

**AWN HOLDINGS LIMITED**

**Corporate Governance Statement  
Financial Year 2021**

# AWN HOLDINGS LIMITED

ACN 103 472 751

## AWN Holdings Limited and its Controlled Entities (AWN)

For the year ended 30 June 2021

### 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 2021, designed to address the principles contained in the Corporate Governance Council’s Principles and Recommendations (4<sup>th</sup> Edition). 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 30 September 2021 and has been approved by the Board.

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## **Principle 1 – Lay solid foundations 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.

The roles and responsibilities of the Board are set out in the Board Charter which is available on the Company's website.

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 (CEO);
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (CFO)/ Chief Operating Officer (COO) 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.

The Board has delegated responsibility to the CEO, CFO, and COO 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

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

## **Nomination of Directors**

The Remuneration & Nomination Committee is responsible for reviewing the membership of the Board and the nomination of Directors to the Board. Any review or recommendation of the Remuneration & Nomination Committee is tabled for consideration by the full Board. The Remuneration & Nomination Committee undertakes appropriate checks before a candidate is appointed or put forward to the full Board and shareholders for election as a Director.

Following recommendation of an appointment by the Board, the Company will include all material information in its possession relevant to a decision on whether or not shareholders should elect or re-elect a Director in the relevant Notice of Meeting. Information relating to each of the current Directors is also provided in the Company's Annual Report and its Corporate Governance Statement.

Further detail on the roles and responsibilities of the Remuneration & Nomination Committee is set out in the Remuneration & Nomination Committee Charter which is available on the Company's website.

## **Written agreements**

The Company has entered into written agreements with each Director and member of key management personnel. These agreements are not subject to a fixed term and may be terminated by the Company, Director or member of key management personnel subject to providing notice in accordance with prescribed timeframes. Notice periods applicable to employment arrangements for key management personnel vary between 3 to 12 months.

## **Company Secretary**

The Company Secretary is directly accountable to the Board, through the Executive Chairman, on all matters to do with the proper functioning of the Board. All Directors have access to the Company Secretary who is appointed by the Board.

## **Diversity**

The Board has adopted a Diversity, Inclusivity and Equal Opportunity policy which is available on the Company's website. 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 measurable diversity objectives.

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;

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- 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.

Due to the current size, nature, and scale of the Company's activities the Board has not yet set targets 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.

## **Performance evaluation**

The Board (excluding the Executive Chairman) was responsible for approving the performance objectives and measures for the CEO and assessing whether these objectives had been satisfied by the performance of the CEO during the relevant period and in accordance with agreed terms of engagement. A performance review of the CEO was conducted during the 2021 financial year.

The CEO was responsible for approving the performance objectives and measures of other senior executives in consultation with the Remuneration & Nomination Committee. Performance reviews of other key management personnel were conducted during the 2021 financial year.

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.

The Executive Chairman meets periodically with individual Directors to discuss the performance of the Board. Furthermore, an evaluation is conducted by the Executive Chairman of the contribution of Directors retiring by rotation prior to their nomination for re-election.

The Board believes the current approach remains appropriate given its size and the nature of the Company's operations. The formal evaluation of the performance of the full Board for the year ended 30 June 2021 has been delayed due to COVID-19 lockdowns in Australia but is expected to be completed by 31 December 2021.

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## Principle 2 – Structure the Board to be effective and add value

At 30 June 2021, the Board comprised of a majority of three independent non-executive directors and one executive director, the Chief Executive Officer (CEO). The Board comprises of:

- Kevin Tser Fah Chin – Executive Chairman and CEO
- Robert John McKelvey – Independent Non-Executive Director
- Eduardo Fernandez – Independent Non-Executive Director
- Claire Estelle Bibby – Independent Non-Executive Director

## Remuneration & Nomination Committee

A Remuneration & Nomination Committee Charter has been adopted by the board of the Company and provides the terms of reference for the Remuneration & Nomination Committee. The Remuneration & Nomination Committee is currently comprised of three independent non-executive directors, as set out below:

- Robert John McKelvey, Non-Executive Director – Chairman
- Eduardo Fernandez, Non-Executive Director – Member
- Claire Estelle Bibby, Non-Executive Director – Member

The Remuneration & Nomination Committee Charter is available on the Company's website.

