

NOVATTI GROUP LTD

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement outlines the corporate governance framework that has been established by Novatti Group Ltd (“NOV” or the “Company”) and its controlled entities (“Group”) and its compliance with that framework for the reporting period from 1 July 2020 to 30 June 2021.

The Directors are cognisant of the fourth edition Corporate Governance Principles and Recommendations (“ASX Principles”) published by the ASX Corporate Governance Council and have adopted the ASX Principles where they are considered appropriate to the Company’s circumstances. Under ASX Listing Rules, a company is required to provide a statement disclosing the extent to which it has followed all the recommendations of the ASX Principles and identify all the recommendations that have not been followed and give reasons for not following them. Unless otherwise outlined in this statement, the Board considers that the Company’s policies and practices follow the ASX Principles recommendations for the reporting period from 1 July 2020 to 30 June 2021.

The charters, codes and policies in respect of the Company’s corporate governance practices referred to in this statement are reviewed and updated periodically to ensure that they remain appropriate to the Company’s circumstances. The following charters, codes and policies are available on NOV’s website at <https://www.novattigroup.com/corporategovernance>:

- Procedures for Selection and Appointment of Directors
- Board Charter
- Audit Policy
- Code of Conduct
- Shareholders Policy
- Privacy Policy
- Securities Trading Policy
- Anti-Bribery and Corruption Policy
- Diversity Policy
- Delegated Authority Policy and Matters Reserved for the Board
- Continuous Disclosure Policy
- Performance Evaluation Policy
- Risk Management and Internal Control Policy
- Whistleblower Policy
- Remuneration Policy

This statement is current as at 30 June 2021 and has been approved by the Board of Directors of NOV.

Principle 1: Lay Solid Foundations for Management and Oversight

(a) Roles of the Board and Management

The Board acknowledges that it is accountable to shareholders and must ensure that the Company is properly managed and protected to enhance shareholder value by ensuring the long-term health and prosperity of the Group.

NOV's Board Charter establishes the following key responsibilities and functions of the Board:

- appointment, evaluation, rewarding and if necessary the removal of the Managing Director / CEO, and Chief Financial Officer and the Company Secretary;
- in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operation;
- to ensure that appropriate internal and external audit arrangements are in place and operating effectively;
- having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
- reporting to shareholders.

The Board has delegated the day-to-day management of the business and affairs of NOV to the CEO. The Board has approved detailed delegation authority limits for the CEO and certain senior managers that may be exercised in accordance with NOV's Delegated Authority Policy. Financial and procedural controls are maintained by management to ensure adherence to the delegated authority limits and NOV's Delegated Authority Policy. When considered appropriate by the Board these financial and procedural controls may be amended.

(b) Procedure for the Selection and Appointment of Directors

In selecting new members for the Board, the Board Charter requires directors to have regard to the appropriate range of qualifications, experience and diversity needed by the Board as a whole and for the directors to endeavour to appoint individuals who will provide a mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Group.

The Board has established guidelines for the appointment and selection of Directors. These guidelines are to ensure that the Board consists of members with a range of skills and experience to meet its primary responsibility for promoting the success of the Company in a way which ensures that the interests of shareholders and other stakeholders are promoted and protected.

Retiring Directors are not automatically re-appointed. Directors appointed for a three-year period and then are subject to the selection and appointment procedures described in the guidelines, ASX Listing Rules and the Company's Constitution. The Company undertook various checks on the current Directors at the time of their appointment. The Company will undertake appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a Director, and will provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. These include checks in relation to

the person's character, experience and qualifications, criminal history, bankruptcy as well as ensuring that the person is available to provide the appropriate time commitment to serve as a Director.

(c) Letters of Appointment

(i) *Non-Executive Directors*

Non-Executive Directors have received formal letters of appointment setting out the term of office, their role and responsibilities, time commitments, remuneration and expenses, outside interests, the requirement to disclose director's interests, the requirement to comply with key corporate policies, the Company's policy on when Directors may seek independent professional advice, indemnity and insurance arrangements, and confidentiality obligations.

(ii) *Senior executives*

The Company has entered into employment agreements with senior executives of the Company which provide the employment conditions, remuneration and entitlements for the senior executive's position with the Company. The agreement also contains an acknowledgement by the senior executive to maintain information which is confidential to the Group. All inventions, discoveries and novel designs created by the senior executive as a result of or in the course of the performance of their duties with the Group are assigned to the Company.

