

AWN HOLDINGS LIMITED

ACN 103 472 751

AWN Holdings Limited and its Controlled Entities (AWN)

For the year ended 30 June 2020

Corporate Governance Statement

AWN Holdings Limited (the “Company” or “AWN”) and its controlled entities (together “Group”) had in place the following corporate governance policies and practices for the financial year ended 30 June 2020, designed to address the principles contained in the Corporate Governance Council’s Principles and Recommendations. While the Principles and Recommendations are not mandatory, the Company seeks to ensure best practice Corporate Governance, appropriate for its size and circumstances.

The information in this statement is current at 27 August 2020 and has been approved by the Board.

Principle 1 – Lay solid foundation for management and oversight

Board Roles and Responsibilities

The Board has formalised roles and responsibilities and makes a clear distinction between matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the responsibilities of the Board include:

- Oversight of the Company, including its control and accountability systems;
- Setting the Company’s major goals including the strategies and financial objectives to be implemented by management;
- Appointing, removing and controlling the Chief Executive Officer;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer / Chief Investment Officer and / or the Company Secretary;
- Input into and final approval of management’s development of the corporate strategy and performance objectives;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Monitoring senior management’s performance and their implementation of strategy, and ensuring that appropriate resources are available
- Review of succession planning;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Approving and monitoring financial and other reporting; and
- Corporate governance.

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The Board has delegated responsibility to the Chief Executive Officer and Chief Financial and Operating Officer for:

- Developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- Maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- Developing the Group annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- Managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board;
- Making recommendations for the appointment of key management personnel, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for key management roles; and

Approval of capital expenditure and other business transactions within predetermined limits set by the Board.

Performance Evaluation

The Board was responsible for approving the performance objectives and measures for the Chief Executive Officer and assessing whether these objectives had been satisfied by the performance of the Chief Executive Officer during the relevant period and in accordance with agreed terms of engagement.

The Chief Executive Officer was responsible for approving the performance objectives and measures of other senior executives in consultation with the Board.

The Board has adopted an on-going, self-evaluation process to measure its own performance and the performance of its committees.

The review process takes into consideration all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contributions to the overall management of the business.

Principle 2 - Structure of the Board to add value

At 30 June 2020, the Board comprised of 2 non-executive directors and 1 executive director, the Chief Executive Officer. The Board comprises of:

- Kevin Tser Fah Chin - Executive Director and Chief Executive Officer ("CEO")
- Robert John McKelvey - Non Executive Director
- Eduardo Fernandez - Non Executive Director

The Board has commenced a process to appoint a third independent non-executive director and this process remains ongoing at the date of this Statement.

Chairman

During the year Kevin Tser Fah Chin, the CEO, who is an executive director acted as Chairman and is not considered an independent director.

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Nomination and Remuneration Committee

A Nomination & Remuneration Committee Charter has been adopted by the board of the Company and provides the terms of reference for the Nomination & Remuneration Committee.

Kevin Chin – Executive Chairman

Kevin is the founder and Executive Chairman and Chief Executive Officer of Arowana, a B Corp certified group with operating businesses and investments globally.

He has over 18 years' experience as a "hands on" strategic and operational leader in CEO, CFO and COO roles for listed and unlisted companies where he has taken a significant shareholding position or been a founder / co-founder. He specialises in both complex turnarounds and accelerated scaling-up growth situations.

Kevin has also had significant funds management experience encompassing private equity, listed equities, fund of funds and venture capital.

Kevin has founded or co-founded both operating companies such as AWN Holdings Limited, EdventureCo Group, VivoPower International PLC and Intueri Education Group as well as funds such as the Arowana Special Income Opportunities Fund, the Arowana Contrarian Value Fund, Arowana Australasian Special Situations Fund I, the Arowana Microcap Australasian Private Equity Fund I and the Asian Masters Fund.

Prior to founding Arowana, Kevin led the \$12m privatisation and management buyout of ASX listed software company, SoftLaw Corporation Limited (which was renamed to RuleBurst Limited) in November 2004 and became its hands-on CFOO. Together with the rest of the management team, they executed a rapid turnaround in the business and subsequently scaled it up globally. RuleBurst was acquired by Oracle Corporation in November 2008 for \$150m.

