

# Corporate Governance

For the year ended 30 June 2018

The Board of Directors of Smart Parking Limited (“SPZ”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council’s Corporate Governance Principles and Recommendations 3rd Edition (“the ASX Principles”) where considered appropriate for a company of SPZ’s size, nature and stage of development. This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles as adopted by the Company.

Further details in respect to the Company’s corporate governance practises are summarised below and copies of Company’s corporate governance policies are available on the Company’s website at [www.smartparking.com](http://www.smartparking.com)

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

**A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.**

### Recommendation 1.1

*A listed entity should disclose:*

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

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The responsibility for the operation and administration of the Company is delegated by the Board to the Managing Director and management team. The Board ensures that both the Managing Director and the management team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. The management team are responsible for supporting and assisting the Managing Director to conduct the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

### Recommendation 1.2

*A listed entity should:*

- a) *Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- b) *Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The full Board carries out the role of the Nomination Committee.

Accordingly, the responsibility for the selection of potential directors lies with the full Board of the Company. A separate Nomination Committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the Nomination Committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board’s performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board acting as the Nomination Committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and/or background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company provides shareholders all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director, either in the Notice of Meeting at which the election of the Director is to be held, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found.

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### Recommendation 1.3

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

Appointment terms of the Company's Directors and senior executives are summarised in written agreements.

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### Recommendation 1.4

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

The Company's Secretary is accountable to the Company's Board through the chair, ensuring the Company's Board receives adequate support to function properly.

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### Recommendation 1.5

*A listed entity should:*

- a) *Have a diversity policy in place which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- b) *Disclose that policy or a summary of it; and*
- c) *Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant*

*committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:*

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

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. The Board does not consider that at this stage it is appropriate to adopt a policy specifically addressing diversity, but will consider adopting a policy as the company grows.

Other than as described above, the Company has not yet set measurable objectives for achieving gender diversity. The Company is currently not of a size that justifies the establishment of measurable diversity objectives. As the Company develops, the Board will seek to develop a reporting framework in the future to report the Company's progress against the objectives and strategies for achieving a diverse workplace which can be used as a guide to be used by the Company to identify new Directors, senior executives and employees.

Ms Tiffany Fuller and Ms Penelope Maclagan are both women who hold Non-Executive board positions. The proportion of women employees in the Group is approximately 30% and 40% of salaried staff. A proportion of the work force is car parking attendants who due to the nature of the work tend to be male.

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### Recommendation 1.6

*A listed entity should:*

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

## Corporate Governance (cont.)

The Board as a whole has responsibility to review its own performance, the performance of individual directors and the performance of the Board Committees. The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive Directors may also meet to discuss the performance of the Chair or the Managing Director.

The Managing Director's performance is regularly assessed by the Chairman and the Non-Executive Directors and in addition, the Managing Director's performance is formally assessed annually in the context of incentive remuneration assessment.

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### Recommendation 1.7

*A listed entity should:*

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

Each of the Group's senior executives, including the Chief Executive Officer, has a service agreement that clearly sets out his or her role and the Group's expectations in terms of performance.

Performance of senior management is reviewed by the Remuneration Committee annually or more frequently if required. The Board as a whole may then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with senior executives.

The Company monitors and assesses senior management via the Chief Executive Officer who reports on the progress of senior management at each Board meeting.

## Principle 2: Structure the Board to add value

**A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.**

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### Recommendation 2.1

*The board of a listed entity should:*

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

The Board is currently not of a relevant size that justifies the formation of a separate Nomination Committee. The full Board also operates as the Nomination Committee.

The Board oversees the appointment and induction process for Directors and the selection, appointment and succession planning process of the Company's Managing Director, where relevant. When a vacancy exists or there is a need for a particular skill, the Board, determines the selection criteria that will be applied. The Board will then identify suitable candidates with assistance from an external consultant if required, and will interview and assess the selected candidates.

Directors are initially appointed by the Board and must stand for re-election at the Company's next Annual General Meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years with the exception of the Managing Director.

