

IDT AUSTRALIA LIMITED

CORPORATE GOVERNANCE STATEMENT

Current as at 29 August 2019

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 (3rd Edition) (the "3rd 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 3rd 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), 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 2019.

Disclosure of Corporate Governance Practices
Principle

Conform

Disclosure

1. Lay Solid Foundations for Management and Oversight

1.1 A listed entity should disclose:

- 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.

Yes

The Board, Audit and Risk and Remuneration and Nomination Committee Charters outline roles and responsibilities of the Board and management and are published in the Corporate Governance section of the Company's website.

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. The Company's Board Charter 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 Chief Executive Officer 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 in accordance with continuous disclosure provisions

- 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 from security holders which are relevant to the audit.

Day to day management of the Company's affairs and implementation of corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer 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/>

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| <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 possession 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 name and character, experience, education, financial history and background.</p> <p>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 are required to sign employment agreements or letters of offer which set out the key terms of their employment. New letters are issued where there is a material change in the terms of 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>As outlined in the Board Charter, the Company Secretary is accountable directly to the Board, through the Chair, on all matters associated with the proper functioning of the Board.</p> |

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| <p>1.7 A listed entity should:</p> <p>a) have and disclose a process for periodically evaluating the performance of its 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>Yes</p> | <p>The Chief Executive Officer is responsible for the performance 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.</p> <p>Objectives were set and performance reviews were conducted with all senior executive during the period of review.</p> |
| <p>2.1 The board of a listed entity should:</p> <p>a) have a nomination committee 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, 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 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>No</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>N/A</p> | <p>The Company has a Remuneration and Nomination Committee to advise 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.</p> <p>The Remuneration and Nomination Committee Charter provides that 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> <p>As at the date of this statement the Company has 4 Board members, of whom Graeme Kaufman and Mary Sontrop also held Executive Director roles until 20 February 2018. As directors cannot be considered to be independent for a period of 3 years from the date of holding an executive role, the Company is currently unable to achieve a majority of independent Directors on board Committees.</p> <p>As at the date of this statement the Committee consisted of the following:</p> <p style="margin-left: 40px;">Mary Sontrop (Chair) Graeme Kaufman Hugh Burrill</p> <p>Details regarding these Directors' qualifications and attendance at committee meetings along with the composition and charter of the Remuneration and Nomination 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/</p> |

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| <p>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.</p> | <p>Yes</p> | <p>The Remuneration and Nominations Committee is responsible to review membership of the Board regarding present and future needs of the company and makes recommendations in relation to 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.</p> <p>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.</p> | | | | | | | | | | | | |
| <p>2.3 A listed entity should 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>Yes</p> | <p>The Company currently has the following Board members:</p> <table border="0" style="width: 100%;"> <tr> <td data-bbox="1003 576 1234 608">Mr Graeme Kaufman</td> <td data-bbox="1330 576 1581 608">Non Executive Director</td> <td data-bbox="1653 520 1928 667">Appointed 1 Jun 2013, Chair 30 Sept 2013 to 21 Nov 2017 Executive Director 14 Jul 2017 to 20 Feb 2018</td> </tr> <tr> <td data-bbox="1003 719 1167 751">Mr Alan Fisher</td> <td data-bbox="1330 719 1554 751">Non-Executive Chair</td> <td data-bbox="1653 691 1928 778">Appointed 10 Jun 2015 Chair from 21 November 2018</td> </tr> <tr> <td data-bbox="1003 802 1167 834">Mr Hugh Burrill</td> <td data-bbox="1330 802 1581 834">Non-Executive Director</td> <td data-bbox="1653 802 1895 834">Appointed 8 Oct 2015</td> </tr> <tr> <td data-bbox="1003 906 1189 938">Ms Mary Sontrop</td> <td data-bbox="1330 906 1581 938">Non Executive Director</td> <td data-bbox="1653 855 1944 943">Appointed 1 Mar 2017, Executive Director from 14 July 2017 to 20 Feb 2018</td> </tr> </table> | Mr Graeme Kaufman | Non Executive Director | Appointed 1 Jun 2013, Chair 30 Sept 2013 to 21 Nov 2017 Executive Director 14 Jul 2017 to 20 Feb 2018 | Mr Alan Fisher | Non-Executive Chair | Appointed 10 Jun 2015 Chair from 21 November 2018 | Mr Hugh Burrill | Non-Executive Director | Appointed 8 Oct 2015 | Ms Mary Sontrop | Non Executive Director | Appointed 1 Mar 2017, Executive Director from 14 July 2017 to 20 Feb 2018 |
| Mr Graeme Kaufman | Non Executive Director | Appointed 1 Jun 2013, Chair 30 Sept 2013 to 21 Nov 2017 Executive Director 14 Jul 2017 to 20 Feb 2018 | | | | | | | | | | | | |
| Mr Alan Fisher | Non-Executive Chair | Appointed 10 Jun 2015 Chair from 21 November 2018 | | | | | | | | | | | | |
| Mr Hugh Burrill | Non-Executive Director | Appointed 8 Oct 2015 | | | | | | | | | | | | |
| Ms Mary Sontrop | Non Executive Director | Appointed 1 Mar 2017, Executive Director from 14 July 2017 to 20 Feb 2018 | | | | | | | | | | | | |
| <p>2.4 A majority of the board of a listed entity should be independent directors.</p> | <p>No</p> | <p>The board is currently comprised of 50% independent directors. Alan Fisher and Hugh Burrill are independent directors.</p> | | | | | | | | | | | | |
| <p>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.</p> | <p>Yes</p> | <p>The Chair of the Board is an independent director and does not hold the role of CEO.</p> | | | | | | | | | | | | |