## Board Skills Matrix

The Company has a Board Skills Matrix setting out the mix of skills and diversity that the Board deems necessary for Directors to collectively possess in order to operate effectively and to meet its obligations under the Board Charter.

A summary of the experience and skills of the Board is set out in the matrix below:

Experience and Skills	Number of Directors with requisite level of experience and skills
Strategy, planning and mergers & acquisitions	4
Capital markets	4
International markets	4
Legal & governance, including listed Board experience	2
Accounting & finance	2
Risk management	4
Leadership, people & talent	4
Sales & marketing	3
Education sector	2
Renewable energy sector	1
Technology & innovation	3

## Chairman

During the year Kevin Tser Fah Chin, the Executive Chairman and CEO, acted as Chairman and is not considered an independent director. As such, the Company does not currently comply with

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ASX Corporate Governance Council Recommendation 2.5, which recommends that ‘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 Board considers that Mr Chin’s extensive experience, qualifications and understanding of the Group’s operations are integral to the leadership of the Board and to the Group’s performance, and is satisfied that these attributes warrant his continued appointment as Executive Chairman notwithstanding ASX Corporate Governance Council Recommendation 2.5.

## **Induction of new directors**

The Company has established an induction program for all new directors and committee members which contains all such information and advice that may be considered necessary or desirable, including information regarding:

- The Group’s operations and the industry sections in which it operates;
- The Group’s financial, strategic, operational and risk management position;
- Governance matters, policies and procedures; and
- The director or committee member’s rights, duties and responsibilities.

Furthermore, all Directors have access to professional independent advice, at the Company’s expense, in relation to their obligations as a director of the Company subject to obtaining the Executive Chairman’s approval, with such approval not to be withheld unreasonably.

## **Ongoing professional development of Directors**

All Directors are encouraged to pursue appropriate professional development opportunities in order to develop and maintain their skills and knowledge to assist in effectively discharging their duties as Directors of the Company. Appropriate professional development opportunities may be undertaken at the Company’s expense, subject to approval from the Executive Chairman.

## **Biographies and responsibilities of current Directors**

### **Kevin Chin – Executive Chairman**

Kevin is the founder and Executive Chairman and CEO of Arowana, a B Corp certified group with operating businesses and investments globally. Arowana created and listed AWN Holdings on the ASX in April 2013.

He has over 19 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. Kevin specialises in both complex turnarounds and accelerated scaling-up growth situations. He is the author of the book “Hyperturnaround!” and has been recognised for his leadership with global awards including Chairman of the Year from the International Business Awards.

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.

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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 also qualified as a Chartered Accountant.

Kevin assumed the role of Executive Chairman in February 2015.

*Other current directorships in listed companies:*

- VivoPower International PLC (NASDAQ)

*Former directorships of listed companies in the last 3 years*

- Contrarian Value Fund Limited

*Special responsibilities*

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

## **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 & Risk Committee and is Chairman of the Remuneration & Nomination 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 and electronics engineer by training and has completed the Global Senior Management Programme (GSMP) post-graduate qualifications at the University of

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Chicago Booth School of Business and IE Business School (Madrid) as well as the Engineering Leadership Professional Programme (ELPP) from the University of California Berkeley.

Ed is a mentor and advisor at Singularity University Ventures and Berkeley's Centre for Technology and 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 and advisory boutique in Palo Alto, focusing on technology start-ups and early stage companies. He is also an investor & advisor in several U.S. 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 & Risk Committee and a member of the Remuneration & Nomination Committee.

## **Claire Bibby - Independent Non-Executive Director**

Appointed in February 2021, Claire is a highly experienced lawyer and professional coach with over 25 years' experience in Executive and Non-Executive Director roles with ASX, multinational, private and not-for-profit (NFP) organisations.

Her career has included senior management appointments with some of the world's largest companies and top-tier law firms, where she has provided her clients with a range of strategic, governance, innovative, individual and team leadership services. Claire is a nationally accredited mediator and qualified arbitrator, as well as an Industry/Professional Fellow within the Faculty of Law at the University of Technology, Sydney.

Claire founded her own consultancy business in 2014 and brings strong legal, commercial finance, leadership, risk management and board governance skills, experience, and expertise to the company.