(iii) *Company secretary*

The joint company secretaries are, Mr Ian Hobson who was appointed on 12 October 2015 and Mr Steven Stamboultgis who was appointed on 15 March 2021.

The company secretary is accountable directly to the Board, through the Chairman. Each Director is able to communicate directly with the company secretary and vice versa.

Mr Hobson's and Mr Stamboultgis's biographies are available in the Company's 2021 Annual Report.

The company secretary's responsibilities include:

- ensuring that the business and attendances at Board and committee (where established) meetings are captured in the minutes;
- advising the Board on governance matters;
- acting as the Company's disclosure officer to ASX; and
- monitoring that Board and committee (where established) policies and procedures are followed.

(d) Diversity Policy

The Company has adopted a Diversity Policy to assist NOV to achieve a corporate objective of attracting, developing and retaining people who are highly competent and can contribute to the long-term success of the Company and its corporate values by bringing a broader range of perspectives, experience and ideas. The Diversity Policy requires that the Board set and assess measurable objectives for achieving improved diversity.

As at 30 June 2021 of the employees employed throughout the Group in full-time and part-time employment, 39 percent of employees were women and 61 percent were men. There are no women on the Board. A senior executive position is a position which reports directly to the CEO, COO or the Board, as at 30 June 2021, 3 woman (30 June 2020, there were 2) qualified as a senior executive.

The Company has set a measurable diversity objective by 2025 of:

- Aim to have 30% or greater of the workforce as females as total in all areas of the business
- Aim to have 30% or greater of the workforce in senior roles as female employees
- Aim to have 30% or greater females on the board

From the 2030 year, the Company has set the following measurable diversity objective of:

- Aim to have 40% or greater of the workforce as females as total in all areas of the business
- Aim to have 40% or greater of the workforce in senior roles as female employees
- Aim to have 40% or greater females on the board

When NOV establish these diversity objectives, the Company will be is cognisant that achieving such objectives is influenced by many factors including:

- the need to hire the best qualified person for the available job as established by the Company's Diversity Policy;
- changes in the number of people employed due to expansion or reduction in future business activities of the Company; and
- changes in the composition of the workforce due to resignations, redundancies or terminations.

(e) Board and Board Committee Performance Evaluation

The Board Charter requires the Board to undertake a review of its performance, policies and practices every 12 months and to disclose the process for periodically evaluating the performance of the Board, its committees and individual directors. The results of the performance evaluation will be used by the Board when considering making a recommendation to shareholders regarding any Director required to stand for re-election.

A Board review was completed for FY21.

(f) Senior Executive Performance Evaluation

The Board reviews the performance of the CEO against key performance indicators on an annual basis. The CEO undertakes a formal review each year assessing the performance of senior executives who report to him.

Performance reviews of the senior management personnel had been completed during the 2021 financial year. Information on the performance evaluation and structure of the remuneration for the Company's key management personnel is included in the Remuneration Report contained in the 2021 Annual Report.

Principle 2: Structure the Board to Add Value

(a) Composition of the Board

The Board is responsible for the overall operation and stewardship of the Group and for the overall success and long-term growth in a way which ensures that the interests of shareholders are promoted and protected.

The information in this Statement regarding the Directors, the Board and committee membership is current as at the date of this statement.

There were no Director changes during the year. The Directors and the date of their appointment as at the date of this Corporate Governance Statement are:

Director	Independence	Appointment date
Mr Peter Pawlowitsch – Non-Executive Chairman	Independent	19 June 2015
Mr Peter Cook – Executive Director / CEO	Executive	12 October 2015
Mr Paul Burton – Non-Executive Director	Independent	31 May 2016
Mr Kenneth Lai – Non-Executive Director	Independent	31 May 2016
Mr Steven Zhou – Non-Executive Director	Independent	12 October 2017

Details of the respective Director's biographies setting out their skills, experience, directorships of other listed companies and other responsibilities are included in the Directors' Report contained in the 2021 Annual Report.

(b) Director Independence

The Board comprises 4 independent Non-Executive Directors and one Executive Director.

The Company has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a Director. These guidelines are set out in the Board Charter.

The Board considers that each of Peter Pawlowitsch, Paul Burton, Kenneth Lai and Steven Zhou are independent non-executive Directors for the purpose of the ASX Principles.

The Board believes that Mr Pawlowitsch is the most appropriate Director to lead the Board as a Non-Executive Chairman, that he is able to bring independent judgement and business acumen to relevant issues falling within the scope of the role of Chairman, and that NOV as a whole benefits from this extensive experience and knowledge and his contribution to the Company as Chairman.

