

# IDT AUSTRALIA LIMITED

## CORPORATE GOVERNANCE STATEMENT

Current as at 23 August 2017

The Directors and management of IDT Australia Limited (the 'Company') are committed to maintaining good standards in corporate governance. This statement outlines the approach taken by the Board in managing the affairs of the Company and fulfil its duties to meet the interests of the Company as a whole.

The Australian Securities Exchange Corporate Governance Council defines corporate governance as:

'...the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanism by which companies, and those in control, are held to account.

Good corporate governance promotes investor confidence, which is crucial to the ability of entities listed on the ASX to compete for capital.'

This statement sets out the corporate governance structure of the Company which is established to ensure the Company is properly and efficiently directed and managed for the benefit of shareholders and other stakeholders. In particular, consideration is given to the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) (the "3<sup>rd</sup> Edition CGC Recommendations") eight central principles of corporate governance.

### **Corporate Governance Compliance**

The Corporate Governance Statement set out below details the Company's current corporate governance principles and practices which the Board considers complies with the 3<sup>rd</sup> Edition CGC Recommendations. The Company's corporate governance framework addresses these principles through its policies as are published in the Corporate Governance section of the Company's website ([www.idtaus.com.au](http://www.idtaus.com.au)), each forming part of the Company's Corporate Governance Statement. All these practices, unless otherwise stated, have been in place for the financial year ended 30 June 2017.

**Disclosure of Corporate Governance Practices**  
**Principle**

**Conform**

**Disclosure**

**1. Lay Solid Foundations for Management and Oversight**

1.1 A listed entity should disclose:

Yes

- a) The respective roles and responsibilities of its Board and management; and
- b) Those matters expressly reserved for the Board and those delegated to management.

Company Directors are responsible to security holders for the performance of the Company in both the short term and the longer term, seeking to balance sometimes competing objectives in the best interests of the company as a whole. Their focus is to enhance the interests of security holders and other key stakeholders and to ensure the Company is properly managed. To this end, the Company has established an IDT Board Charter which is summarised below:

The Board must ensure it and the Company at all times complies with provisions of the Constitution. The Board must at all times act honestly, fairly and diligently in all respects and in accordance with laws applicable to the Company.

The main responsibilities of the Board are:

- to provide strategic guidance to the Company including contributing to the development of and approving the corporate strategy
- to review and approve business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- appointing the Chair of the Board
- appointment and performance assessment of the Managing Director against annually set key performance indicators
- approving the Company's remuneration framework
- approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the Company has an appropriate risk management framework to identify material risks facing the Company and that appropriate and adequate control, monitoring and reporting mechanisms are in place
- reporting to security holders
- overseeing the integrity of accounting and corporate reporting systems, including external audit
- overseeing the process for making timely and balanced disclosure of material information concerning the Company which a reasonable person would expect to have material impact on the price of the Company's securities
- monitoring effectiveness of the Company's Governance practices
- ensuring the Annual General Meeting is attended by the Company's external auditor, who is available to answer questions relevant to the audit which security holders may have.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and Executive team.

Details of the IDT Board Charter can be found on the Company's website  
<http://en.idtaus.com.au/investor-centre/corporate-governance/>

<p>1.2 A listed entity should:</p> <p>a) Undertake appropriate checks before appointing a person, or putting forward for security holders a candidate for election, as a director; and</p> <p>b) Provide security holders with all material information in its procession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>Yes</p>	<p>The Company's Remuneration and Nominations Committee undertakes appropriate checks on any person who is being considered as a Director. These checks may include good fame and character, experience, education, financial history and background.</p> <p>All material information relevant to a decision on whether or not to elect or re-elect a Director is provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.</p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Yes</p>	<p>New Directors receive a letter of appointment along with an information pack which outlines the Company's expectations of the Director in relation to their participation, time commitments and compliance with policies and regulatory requirements.</p> <p>Senior executives and all Company employees are required to sign employment agreements or letters of offer which set out the key terms of their employment.</p>
<p>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.</p>	<p>Yes</p>	<p>The Co-company Secretaries are accountable directly to the Board, through the Chair, on all matters associated with the proper functioning of the Board.</p>
<p>1.5 A listed entity should:</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</p>	<p>Yes</p> <p>Yes</p> <p>No</p>	<p>The Company has in place a Diversity Policy which recognises and appreciates the value inherent in a diverse workforce. The Company believes that a diverse workforce is the best means of creating the deepest possible talent pool from which to recruit. The Diversity Policy's aims include:</p> <ol style="list-style-type: none"> <li>1. Enhancing the employee talent pool - to foster recruitment, retention and promotion practices that take account of the diversity within the communities in which IDT operates;</li> <li>2. Supportive environment - to ensure a supportive workplace in which employee differences are treated fairly and with respect and dignity within a safe working environment;</li> <li>3. Work/life balance - to promote workplace structures, systems and procedures that assist employees balance their work, family and other responsibilities effectively</li> </ol>

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.