Claire has been recognised as one of Australia's best lawyers, mentors and female executives and is passionate about mentoring the next generation of female leaders and is a mentor for Layne Beachley's Aim for the Stars Foundation.

*Other current directorships in listed companies:*

- Comms Group Limited

*Former directorships of listed companies in the last 3 years*

None

*Special responsibilities*

Claire is a member of the Audit & Risk Committee and the Remuneration & Nomination Committee.

*Interest in shares and options of the Company*

Details of Claire's interests in the Company are included later in this report.

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## Meetings of Directors

The number of meetings of the Company's Board of Directors and Committees held during the year ended 30 June 2021 and the numbers of meetings attended by each director were:

Director	Board Meetings		Audit and Risk Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Kevin Chin	7	7	N/A	N/A	N/A	N/A
Robert McKelvey	7	7	2	2	2	2
Ed Fernandez	7	7	2	2	2	2
Claire Bibby	3	3	1	1	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 – Instil a culture of acting lawfully, ethically and responsibly**

### **Our Core Values**

At AWN Holdings, we value humility, solidarity and tenacity. These guide our approach to how we invest, how we operate and how we recruit talent.

**Humility** means that we acknowledge that we do not know it all. The world of business is one based on imperfect information and rapidly changing sets of facts. Because of this, we consider hubris and dogma as dangerous. Instead, we are lifelong learners who seek to constantly grow our knowledge and enrich our experience.

**Solidarity** means that as a team, we have each other's back. We know the power of a cohesive team, united and motivated by a common purpose. By fostering a transparent, collaborative and communicative culture, we ensure that knowledge, insights and experiences are shared. We work closely with one another, to help our team-mates succeed (and our investors gain).

**Tenacity** means that we never give up, ever. We know the realities of scaling up enterprises...it's a non-linear journey of ups and downs. Persistence is the ultimate determinant of success. Our intention is to grow companies so that they last, building perseverance into their DNA and resilience into their modus operandi.

### **Code of Conduct**

The Company has adopted a Code of Conduct Policy which is available on the Company's website.

### **Whistleblower policy**

The Company has adopted a Whistleblower Policy which is available on the Company's website.

### **Anti-bribery and corruption**

The Company's Code of Conduct Policy, a copy of which is available on the Company's website, sets out expectations and requirements of its Directors and employees in relation to bribery and corruption.

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## **Principle 4 – Safeguard the integrity of corporate reports**

### **Audit & 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 Company's financial and physical resources;
- Ensuring that systems or procedures are in place so that the Company complies with relevant statutory and regulatory requirements; and
- Assessing risks arising from the Company'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 independent directors. The Chairman of the Committee is Mr. Ed Fernandez, and the other members are Mr. Rob McKelvey and Ms. Claire Bibby.

Further detail on the roles and responsibilities of the Audit & Risk Committee is set out in the Audit & Risk Committee Charter which is available on the Company's website.

### **CEO and CFO declaration**

The CEO and CFO reporting in writing to the Board on a yearly and half-yearly basis to declare that, pursuant to section 295A of the Corporations Act 2001:

- The financial records of the Group for the period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- The financial accounting statements, and notes for the year, comply with the accounting standards in all material respects;
- The financial statements and notes for the year give a true and fair view of the financial position and the performance of the Group;
- In their opinion, the financial statements are in accordance with the Corporations Act 2001; and
- The risk management and internal control systems, to the extent they relate to financial reporting, are operating effectively in all material respects based on the risk management model adopted by the Company.

### **Release of reports not reviewed by the External Auditor**

From time to time, the Company may release reports to the market, such as investor presentations, Directors' Reports and this Corporate Governance Statement, that are neither audited nor reviewed by the Company's External Auditor. The Company ensures that all such reports have been through a review process to verify the integrity of their content. This review process, depending on the nature of the report, typically includes an initial review by the CEO and CFO, a secondary review by other Company executives independent of the preparation of the report, a

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review by the Audit & Risk Committee with final authorisation provided by the full Board. The Board considers that this review process provides a high degree of comfort to the Company's shareholders that such reports are accurate and reliable.

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

### **Continuous Disclosure**

The Company maintains a Continuous Disclosure policy regarding procedures relating to the notification of price sensitive information to the ASX and the subsequent posting of announcements which is available on the Company's website.