The Company's succession plans are designed to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board. The Board continues to review its composition with a view to enhancing its base of skills and experience.

The Board is responsible for conducting new Director inductions. Professional development opportunities are considered on an individual Director basis, with opportunities provided to individual Directors where appropriate.

### Recommendation 2.2

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

The Board has developed a Board skills matrix which sets out the skills and experiences that the Board has or is looking to achieve. The following table summarises the key skills of the existing non-executive directors:

#### Leadership and Governance

- Strategy
- Innovation and Entrepreneurship
- CEO level experience
- Other non-executive director experience
- Corporate governance

#### Financial and risk

- Accounting, finance and Tax
- Audit, risk and compliance

#### Business experience

- M&A and capital markets experience
- International business experience
- Outsourced business services
- Business development/access to networks
- Parking business and related industry experience
- Local government/councils and tender business
- Listed company experience

#### Geographic experience

- North America
- UK and Europe
- Asia
- Australia

#### Other

- Technology
- HR/remuneration
- Legal

Gaps in the collective skills of the Board are regularly reviewed by the Board as a whole, with the Board proposing candidates for directorships having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background.

### Recommendation 2.3

*A listed entity should disclose:*

- a) *The names of the Directors considered by the board to be Independent Directors;*
- b) *If a Director has an interest, position, association or relationship that might cause doubts about their independence as a director but the board is of the opinion that their independence isn't compromised, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- c) *The length of service of each Director.*

The Board considers an independent director to be a Non-Executive Director who is not a member of the Company's senior executive and who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company and its shareholders.

The current Board composition includes four Non-Executive Directors, two of which are considered independent.

Ms Tiffany Fuller is regarded as an Independent Director. The other Directors are satisfied that she brings an independent judgement to bear on all matters considered by the Board.

## Corporate Governance (cont.)

Mr Jeremy King is regarded as an Independent Director. The other Directors are satisfied that he brings an independent judgement to bear on all matters considered by the Board.

Mr Paul Gillespie is not regarded as an independent director as he is Managing Director of the Company.

Mr Chris Morris is not regarded as an independent director as he is a substantial shareholder of the Company.

Ms Penelope Maclagan is not regarded as an independent director as she is related to Mr Morris.

Details of each Director's backgrounds including experience, knowledge and skills are set out in the Directors Report of this Annual Report.

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### Recommendation 2.4

*A majority of the board of a listed entity should be Independent Directors.*

See above, at 2.3.

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### Recommendation 2.5

*The chair of the board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.*

The Chairman, Mr Chris Morris, is not the CEO of the Company. He is not considered independent, for the reasons set out above. However, Mr Morris provides significant expertise and international business experience and the balance of the Board is collectively satisfied that Mr Morris exercises independent judgement in carrying out his duties as Chairman of the Company. To the extent that the Board views any Director to have a conflict or perceived conflict of interest in matters that come before the Board then such Directors will be required to excuse themselves from the relevant decision making process

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### Recommendation 2.6

*A listed entity should have a programme 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.*

The process for this is outlined in 2.1 above.

## Principle 3: Act ethically and responsibly

**A listed entity should act ethically and responsibly.**

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### Recommendation 3.1

*A listed entity should:*

- a) *Have a code of conduct for its Directors, senior executives and employees; and*
- b) *Disclose that code or a summary of it.*

The Company recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has established a Code of Conduct which can be viewed on its website. Unethical practices, including fraud, legal and regulatory breaches and policy breaches are required to be reported on a timely basis to management and will result in disciplinary action, including in some cases termination.

The company has a Whistleblower Policy which incorporates the use of an independent external whistleblowing service.

## Principle 4: Safeguard integrity in corporate reporting

**A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.**

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### Recommendation 4.1

*The board of a listed entity should:*

- a) *Have an audit committee which:*
  - 1) *Has at least three members, all of whom are Non-executive Directors and a majority of whom are Independent Directors; and*
  - 2) *Is chaired by an Independent Director, who is not the chair of the board, and disclose:*
  - 3) *The charter of the committee;*
  - 4) *The relevant qualifications and experience of the members of the committee; and*

5) *In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

b) *If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Audit and Risk Committee is governed by a Board approved charter which is disclosed on the Company's website.