His prior professional experience includes working for the Lowy Family Group, J.P.Morgan, Price Waterhouse and Deloitte. Kevin holds a Bachelor of Commerce degree from the University of New South Wales where he was one of the inaugural University Co- Op Scholars with the School of Banking and Finance. Kevin is a Fellow of FINSIA (Financial Services Institute of Australasia) where he also lectured and wrote curriculum for the FINSIA Masters Degree courses, Advanced Industrial Equity Analysis and Applied Corporate Finance. He is also a qualified Chartered Accountant.

Kevin assumed the role of Executive Chairman in February 2015.

Other current directorships in listed companies:

- Contrarian Value Fund Limited
- VivoPower International PLC

Former directorships of listed companies in the last 3 years

None

Special responsibilities

Kevin is the Chairman of the Company and also participates in all key decisions.

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Robert McKelvey – Independent Non-Executive Director

Rob was appointed in February 2015 and was previously Managing Director of the US technology research firm, Gartner Inc. for the Asia Pacific. He has extensive knowledge and experience of technology trends and developments and is also a certified master coach and is a strong advocate of building the right culture and coaching processes within organisations.

Other current directorships in listed companies:

None

Former directorships of listed companies in the last 3 years

None

Special responsibilities

Rob is a member of the Audit and Risk Committee and is Chairman of the Nomination and Remuneration Committee.

Ed Fernandez – Independent Non-Executive Director

Appointed in April 2018, Ed has over 25 years' experience and is an accomplished business leader, experienced Silicon Valley venture capitalist and a technology entrepreneur with a particular focus on machine learning and artificial intelligence.

Based in Palo Alto, Ed is an electrical & electronics engineer by training and has completed the Global Senior Management Programme (GSMP) post-graduate qualifications at the University of Chicago Booth School of Business & IE Business School (Madrid) as well as the Engineering Leadership Professional Programme (ELPP) from the University of California Berkeley.

Ed is a mentor & advisor at Singularity University Ventures and Berkeley's Centre for Technology & Entrepreneurship. Ed also serves as a Director at BigML Inc, a 'Machine Learning as a Service' platform company headquartered in the US.

Ed founded Naiss.io, a venture capital & advisory boutique in Palo Alto, focusing on technology start-ups and early stage companies. He is also an investor & advisor in several US technology start-ups, including Optimizing Mind, a Palo Alto start-up working on neuroscience-based Deep Learning for xAI (Explainable AI) and MyPark Inc, an IoT smart parking platform.

Other current directorships in listed companies:

None

Former directorships of listed companies in the last 3 years

None

Special responsibilities

Ed is Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee.

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Meetings of Directors

The number of meetings of the Company's Board of Directors held during the reporting period and the numbers of meetings attended by each director were:

| Director | Board Meetings | | Audit and Risk Committee | | Nomination and Remuneration Committee | |
|-----------------|----------------|----|--------------------------|-----|---------------------------------------|-----|
| | A | B | A | B | A | B |
| Kevin Chin | 11 | 11 | N/A | N/A | N/A | N/A |
| Robert McKelvey | 11 | 11 | 2 | 2 | 1 | 1 |
| Ed Fernandez | 11 | 11 | 2 | 2 | 1 | 1 |

A = number of meetings attended

B = number of meetings eligible to attend during the time the director held office during the reporting period

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Principle 3 – Promote Ethical and Responsible Decision Making

Code of Conduct

A code of conduct is established. In summary, it provides that the directors and officers:

- Act honestly and in good faith and in the best interest of the Company;
- Use due care, skill and diligence in fulfilling their duties;
- Use the powers of their position for a proper purpose, in the interest of the Company;
- Will not misuse the Company’s information;
- Will not allow personal interests, or those of associates, conflict with the interest of the Company;
- Exercise independent judgement and actions;
- Maintain the confidentiality of Company information acquired by virtue of their position;
- Will not engage in conduct likely to bring discredit to the Company; and
- Will act honestly, in good faith and in the best interest of the Company.