(c) Board Skills Matrix

Collectively, the Board has an extensive range of commercial skills and other relevant experience required for effective management of the Company's business. Board members, including some who are also directors of other ASX listed companies, together have a combination of experience in the following areas:

- product and software development, sales and marketing;
- corporate and business strategy;
- international business;
- business growth and development (both organically and by acquisition);
- executive leadership;
- corporate finance; and
- corporate governance.

The Board considers that its current members have an appropriate mix of skills that enable the Board to discharge its responsibilities and deliver the Company's strategy and corporate objectives.

(d) Nominations and Remuneration Committee

Due to the size of the board, the Company has not established a separate Nominations and Remuneration Committee.

The Board has assumed the role of a Nominations Committee which includes:

- review the size and composition of the Board;
- review and advise the Board on the range of skills available on the Board and appropriate balance of skills for future Board membership;
- review and consider succession planning for the CEO, the chairman and other Directors and key executives;
- develop criteria and procedures for the identification of candidates for appointment as Directors, with the criteria including a consideration of the candidate's:
 - skills, experience, expertise and personal qualities;
 - capability to devote the necessary time and commitment to the role; and
 - potential conflicts of interest and independence;
- apply the criteria and procedures to identify prospective candidates for appointment as a Director and make recommendations to the Board;
- make recommendations to the Board regarding any Directors who should not continue in office, having regard to the results of a formal performance appraisal of Directors and/or consideration of the appropriate composition of the Board;
- nominate for approval by the Board external experts (where appropriate) to advise on the matters listed above;

- review the time required from a non-executive Director and whether Directors are meeting this requirement;
- evaluate management's recommendations on the appointment of key executives;
- develop a plan for identifying, assessing and enhancing Director competencies;
- ensure that there are appropriate professional development opportunities for continuing Directors to develop and maintain the skill and knowledge needed to perform their role as a Director effectively; and
- ensure that there is an appropriate induction program for new Directors and members of senior management and review its effectiveness.

The Board has assumed the role of a Remuneration Committee which includes the:

- determination of the remuneration policy recommendations of the CEO;
- determination of the remuneration and contract terms for the CEO and senior management;
- determination of the terms and conditions of long-term incentive plans, short-term incentive plans, share right plans, performance targets and bonus payments for the CEO and senior management;
- determination of the terms and conditions of any employee incentive plans;
- determination the remuneration of non-executive Directors;
- review, management and disclosure of the policy (if any) under which participants to an equity-based remuneration scheme may be permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
- determination of the content of the Remuneration Report to be included in the Company's Annual Report.

Principle 3: Act Ethically and Responsibly

(a) Ethical Behaviour

The Company recognises that its reputation is a valuable asset which is based largely on the ethical behaviour of the people who represent the Company.

(b) Code of Conduct

The Board has established a Code of Conduct which outlines how the Company expects Directors and employees to not only comply with the law, but also to conduct themselves in a manner consistent with the current community and corporate standards.

The objectives of the Code of Conduct are:

- to provide a benchmark for professional behaviour throughout the Company;
- to support NOV's business reputation and corporate image within the community; and
- to make employees aware of the consequences if they breach the code.

Any breach of the Code of Conduct is treated as a serious matter and may give rise to disciplinary action including termination of employment.

(c) Supporting Policies to the Code

The Board has established various policies to support the Code of Conduct including:

(i) Whistleblowing

NOV recognises that any genuine commitment to detecting and preventing illegal and other undesirable conduct must include, as a fundamental cornerstone, a mechanism whereby Directors and employees can report their concerns freely and without fear of repercussion.

NOV's Whistleblower Policy provides a mechanism for the reporting of illegal and other undesirable conduct. An employee can report a matter of concern to their immediate supervisor or manager, or to a more senior manager or in instances where the employee wishes to remain anonymous, to the company secretary. All reported concerns are required to be investigated appropriately and feedback regarding the investigation's outcome provided to the employee where appropriate.

(ii) Securities dealing by NOV Directors and Employees

The purpose of NOV's Securities Dealing Policy is:

- to explain the type of conduct in relation to dealings in securities of NOV that is prohibited under the Corporations Act 2001 (Cth) ("Corporations Act") which is applicable to all NOV Employees, Directors, its contractors and consultants and any of their related parties; and
- to establish a best practice procedure relating to dealing in securities that provides protection to both NOV and Group employees against the misuse of unpublished information which could materially affect the value of securities.