The Company Secretary ensures that all Directors receive a copy of all ASX announcements promptly after they have been submitted.

The Company ensures that any new or updated investor or analyst presentation is released to the ASX Market Announcements Platform ahead of any presentation to investors or analysts.

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## Principle 6 – Respect the rights of security holders

### AWN Holdings Ltd website

The Company's website can be found at <https://www.arowanaco.com/shareholders/> and provides access to information about the Company, the Board, key management personnel and other employees, the Company's operating businesses and Corporate Governance practices.

This website also has an investor section providing information about the Company's share price, access to ASX announcements including financial reports, investor presentations and information on shareholder meetings.

### Investor relations

The Company recognises the importance of its investors and has implemented processes and systems to effectively engage with shareholders and other stakeholders. Two-way engagement with investors is facilitated through a combination of attendance and participation at General Meetings, periodic face-to-face investor briefings following the release of periodic reports and the ability for shareholders to submit online queries through the Company's website.

Key elements of the Company's Investor Relations program include:

- Release of annual and interim reports and supporting investor presentations;
- Release of other market updates in accordance with the Company's Continuous Disclosure policy;
- Ensuring the Company's website is continually updated to reflect latest developments;
- Distribution of Notices of Meetings with supporting Explanatory Memorandums; and
- Ability for shareholders to get in touch via the 'Connect' page on the Company's website.

The Company's share registry, Boardroom Limited, sends physical and electronic copies of material communications to shareholders subject to their nominated preference.

### Shareholder participation at General Meetings

Shareholders are encouraged to attend the Company's Annual General Meeting (AGM) and other General Meetings. The AGM is an opportunity for shareholders to receive an update from the CEO on the Group's performance and its strategic objectives, to vote on various resolutions and to ask questions of the CEO and the Board. Shareholders are also provided with the opportunity to ask questions of the External Auditor regarding the conduct of the audit and preparation and content of the auditor's report.

Subject to the impact of current government restrictions (including COVID-19), shareholders have the opportunity of attending General Meetings in person or through attending virtually. If shareholders are unable to attend either in person or virtually, they have the ability to nominate and appoint a proxy to submit votes on their behalf or to submit their votes electronically in advance of the meeting.

The Company conducts voting on all resolutions at General Meetings by way of a poll rather than a show of hands. All resolutions proposed at the 2020 AGM were conducted via a poll.

### Shareholder communications

The Company's share registry, Boardroom Limited, sends physical and electronic copies of material communications to shareholders subject to their nominated preference. Shareholders are

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encouraged to create an online account to manage their preferences and ensure their details are up to date at <https://www.boardroomlimited.com.au>.

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## **Principle 7 – Recognise and manage risk**

The Company's Board, via the Audit & Risk Committee, is responsible for ensuring there are effective policies in place in relation to risk management, compliance and internal control systems.

The CEO is responsible for preparing the Company'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.

All significant investment proposals are subject to a detailed, multi-stage review and sign-off by an internal Investment Committee.

The External Auditors are requested to report any internal control issues that are identified during 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 Board did not specifically review the Company's risk management framework for the year ended 30 June 2021 given the update provided by the CEO and CFO and on the basis that the External Auditors did not identify any internal control issues during the period.

The Board considers that the Company's risk management including internal compliance and control systems is operating efficiently and effectively in all material aspects.

The Company does not currently have an internal audit function due to the relative nature and scale of its operations. The costs of establishing such a function are deemed prohibitive in the context of the current scale of the Company's operations.

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

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## **Principle 8 – Remunerate fairly and responsibly**

### **Remuneration & Nomination Committee**

The Remuneration & Nomination Committee Charter was adopted by the current Board of the Company to provide the terms of reference for the Remuneration & Nomination Committee. The Remuneration & Nomination Committee's objective is to assist the Board in fulfilling its responsibilities by reviewing, advising, and making recommendations to the Board on remuneration and nomination policies and practices.

Remuneration & Nomination 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 the ongoing review of the appropriateness and relevance of the remuneration policy.

Further remuneration focussed responsibilities of the Remuneration & Nomination 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 Remuneration & Nomination 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 Mr. Rob McKelvey and, at the date of this report, the other members are Mr. Ed Fernandez and Ms. Claire Bibby.