The principal function of the Audit and Risk Committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions.

The Audit and Risk Committee is chaired by Ms Tiffany Fuller who is not the Chair of the Company. The Committee currently has two other permanent non-executive director members being Ms Penelope Maclagan and Mr Jeremy King. The Directors' Report includes the qualifications and experience of the members Committee.

The Board considers that these members have the required financial expertise and an appropriate understanding of the markets in which the Group operates. The Managing Director, Chief Financial Officer and the Company's external auditors are invited to meetings of the Audit and Risk Committee at the Committee's discretion.

Meetings of the Audit & Risk Committee and member's attendance is disclosed in full in the Directors Report.

#### **Recommendation 4.2**

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

In accordance with Recommendation 4.2 and Section 295A of the *Corporations Act 2001* the Board receives a signed declaration from the CFO and Managing Director prior to the approval of the Company's financial statements.

#### **Recommendation 4.3**

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

The Company welcomes the attendance of its auditor at its Annual General Meeting.

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

**A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.**

#### **Recommendation 5.1**

*A listed entity should:*

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

The Company has established policies and procedures to ensure timely disclosure of all material matters and ensure that investors have access to information on the Company's operating and financial performance. This ensures the Company is compliant with the information disclosure requirements under the ASX Listing Rules. The policies and procedures include a Market Disclosure Policy that includes identification of matters that may have a material impact on the price of the Company's securities, notifying them to the ASX, posting relevant information on the Company's website and issuing media releases.

Matters involving potential market sensitive information must first be reported to the Managing Director (or in the absence of a Managing Director, the Chair) either directly or via the Company Secretary. The Managing Director/Chair will advise the Board if the issue is important enough and if necessary seek external advice. In all cases, the appropriate action must be determined and carried out in a timely manner in

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## Corporate Governance (cont.)

order for the Company to comply with the Information Disclosure requirements of the ASX.

A copy of the Market Disclosure Policy is available on the Company's website and outlines the processes that the Company implements to ensure compliance with its continuous disclosure obligations. The Board receives regular reports on the status of the Company's activities. Continuous disclosure is reviewed as a routine agenda item at Board meetings.

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

**A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.**

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#### Recommendation 6.1

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

In line with adherence to the continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, the Company's website and the distribution of specific releases covering major transactions and events or other price sensitive information in accordance with the ASX Continuous Disclosure guidelines.

The Company values its relationship with shareholders and understands the importance of timely communication with them. To keep shareholders informed, the Company releases announcements on its activities via the ASX website.

Comprehensive information regarding the Company's activities, policies and procedures is also available on the Company's website.

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#### Recommendation 6.2

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

Smart Parking has an investor relations programme in place with the aim of facilitating effective communication between Smart Parking and its investors. A key feature of the programme is to ensure

that shareholders are notified of, or are otherwise able to access information necessary to assess Smart Parking's performance. Information is communicated to shareholders through the following means:

- The Annual Report, which is distributed to all shareholders who elect to receive it.
- The AGM and any other shareholder meetings called from time to time as required.
- The Investor Relations section of the Company's website includes information released to the ASX and press releases.
- By email to those shareholders who have supplied their email address for the purpose of receiving communications from the Company electronically. Smart Parking actively encourages shareholders to provide an email address to facilitate more timely and effective communication.
- The Company's investor relations programme includes scheduled interactions and briefings with institutional investors and analysts which incorporates a review of financial results presentations.

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#### Recommendation 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.*

The Company acknowledges that respecting shareholders rights is of fundamental importance and that communication with shareholders is a key element of this. Shareholders are encouraged to attend general meetings for the opportunity to meet the Board and senior management. The Company's Shareholder Communication Policy addresses security holder attendance at Shareholder Meetings.

