has economic exposure to the global marketplace.</p> <p>The Board considers that the Company does not have any material exposure to economic, environmental or social sustainability risk within the meaning of the guidelines.</p>

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<p>Principle 8 Remunerate fairly and responsibly <i>Pay Director remuneration sufficient to attract and retain high quality Directors and design executive remuneration to attract, retain and motivate high quality senior executives and align their interests with the creation of value for security holders.</i></p>	
<p>Recommendation 8.1</p>	
<p>(a) Have a Remuneration Committee which:</p> <ol style="list-style-type: none"> (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 <p>(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.</p>	<p>The Board has established a Remuneration Committee.</p> <ol style="list-style-type: none"> (1) all three current members of the Remuneration Committee are independent non-executive Directors. (2) the Chair of the Committee is an independent non-executive Director. (3) the Remuneration Committee Charter is available on Servcorp's website, servcorp.com.au (4) the members of the Committee are disclosed in the annual report each year. (5) the number of times the Committee meets during each year, and the attendance at meetings, is disclosed in the annual report.
<p>Recommendation 8.2</p>	
<p>Separately disclose the Company's policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.</p>	<p>This information is provided in the Remuneration Report in the annual report.</p>
<p>Recommendation 8.3</p>	
<p>A company which has an equity- based remuneration scheme should:</p> <ol style="list-style-type: none"> (a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) Disclose that policy or a summary of it. 	<p>The Company has an Executive Share Option Scheme.</p> <p>The Company's Securities Trading Policy prohibits participants from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock ("hedging transactions").</p> <p>The Company's Securities Trading Policy is available on the Servcorp's website; servcorp.com.au</p>