Further detail on the roles and responsibilities of the Remuneration & Nomination Committee is set out in the Remuneration & Nomination Committee Charter which is available on the Company's website.

### **Remuneration objectives**

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

Remuneration levels for key management personnel are reviewed annually by the Remuneration & Nomination Committee to reflect individual performance, performance of operating segments, the overall performance of the Group and prevailing employment market conditions. External consultants are engaged as required to provide further analysis and advice to ensure the remuneration arrangements for key management personnel are competitive in the marketplace. Remuneration arrangements for key management personnel are also reviewed upon promotion.

Key management personnel are remunerated through a combination of fixed compensation, short-term incentives (STI) and long-term incentives (LTI). This variable remuneration structure aligns performance of key management personnel with achieving the Company's short-term and long-term strategic objectives set by the Board.

### **Fixed compensation**

Fixed compensation for key management personnel consists of base cash compensation, superannuation, statutory leave entitlements and other prescribed non-cash benefits at the discretion of the Remuneration & Nomination Committee.

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## **Short-term incentives**

Certain key management personnel and other employees are incentivised via participation in STI arrangements. The purpose of STI arrangements is to reward individual performance in line with the Company's objectives, such that the individual is rewarded in circumstances where they have clearly contributed to a successful outcome for the Company. The contribution of an individual's performance towards Company objectives is measured against a combination of objective and subjective Key Performance Indicators (KPIs) which vary depending on the accountabilities of their respective roles and their impact on the Company's performance. The Remuneration & Nomination Committee also has the capacity to award discretionary STI payments subject to performance during the period. No STI payments were awarded in either FY2021 or FY2020 as the Company has adopted a policy to move away from STI arrangements to align incentivisation with long term value creation.

## **Long-term incentives**

Certain key management personnel and other employees are incentivised via participation in LTI arrangements, specifically via the Long Term Value Creation Plan (LTVCP).

Further information on the Company's LTVCP is set out below and in the Remuneration Report within the Company's Annual Report.

## **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.

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.

When seeking shareholder approval for the LTVCP in 2014, AWN indicated that successive issues of LTVCP shares would be made every five years. Accordingly, at an AGM held on 28 January 2021, the Company's shareholders approved the renewal of the LTVCP and the issue of a further tranche of LTVCP shares, with a five-year period commencing from 18 November 2019. As at the date of this report, no LTVCP shares have been issued following the renewal of the LTVCP. It is intended that LTVCP shares will be issued to key management personnel during FY2022 in connection with the renewal of the LTVCP.

The Company has adopted a Securities Trading Policy, a copy of which is available on the Company's website. The Securities Trading Policy prohibits Directors, key management personnel and other employees who participate in an equity-based incentive plan from entering into any

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transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlements granted under the plan.

## **Key terms of service agreements**

Remuneration and other terms of employment for the executive key management personnel 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 Company or by the executive subject to providing notice in accordance with prescribed timeframes. Notice periods applicable to employment arrangements for the executive key management personnel vary between 3 to 12 months.

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

## **Share-based Compensation for Non-Executive Directors**

From 1 July 2020, two Non-Executive Directors, Messrs McKelvey and Fernandez, agreed to receive one third of their annual fees in the form of shares. On 28 January 2021, AWN shareholders voted to approve the issue of shares to Messrs McKelvey and Fernandez in connection with the Company's Non-Executive Director Fee Sacrifice Share Plan (FSSP).

Following approval, 38,168 shares with an aggregate issue price of \$50,000 were issued to each of Messrs McKelvey and Fernandez, representing the non-cash component of the directors' fees to which they would be entitled for the three-year period ending 30 June 2023, with one third of these shares vesting on each of the first, second and third anniversaries of issue. In circumstances where a Non-Executive Director ceases to be a Director of the Company the unvested Plan Shares held by the Director will be forfeited.

No other shares or options were granted by AWN to key management personnel as compensation during FY2021.

## **Non-Executive Directors**

Remuneration of Non-Executive Directors is determined by the full Board within the maximum amount approved by the Company's shareholders from time to time. Consultation with Non-Executive Directors outside their duties as Directors is treated as external consultation and is subject to additional fees by consent of the full Board.

Aggregate Directors' base fees are presently up to \$250,000 per annum, and non-executive directors do not receive performance-related compensation.