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#### Recommendation 6.4

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

The Company encourages the use of electronic communication and offers Security Holders the option to receive and send electronic communication to the Company and its share registry where possible.

## Principle 7: Recognise and manage risk

**A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.**

### Recommendation 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.

The Audit and Risk Committee is governed by a Board approved charter which is disclosed on the Company's website. The Company's Audit and Risk Committee is responsible for overseeing, monitoring and periodically reviewing the Company's risk management system. The Company has a Risk Management Policy which can be found on the Company's website. The Company's management is responsible for managing operational risk and for implementing risk mitigation measurement within parameters set by the Board.

### Recommendation 7.2

The board or a committee of the board should:

- a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) Disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Committee is responsible for reviewing the Company's risk management framework. Risk framework reviews occur annually or more frequently as necessitated by changes in the Company

and its operating environment.

A formal and detailed risk framework review has taken place during the financial year ended 30 June 2018.

### Recommendation 7.3

A listed entity should disclose:

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

Given the Company's size and current stage of development it does not have an internal audit function.

The Board and the Audit and Risk Committee are responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems. Monitoring procedures include:

- Annual budgeting and monthly reporting to monitor performance
- External financial audits and other external review engagements where appropriate
- Approved limits for matters requiring Board approval
- Annual review of the insurance programme
- Bi-annual review and assessment of risks facing the Company and the mitigation processes in place to manage these risks in accordance with the Board's risk appetite.

### Recommendation 7.4

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

There are a number of business risks that could materially impact the Company. As part of the risk management process described above, the company has identified and assessed those areas of risk that may impact the business. Effective monitoring and mitigation of these risks supports the Company's ongoing growth and profitability.

## Corporate Governance (cont.)

The Audit and Risk Committee and the Board assists management to determine 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.

Economic sustainability risks are risks relating to macro-economic conditions which could affect the Group's ability to continue operating at current levels over the long-term. The Group is exposed to a number of economic sustainability risks including:

- Regulatory risk;
- Foreign exchange;
- Technology changes.

These risks are included in the Company's risk register and if the risk is considered material and able to be mitigated, mitigation strategies are prepared by management.

In general the Company is not susceptible to any material environmental or social sustainability risks in operating its various businesses.

### Principle 8: Remunerate fairly and responsibly

**A listed entity should pay director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.**

#### Recommendation 8.1

*The board of a listed entity should:*

- Have a remuneration committee which:
  - 1) Has at least three members, a majority of whom are Independent Directors; and
  - 2) Is chaired by an Independent Director, and disclose:
  - 3) The charter of the committee;
  - 4) The members of the committee; and
  - 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration*

*for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

The Board has established a separate Remuneration Committee.

The principle function of the Remuneration Committee is to assist the Board in ensuring that the Group's remuneration levels are appropriate and sufficient to attract and retain directors and key executives required to run the Group successfully.

The Remuneration Committee is chaired by Ms Penelope Maclagan. The Committee currently has three other permanent non-executive members being Ms Tiffany Fuller, Mr Chris Morris and Mr Jeremy King with Mr Paul Gillespie (Managing Director) attending by invitation. Mr Jeremy King and Ms Tiffany Fuller are considered independent directors.

The Committee meets at least annually, with additional meetings being convened as required.

#### Recommendation 8.2

*A listed entity should separately disclose its policies and practices regarding the remuneration of Non-executive Directors and the remuneration of Executive Directors and other senior executives.*

The Remuneration Report in the Company's Annual Report sets out details of the Company's policies and practices for remunerating directors and executives.

#### Recommendation 8.3

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

- 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*
- Disclose that policy or a summary of it.*

The Company has an equity based compensation scheme for senior executives. It has a formal policy restricting the entry into transactions which may limit the economic risk of participating in the scheme. The scheme involves employees being awarded equity in the Company at nil value. The award of such equity is based on individual and Company performance and is subject to milestones and vesting terms. As such, the economic risk to employees in participating in the scheme is very limited.