Employees and Directors of NOV, and their related parties, must not deal in the Company's securities during the following dealing windows:

- a. two weeks prior to, and 24 hours after the release of the Company's Annual Financial Report;
- b. two weeks prior to, and 24 hours after the release of the Consolidated Interim Financial Report of the Company;
- c. two weeks prior to, and 24 hours after the release of the Company's quarterly reports;
- d. any other period as determined at the discretion of the Board.

Employees and Directors must notify the company secretary of any dealing in the Company's securities by them, or their related parties, within five business days of such dealing having taken place.

Principle 4: Safeguard Integrity of Corporate Reporting

(a) Audit Committee

The Board has established an audit committee which operates under a charter approved by the board.

The Audit Committee comprises three members. The committee is chaired by an independent Non-Executive Director, who is not the Chairman of the Board.

The members of the Audit Committee are:

- Paul Burton (Chairperson)
- Peter Pawlowitsch
- Peter Cook

The names and qualification of those appointed to the Audit Committee and their attendance at meetings of the Committee are included in the Directors' Report.

The purpose of the Audit Committee includes:

- overview of the external audit function and maintaining an appropriate working relationship with the external auditors;
- overseeing financial reporting;
- fulfilling its overview of the systems of internal control which the Board and management have established;

- ensuring the establishment and maintenance of processes of risk management and monitoring compliance with corporate policies, the Code of Conduct and corporate governance and risk management policies generally; and
- meeting planning, agenda and board paper format, and minute requirements.

(b) Written Affirmation

The Board has received assurance from the CEO and the chief financial officer in respect of the 2021 financial statements, that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial report risks. This assurance was given on 31 August 2021.

The Board has also received from the CEO and the chief financial officer written affirmations concerning the consolidated entities' financial statements as set out in the Directors' Declaration contained in the 2021 Annual Report.

(c) Auditor to attend Annual General Meeting

The Company's external auditor attended the 2020 Annual General Meeting.

The Company will ensure that the external auditor will be in attendance at the 2021 Annual General Meeting of the Company to answer questions from shareholders relevant to the audit.

Principle 5: Making Timely and Balanced Disclosure

Continuous Disclosure Policy

The Company has adopted a Continuous Disclosure Policy for the purpose of:

- identifying material price-sensitive information;
- reporting such information to the disclosure officer for review;
- ensuring NOV achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company, the Board and key senior management do not contravene the Corporations Act or ASX Listing Rules.

The rules set out in the policy are designed to ensure that announcements made by the Company:

- are made in a timely manner;
- are factual;
- do not omit material information; and
- are expressed in concise and clear language that allows shareholders and the market to assess the impact of the information when making investment decisions.

The policy applies to Directors and members of senior management who are most likely to be in possession of, or become aware of, the relevant information. All NOV employees are made aware of the existence of the policy so that they can assist with reporting of potentially sensitive information to the appropriate persons within the Company.

NOV is committed to:

- complying with the general and continuous disclosure principles contained in the ASX Listing Rules and the Corporations Act;
- preventing the selective or inadvertent disclosure of material price-sensitive information;
- ensuring that shareholders and the market are provided with full and timely information about its activities; and
- ensuring that all market participants have equal opportunity to receive externally available information issued by NOV.

The managing director and company secretary have the primary responsibility for communications with shareholders and have been appointed as NOV's disclosing delegates responsible for implementing and administering the Continuous Disclosure Policy.

The disclosing delegate is responsible for all communication with ASX and for making the decisions on what should be disclosed publicly under the policy.

The disclosing delegate is responsible for developing and maintaining relevant guidelines to help NOV's employees understand what information may be materially price-sensitive.

The disclosing delegate is responsible for monitoring all NOV disclosure practices and for making recommendations to the Board on updating the policy in response to change in internal structure legislature and regulatory developments and technology developments.

Principle 6: Respect the Rights of Security Holders

Shareholder Communications

NOV recognises that its current and prospective shareholders are entitled to be informed in a timely manner of all major happenings and developments affecting NOV. NOV's website currently includes information about itself and a section on its corporate governance policies and practices (<https://www.novattigroup.com/corporategovernance>). In addition, the website is updated progressively to contain relevant information to shareholders and interested parties.

The CEO and the company secretary have the primary responsibility for communication with shareholders. The CEO has overall responsibility for communication with analysts, stockbrokers, the media and major shareholders. The company secretary has overall responsibility for communication with ASX, other regulatory bodies and retail shareholders.

NOV has a Shareholders Communications Policy which is based upon compliance with the Company's disclosure obligations and aims at all times to achieve best practice.