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.

Yes

Pursuant to the IDT Board Charter, the Board undertakes annual self-assessment of its performance in relation to its leadership, structure, functionality, systems, meetings and relationship with management. As part of this review the Board considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Company.

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.

Yes

The Managing Director is responsible for the evaluation of all of the Company’s senior executives. Performance reviews are undertaken annually and performance is assessed against pre-determined, objectively measurable and agreed KPI’s.

4. Social responsibility - to ensure IDT contributes positively to the social well-being of the communities it serves; and
5. Discrimination, harassment, vilification and victimisation is not tolerated.

Measurable Objectives:

Whilst the Company is committed to building strong representation of female employees across the Company it does not currently set measurable diversity targets.

Details of the Company’s Diversity Policy can be found on the Company’s website

<http://en.idtaus.com.au/investor-centre/corporate-governance/>

## 2. Structure the Board to Add Value

2.1 The board of a listed entity should:

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| a) have a nomination committee which:  |     |
| 1) has at least three members, a majority of whom are independent directors; and   | No  |
| 2) is chaired by an independent director, and disclose:  | Yes |
| 3) the charter of the committee;   | Yes |
| 4) the members of the committee; and   | Yes |
| 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   | Yes |
| 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. |     |

The Company has established a Remuneration and Nominations Committee. The Remuneration and Nominations Committee advises the Board on remuneration and incentives policies and practices generally, making specific recommendations on remuneration packages and other terms of employment for executives and Directors.

The Remuneration and Nominations Committee Charter provides that Board will endeavour to ensure the Committee is comprised of at least three members, the majority of whom are independent Directors and is chaired by an independent Director.

. At the date of this statement the Committee consisted of the following:

Hugh Burrill (Chairman)  
 Graeme Kaufman  
 Mary Sontrop

Following the resignation of the CEO on 14 July 2017, Graeme Kaufman and Mary Sontrop have assumed executive Director roles to assist the company through this temporary vacancy. It is intended for them both to revert to non executive roles once this vacancy has been filled.

Details regarding these Directors' qualifications and attendance at committee meetings along with the composition, meetings and charter of the Remuneration and Nominations Committee can be found in the Report of Directors in the Annual Report and on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>

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.

Yes

The Remuneration and Nominations Committee conducts an annual review the membership of the Board regarding present and future needs of the company and makes recommendations on Board composition and appointments. The Committee conducts an annual review of the independence of Directors, proposes candidates for Board vacancies, oversees the annual performance assessment program and oversees Board succession.

A profile of each Director setting out their skills, experience and expertise is set out in the Directors Report of the Company's Annual Report.

2.3 A listed entity should disclose:

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| 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 |  |

Yes

The Company currently has the following Board members:

Mr Graeme Kaufman

Executive Chair

Appointed 1 Jun 2013,  
 Executive Chair from 14 Jul  
 2017

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.

Mr Reo Shigeno	Non-Executive Director	Appointed 1 Jun 2013
Mr Alan Fisher	Non-Executive Director	Appointed 10 Jun 2015
Mr Hugh Burrill	Non-Executive Director	Appointed 8 Oct 2015
Ms Mary Sontrop	Executive Director	Appointed 1 Mar 2017, Executive Director from 14 July 2017

2.4 A majority of the board of a listed entity should be independent directors. Yes

The majority of the Board of the Company are independent directors.

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. No

The Chair of the Board is not currently classified as an independent director. The CEO role is temporarily vacant. Following appointment of a new CEO the role of Chair and the role of Managing Director/CEO of the Company will again be exercised by two different people.

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. Yes

The Company has a program for inducting new Directors. In addition, the Remuneration and Nominations Committee oversees, reviews and makes recommendations to the Board in relation to the induction, training and development of non-executive Directors, to ensure they have access to appropriate learning and development opportunities to develop and maintain the skills and knowledge required to effectively perform in their role as a Director.