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. The Remuneration and Nomination Committee oversees, reviews and makes recommendations to the Board in relation to induction, training and development of 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:

Yes

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

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 Open Door 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:

- 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

Yes

Yes

Yes

Yes

The Company has 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, who 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.

At the date of this statement the Company has 4 Board members, of whom Graeme Kaufman and Mary Sontrop held Executive Director roles until 20 February 2018. Accordingly only Alan Fisher and Hugh Burrill can currently be considered to be independent Directors. This committee is Chaired by Hugh Burrill, an independent and non executive Director and the other committee members are Alan Fisher and Graeme Kaufman.

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

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| <p>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</p> | Yes | <ul style="list-style-type: none"> • 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. |
| <p>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.</p> | N/A | <p>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/</p> <p>b) n/a</p> |
| <p>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.</p> | Yes | <p>Before it approves the Company's financial statements, the Board receives from the Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records have been properly maintained and the financial statements comply with appropriate accounting standards and <i>Corporations Act 2001</i> 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.</p> |
| <p>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.</p> | Yes | <p>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 security holders during the meeting and security holders are provided with an opportunity to address questions to the auditor.</p> |

5. Make Timely and Balanced Disclosure

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.

Yes

The Company has 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 a Security Holder Communications Policy to ensure a regular and timely release of information about the Company to securities holders. All security holders receive notification of General Meetings of the Company and all security holders are entitled to vote and ask questions at General Meetings. Security 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 Chairman. Security holders are encouraged to attend and participate in General Meetings.

Details of the Company's Security 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

Yes

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

The Company has 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, who 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 Audit and Risk Committee is responsible for overseeing risk, including:

- 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 and project specific risk assessments 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/>

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.

b) n/a

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| <p>7.2 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>Yes</p> | <p>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.</p> |
| <p>7.3 A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>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.</p> | <p>No</p> | <p>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.</p> |
| <p>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.</p> | <p>Yes</p> | <p>The Company's material economic, environmental and social sustainability risks and the management thereof are detailed in the Report of Directors and note 22 of the Annual Report under the heading "Financial Risk Management."</p> |

8. Remunerate Fairly and Responsibly

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| <p>8.1 The board of a listed entity should:</p> <p>a) have a remuneration committee 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, 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>No</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> | <p>The Company a Remuneration and Nomination Committee. The Remuneration and Nomination 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.</p> <p>The Remuneration and Nomination 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> <p>The Remuneration and Nomination Committee is chaired by Mary Sontrop, a non independent, non executive director. Graeme Kaufman and Hugh Burrill are members of the Remuneration and Nomination Committee.</p> <p>Details regarding composition, meetings and Charter of the Remuneration and Nomination 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/</p> |
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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.

b) n/a

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.

Yes

The Company discloses remuneration of 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 Chair's, Executive Directors', senior executive and Chief Executive Officer remuneration are determined independently to Non-executive Director fees, and are based on comparative market rates.

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.

Further detail of the company's remuneration policies and practices is provided in the Annual Report.

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

No

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.

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.

Directors and Executive Leadership Team are required to comply with the Company's Securities Trading Policy which is published in the Investor Relations section of the Company website.