Share Trading Policy

The Company has a share trading policy regarding directors and employees trading in its securities. Directors, officers and employees were subject to the *Corporations Act 2001* (Cth) restrictions in relation to applying for, acquiring and disposing of securities in, or other relevant products of, the company (or procuring another person to do so), if they are in possession of inside information.

Under the Trading Policy, directors, officer and employees of the Company are restricted from trading in the Company’s securities during the following periods:

- Between the financial year end and the announcement to the ASX of final results for the year
- Between the financial half-year end and the announcement to the ASX of the interim results for the half-year
- Between the Notice of Annual General Meeting of the Company and the Annual General Meeting of the Company
- Any other period designated by the Board.

In addition, directors, officers and employees may not participate in any short-term or speculative trading of the Company’s securities.

Diversity

The Board has adopted a diversity policy, available upon request. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

The Board is responsible for developing policies in relation to a corporate culture that supports diversity and the implementation of measureable diversity objectives.

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The Company's strategies may include:

- Recruiting from a diverse range of candidates for all positions including senior executive roles and board positions;
- Ensuring succession planning considers diversity;
- Mentoring and professional development programs;
- Networking opportunities;
- Pay equity to ensure equal pay for equal work across our workforce;
- Mentoring and support networks for women who return from maternity leave; and
- Training and awareness programs to foster a corporate culture that embraces and values diversity.

No women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives for director and senior executive positions as they become vacant and appropriately qualified candidates become available.

Principle 4 – Safeguard integrity in financial reporting

Audit and Risk Committee

The role of the Audit & Risk Committee is to assist the Board in monitoring the processes and controls associated with the financial reporting function that ensure the integrity of the Company's financial statements. Specifically, the audit committee oversees:

- The integrity of external financial reporting;
- The independence of the external auditor;
- Ensuring that the directors and senior management are provided with financial and non-financial information that is of the high quality and relevant to the judgments to be made by them;
- Ensuring that controls are established and maintained in order to safeguard the Group's financial and physical resources;
- Ensuring that systems or procedures are in place so that the Group complies with relevant statutory and regulatory requirements; and
- Assessing risks arising from the Group's operations, and consider the adequacy of measures taken to moderate those risks.

In accordance with the ASX's Corporate Governance Principles and Recommendations, the Audit & Risk Committee is comprised of a majority of independent directors. The Chairman of the Committee is Mr. Ed Fernandez, and the other member is Mr. Rob McKelvey. The Board has commenced a process to appoint a third independent non-executive Director who is also expected to be appointed as a member of the Audit & Risk Committee.

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Principle 5 – Make timely and balanced disclosure

The Company had a disclosure policy regarding procedures relating to the notification of price sensitive information to the ASX and the subsequent posting of announcements on the Company's website.

Principle 6 – Respect the rights of shareholders

The Company has a shareholder communication policy which included:

- Dealing fairly, transparently and openly with both current and prospective shareholders;
- The use of available channels and cost effective technologies to reach shareholders who may be geographically dispersed and in order to communicate promptly with all shareholders; and
- Facilitating participation in shareholders meetings and dealing promptly with shareholder enquiries.

Principle 7 – Recognise and manage risk

The Board has established a risk oversight and framework policy. The Board is responsible for the oversight of the Group's risk.

The CEO is responsible for preparing the Group's risk profile and establishing appropriate systems and controls to minimise risk.

The CEO reports on the risk profile and the effectiveness of these systems and controls to the Board of Directors at least annually.

The external auditors are requested to report any internal control issues that are identified in the course of review of the Group's half-year results and the audit of the full year results.

The CEO and CFO confirm annually in writing to the Board that the integrity of the financial statements is based on a sound system of risk management including internal compliance and control systems

The Group's risk management including internal compliance and control systems is operating efficiently and effectively in all material aspects.

The Group has no material exposure to economic, environmental or social sustainability risks and this is reviewed annually.

Principle 8 – Remuneration Policies

Remuneration policy

The Nomination & Remuneration Committee Charter was adopted by the current Board of the Company to provide the terms of reference for the Nomination & Remuneration Committee.

The Nomination & Remuneration Committee's objective is to assist the Board in fulfilling its responsibilities by reviewing, advising and making recommendations to the Board on nomination and remuneration policies and practices.