### 3. Act Ethically and Responsibly

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. Yes

The IDT Staff Handbook is provided to all Directors, senior Executives and employees. It outlines the Company's expectations that personnel act with integrity, objectivity and in compliance with relevant legislation at all times. The IDT Staff Handbook provides guidance in specific areas, including:

- Mission Statement, including Values and Relationship Statement;
- Quality Policy;
- Workplace Behaviour, including Equal Opportunity and Whistleblower Policies;
- Occupational Health and Safety; and
- Security Trading Policy.

These guidelines extend to providing a safe and non-discriminatory workplace, honest and fair dealings with suppliers and customers, acting responsibly to environment and working with business partners who demonstrate similar objectives. A summary of the Company's Code of Conduct is provided for in the IDT Board Charter which is available on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>

#### 4. Safeguard Integrity in Corporate Reporting

4.1 The board of a listed entity should:

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| 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   | No  |
| 2) is chaired by an independent director, who is not the chair of the board, and disclose:   | Yes |
| 3) the charter of the committee;   | Yes |
| 4) the relevant qualifications and experience of the members of the committee; and   | Yes |
| 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   | Yes |
| 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 Company has established an Audit and Risk Committee. The Audit and Risk Committee Charter provides that the Board endeavours to ensure the Committee is comprised of at least three members, all of whom are non-executive Directors and the majority being independent Directors. The Audit and Risk Committee should be Chaired by an independent Director, who is not also the Chair of the Board.

Graeme Kaufman is a member of the Audit and Risk Committee whilst temporarily assuming and executive Director role as the company appoints a new CEO. This committee is Chaired by an independent and non executive member and the third member is also independent and non executive.

The main responsibilities of the Audit and Risk Committee are to:

- review and report to the Board on the annual reports, the half-yearly financial report and all other financial information published by the Company;
- assist the Board's review of the effectiveness of the Company's internal control environment including risk assessment and risk management; and
- recommend to the Board the appointment, removal and remuneration of the external auditors, review the terms of the engagement, and the scope and quality of the audit.

Details regarding composition meetings and charter of the Audit and Risk Committee can be found in the Report of Directors in the Annual Report and on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>

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.	Yes
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Before it approves the Company's financial statements, the Audit and Risk Committee Charter provides that the Committee should receive from the Managing Director and Chief Financial Officer 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 *Corporations Act 2001* provisions to give a true and fair view of the financial position and performance of the Company and that opinion has been formed on the basis of a sound and effectively operating system of risk management of internal control and risk management.

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. Yes The Company's external auditor is invited to and attends the Company's Annual General Meeting. The auditor's presence is made known to the shareholders during the meeting and shareholders are provided with an opportunity to address questions to the auditor.

## 5. Make Timely and Balanced Disclosure

5.1 A listed entity should: Yes  
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. The Company has in place a Continuous Disclosure Policy to ensure compliance with continuous disclosure obligations imposed by the *Corporations Act 2001* and the ASX Listing Rules. The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market.

Details of the Company's Continuous Disclosure Policy can be found on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>

## 6. Respect the Rights of Security Holders

6.1 A listed entity should provide information about itself and its governance to investors via its website. Yes Information on the Company and its business activities is set out on the Company's website. This information includes the Company's governance policies.

6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. Yes The Company recognises the value of providing current and relevant information to shareholders and empowering shareholders through effective communication. Notwithstanding the release of information to the ASX in accordance with the Company's continuous disclosure obligations, the Company is aware of the fact that shareholders may not be aware of all Company updates at any one point in time. To this end the Company's website has an "Email Alert" function whereby shareholders may register their email addresses in order to receive direct email updates for material Company announcements which have been released to ASX.

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

Yes

The Company has in place a Securities Holder Communications Policy to ensure a regular and timely release of information about the Company to securities holders. All securities holders receive notification of General Meetings of the Company and all securities holders have the opportunity to vote and ask questions at General Meetings. Securities holders who are unable to attend a meeting in person may submit written questions along with their proxy form which will be put to the meeting by the Chair. Securities holders are encouraged to attend and participate in General Meetings.

Details of the Company's Securities Holder Communications Policy can be found on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>

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.