The policy commits the Company to facilitating shareholder participation in member meetings and to dealing promptly with shareholder enquiries.

NOV believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.

Shareholders can elect to receive communications from the Company's share registry electronically. Shareholders are also able to send communications to the Company and the Company's share registry and receive responses to these communications electronically, details of which are available on the Company's website.

The Company holds its Annual General Meeting (AGM) in Melbourne, Australia, to which all shareholders are invited. Shareholders who are unable to attend can appoint a proxy to attend and vote at the meeting and can register questions in advance of the AGM either online or by submitting a question form provided in the AGM mail out. Questions are collated and during the AGM, the Chairman seeks to address as many of the more frequently raised topics as possible.

Principle 7: Recognise and Manage Risk

(a) Risk Management and Internal Control

NOV's Risk Management and Internal Control Policy assists in the development of organisational capabilities in risk management for internal control purposes. Risk management is regarded as an integral part of the Company's strategic planning, business planning and investment/project appraisal procedures. The focus of risk management is the identification and treatment of risks with the objective to add maximum sustainable value to all of the activities of the Company.

The Board acknowledges that it is ultimately responsible for the risk management and internal control framework of the Company. The Board regularly reviews the effectiveness of the risk management and internal control framework to satisfy itself that it continues to be sound. The Board reviews and discusses strategic risks and opportunities arising from changes in the Company's business environment regularly and on an as needs basis.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to report to the Board through on the efficiency and effectiveness of risk management.

The Board assumes the role of Risk Management and Internal Compliance Control.

The Company's process of risk management and internal compliance and control include:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The names and qualification of those appointed to the Board and their attendance at meetings of the Board are included in the Directors' Report.

The Company does not have an internal audit function.

(b) Economic, Environmental and Social Sustainability Risks

(i) *Economic sustainability 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:

- foreign exchange risk;
- regulatory risk; and
- sovereign risk.

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.

(ii) *Environmental sustainability risks*

Environmental sustainability risks are risks to the Group's ability to continue operating in a manner that does not compromise the health of ecosystems in which it operates over the long-term.

The Company does not believe that it is exposed to any environmental sustainability risks which have a real possibility of substantially impacting on the Group's ability to create or preserve value for its shareholders over the short-, medium- or long-term.

Notwithstanding this, environmental sustainability is important to the Company and accordingly the Company has implemented a number of initiatives to minimise the impact of its operations on the environment.

(iii) *Social sustainability risks*

Social sustainability risks are risks to NOV's ability to continue operating in a manner that meets acceptable social norms and needs over the longer-term. The Company does not believe that it is exposed to any social sustainability risks which have a real possibility of substantially impacting on NOV's ability to create or preserve value for its shareholders over the short-, medium- or long-term.

Principle 8: Remunerate Fairly and Responsibly

Due to the size of the board the Company has not established a separate Remuneration Committee. The full board fulfils this role.

(a) Remuneration Policies and Practices

(i) *Non-Executive Directors*

The maximum aggregate fees that can be paid to Non-Executive Directors was established in the Company's Constitution as \$500,000 per annum. This amount has not been varied by shareholders.

The amount paid to each Non-Executive Director is a fixed annual amount as agreed by the Board and does not include a commission or percentage of profits or income of the Company.

Non-Executive Directors are not eligible to receive retirement benefits (other than statutory superannuation) and have not participated in any equity-based payments during FY21 but they may in future years.

The details of the remuneration paid to each Non-Executive Director during the financial year are included in the Remuneration Report contained in the 2021 Annual Report.

(ii) **Executives**

The Company has entered into an agreement with the CEO which has established a remuneration and reward framework. The agreement is designed to provide a base salary with the addition long-term incentive rewards to attract and retain a strong candidate and promote financial performance and growth, while also encouraging long-term shareholder value. Long-term incentives are subject to the achievement of total shareholder return (being share price growth).

Senior management are paid a base salary and equity rewards for long term retention.

(b) **Speculative dealing**

Directors, Employees and their related parties are prohibited at all times from:

- engaging in short-term speculative dealing in the Company's securities such as dealing for a short-term gain. However, a sale of shares received following vesting of employee incentives (if applicable) is not considered speculative for this purpose;
- Buying and selling securities of other companies with which the Company may be dealing is prohibited where an individual possesses information which is not generally available to the market and is 'price sensitive'. For example, where an individual is aware that the Company is about to sign a major agreement with another company, they should not buy securities in either the Company or the other company.