Remuneration focussed responsibilities of the Committee include determining and agreeing with the Board the policy for the remuneration of the non-executive directors, the CEO and the executive team and will review the ongoing appropriateness and relevance of the remuneration policy.

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Further remuneration focussed responsibilities of the Nomination & Remuneration Committee include making recommendations to the Board in relation to those executive incentive plans that require the approval of shareholders. In making those recommendations the Committee will have regard to the remuneration policy and to the total cost of each plan.

Under the Nomination & Remuneration Committee Charter, where practicable, the Committee will comprise solely of non-executive directors and have at least three members. New members will be proposed by the Chairman and approved by the Board. The Committee is for the time being chaired by Rob McKelvey and, at the date of this report, the second member is Ed Fernandez. The Board has commenced a process to appoint a third Non-Executive Director and member for the Nomination & Remuneration Committee and this process remains ongoing at the date of this report.

Remuneration objectives

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company.

Compensation levels for key management personnel will incentivise management to maximise compounding growth of “cash on cash” returns and return on invested capital of the Group (which in turn will result in long term capital growth and value creation). As a result, the Company embraces and applies “lean enterprise” and “lean management” principles.

Organisational structure: a flexible and agile model that promotes multi-tasking and self-sufficiency by management and employees.

Compensation structure: Compensation is heavily skewed towards performance-based outcomes.

To incentivise employees to act as “owners” when assessing and purchasing businesses for the Company. In particular, employees will be encouraged to acquire businesses at valuations that are as optimally low and as value accretive to the Company as possible; and

To incentivise employees to operate the Company’s businesses such that they deliver financial and operational outperformance over a long-term investment horizon.

Fixed compensation

Fixed compensation consists of base compensation, as well as leave entitlements and employer contribution to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants may provide analysis and advice to ensure the directors’ and senior executives’ compensation is competitive in the marketplace. A senior executive’s compensation is also reviewed on promotion.

Relationship between remuneration policy and the Company performance

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward executives for meeting or exceeding defined objectives. In this regard, during 2016 the Board adopted a revised employee incentive scheme, being a Long Term Value Creation Plan (“LTVCP”). The LTVCP was approved by shareholders at the AGM in November 2014 and an Extraordinary General Meeting held on 17 January 2014.

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Under the revised LTVCP, Enterprise Office employees as a group will receive AWN shares to the value of 20% of any outperformance above an average 8% per annum hurdle rate of AWN Holdings Limited's enterprise value (with relevant adjustments for any debt or equity raised or returned), calculated over a five year period. The plan also makes provision for certain Early Trigger Events that may result in an early incentive payment.

The initial five year period of the LTVCP ended on 17 November 2019 without vesting hurdles or trigger events being met. Upon expiry of the initial five year period on 17 November 2019, all LTVCP shares on issue were redeemed by the Company at their issue price with the resulting proceeds applied to repayment of outstanding LTVCP loans to participants.

The intention is for the LTVCP to restart for a new five year period with the benchmark enterprise value set to the prevailing enterprise value at the time of renewal. At the date of this report, no date has been proposed for the commencement of the next five year period.

Key terms of service agreements

Remuneration and other terms of employment for the executive Key Management Personnel (KMP) are formalised in letters of offer and employment agreements. These agreements are not subject to a fixed term and provide for both fixed and performance-based remuneration, superannuation and other benefits such as statutory leave entitlements.

These employment agreements may be terminated by the Group or by the executive subject to providing notice in accordance with prescribed timeframes. Notice periods applicable to employment arrangements for the executive KMP vary between 3 to 6 months.

The Group may terminate employment without notice or payment in lieu of notice for serious and wilful misconduct.

Share-based Compensation

No shares or options were granted to key management personnel as compensation during 2020 or 2019.

Non-Executive Directors

Aggregate Directors' base fees are presently up to \$250,000 per annum, and non-executive directors do not receive performance-related compensation. In recognition of the impact of COVID-19 and the broader economic environment, the Company's independent non-executive directors have taken a 33% temporary reduction in board fees commencing from 1 April 2020 which remains in effect at the date of this report.