Yes

Shareholders are able to make contact with and receive communications from both the Company and its share registry electronically.

## 7. Recognise and Manage Risk

7.1 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.

No

Yes

Yes

Yes

Yes

The Company has established an Audit and Risk Committee. The Audit and Risk Committee Charter provides that the Board endeavours to ensure the committee is comprised of at least three members, all of whom are non-executive directors and the majority being independent directors. The Audit and Risk Committee should be Chaired by an independent Director, who is not also the Chair of the Board.

The Company has established an Audit and Risk Committee. The main responsibilities of the Audit and Risk Committee in relation to overseeing risk are:

- Oversee the effective operation of the risk management framework, including discussion and review the Company's internal control environment with management and external auditors.
- Management is responsible to ensure appropriate controls are in place to manage identified risks. A structured approach is taken with importance placed on maintaining a strong control environment within the framework of the Company Quality Policy and the organisation has clear lines of accountability within the formal delegation of authority matrix. Adherence to the control environment is required at all times and a culture of quality and integrity is actively promoted.

Through the Audit and Risk Committee, the Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management, compliance and internal control. The Risk Register is presented to each meeting of the Audit

and Risk Committee and to the Board on a quarterly basis. More frequent updates are provided where items have been identified which materially impact the risk environment.

Details regarding composition meetings and charter of the Audit and Risk Committee can be found in the Report of Directors in the Annual Report and on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>

7.2 The board or a committee of the board should:	Yes	
<ul style="list-style-type: none"> <li>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>		
7.3 A listed entity should disclose:	No	
<ul style="list-style-type: none"> <li>a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>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.</li> </ul>		
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.	Yes	

Through the Audit and Risk Committee, the Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management, compliance and internal control. The Company's Risk Register is presented to each meeting of the Audit and Risk Committee and to the Board on a quarterly basis. More frequent updates are provided where items have been identified which materially impact the risk environment.

The Company does not have an internal audit function. The Board is of the view that it is unusual for companies the size of IDT to have an internal audit function. Instead it relies on its internal control environment to protect against fraud and error.

The Company's material economic, environmental and social sustainability risks and the management thereof are detailed in the Report of Directors and note 23 of the Annual Report under the heading "Financial Risk Management."

## 8. Remunerate Fairly and Responsibly

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	No	The Company has established a Remuneration and Nominations Committee. The Remuneration and Nominations Committee advises the Board on remuneration and incentives policies and practices generally, making specific recommendations on remuneration packages and other terms of employment for executives and Directors.
2) is chaired by an independent director, and disclose:	Yes	
3) the charter of the committee;	Yes	
4) the members of the committee; and	Yes	
5) as at the end of each reporting period, the number of times the committee met	Yes	

The Remuneration and Nominations Committee Charter provides that the Board endeavours to ensure the Committee is comprised of at least three members, the majority of whom are independent Directors and is chaired by an independent Director.

<p>throughout the period and the individual attendances of the members at those meetings; or</p> <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 Remuneration and Nomination Committee is chaired by Hugh Burrill, an independent director. Graeme Kaufman and Mary Sontrop are members of the Remuneration and Nomination Committee whilst temporarily assuming executive Director role as the company appoints a new CEO.</p>
<p>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.</p>	<p>Yes</p> <p>The Company provides disclosure of all Director and key management personnel in its Annual Report. Non-executive Director remuneration is determined within an aggregate Director fee pool limit, which is periodically referred to shareholders for approval. The Chairman's and Managing Director's fees are determined independently to Non-executive Director fees, based on comparative market rates.</p> <p>Executive remuneration is set at levels intended to attract, retain and motivate high quality executives to manage the Company's operations. Short and long term performance incentives may include performance and production bonus payments, shares or options granted at the discretion of the Board and subject to obtaining the relevant approvals.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>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</p> <p>b) disclose that policy or a summary of it.</p>	<p>No</p> <p>The Company has not established a policy on this matter. The Company's current Employee Share Plan (ESP) only provides for the issue of fully paid ordinary shares in the Company at market value, which may be funded by an interest free limited recourse loan from the Company.</p> <p>Directors and Executive Leadership Team are required to comply with the Company's Securities Trading Policy.</p>

Details regarding composition meetings and charter of the Remuneration and Nominations Committee can be found in the Report of Directors in the Annual Report and on the Company's website <http://en.idtaus.com.au/investor-centre/corporate-governance/>