

## 2018 CORPORATE GOVERNANCE STATEMENT

### BASIS OF PREPARATION

The Board of Directors of K2fly Ltd (**Company**) is responsible for the corporate governance of the Company and guides and monitors the business and affairs of the Company on behalf of its shareholders.

The format of this 2018 Corporate Governance Statement is based on ASX Corporate Governance Council's (the **Council**) *Corporate Governance Principles and Recommendations* (3<sup>rd</sup> edition). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period.

Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is structured with reference to the Council's principles and recommendations, which are as follows:

<b>Principle 1</b>	Lay solid foundations for management and oversight
<b>Principle 2</b>	Structure the board to add value
<b>Principle 3</b>	Act ethically and responsibly
<b>Principle 4</b>	Safeguard integrity in corporate reporting
<b>Principle 5</b>	Make timely and balanced disclosure
<b>Principle 6</b>	Respect the rights of security holders
<b>Principle 7</b>	Recognise and manage risk
<b>Principle 8</b>	Remunerate fairly and responsibly

Commensurate with the spirit of the *Corporate Governance Principles and Recommendations*, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and Board, resources available and activities of the Company. Where the Company's corporate governance practices depart from the *Corporate Governance Principles and Recommendations*, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company's corporate governance statement and practices were: •

in place throughout the year ended 30 June 2018; and

- approved by the Board.

For further information on the Company's corporate governance statement and adopted policies, please refer to its website: [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

The Company revised its corporate governance policies on 27 August 2018. The policies referred to in this Corporate Governance Statement are in respect of the policies in place as at 30 June 2018, unless otherwise indicated.

**PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT.**

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

The Board is ultimately accountable for the performance of the Company and is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company. It appoints the Chief Executive Officer (Executive Director) and approves the appointment of other Executive Directors and assesses their performance on an annual basis. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications.

Management is responsible for implementing the Board's strategy, day-to-day operational aspects, and ensuring that all material risks and performance issues are brought to the Board's attention. They must operate within the authority delegated to the position, as set by the Board.

The Company has adopted a Board Charter that sets out the objectives, responsibilities and administration of the board of directors and its relationship with the Chief Executive Officer of the Company, and any committees of the Board that may be established.

A copy of the Board Charter adopted by the company is available from the company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

The Company undertakes a comprehensive screening and verification process prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any material way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of non-executive directors, executive directors and senior executives are agreed upon and set out in writing at the time of each appointment. The agreement sets out: remuneration (including superannuation entitlements); requirement to disclose interests and matters which may affect independence; requirement to comply with key corporate policies (including the Company's Code of Conduct and Securities Trading Policy); policy on when directors may seek independent professional advice at the expense of the company (which generally should be whenever directors, especially non-executive directors, judge such advice necessary for them to discharge their responsibilities as directors); the circumstances in which the director's office becomes vacant; indemnity and insurance arrangements; ongoing rights of access to corporate information; and ongoing confidentiality obligations.

A copy of the Code of Conduct and Securities Trading Policy adopted by the Company are available from the company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary advises the Board and its committees on governance matters; monitors that Board and committee policy and procedures are followed; coordinates the timely completion and despatch of Board and committee papers; and ensures that the business at Board and committee meetings is accurately captured in the minutes.

The Company has not adopted a formal diversity policy. The Company respects and values the benefit of diversity throughout the Company in order to enrich the Company's

perspective, improve corporate performance, increase shareholder value and maximise the probability of achievement of the Company's objectives. However, given the size and nature of the Company's operations, the Company has not implemented a formal policy with respect to diversity.

The Company has a Performance Evaluation Practices policy which is available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

Performance evaluations were conducted on the Board's performance, and in respect of senior management's performance for the year ended 30 June 2018.

**PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.**

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

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Role	Length of service	Independent
Brian Miller <sup>1</sup>	Chief Executive Officer and Executive Chairman	18 November 2016 – present	No
Neil Canby	Non-Executive Director	14 February 2017 – present	Yes
James Deacon	Non-Executive Director	14 February 2017 – present	Yes
Jenny Cutri <sup>2</sup>	Non-Executive Director	15 September 2017 – present	Yes
Gino D'Anna	Non-Executive Director	18 November 2016 - 15 September 2017	No
Russell Moran	Non-Executive Director	18 November 2016 - 15 September 2017	No

Note: <sup>1</sup> As at 30 June 2018, Mr Miller was the Executive Chairman. With effect 1 July 2018, Mr Miller relinquished the chairman role, continuing his role as CEO and Executive Director.

Note: <sup>2</sup> As at 30 June 2018, Mr Cutri was a Non-Executive Director. With effect 1 July 2018, Ms Cutri transitioned to the role of Non-Executive Chairman.

The Board regularly and at least annually as part of the Board evaluation process conducts a review of its structure, composition and performance. This is also in accordance with the Board Performance Evaluation Policy available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required to effectively govern the Company. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Company does not maintain a nomination committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board as a whole is responsible for the nomination and selection of directors.

It is intended that the Board should comprise Directors having qualifications, skills, expertise and experience from a diverse range of backgrounds, including financial acumen, governance, regulatory, risk management and industry experience, which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

When the need for a new director is identified, the required experience and competencies of the new director will be defined in the context of this matrix and any gaps that may exist.

Generally, a list of potential candidates will be identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates will be assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position. Appropriate background and other checks are undertaken before finalising the appointment.

This process and the skills matrix are used in the consideration and any new appointments to the Board.

New directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

Details of the skills, experience and expertise relevant to the position of each Director who is in office will be included in each Annual Report.

The Board is currently comprised of a majority of independent directors with a range of skills and experience.

The Company has adopted a definition of "independence" that is consistent with the ASX's *Corporate Governance Principles and Recommendations*.

Brian Miller (Executive Chairman of the Board until 1 July 2018) is not considered independent. With effect 1 July 2018, Jenny Cutri transitioned to the role of Non-Executive Chairman. The Board now consists of an independent chair.

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at the Company's expense.

An induction program is followed for any new directors and all directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

### **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY.**

*A listed entity should act ethically and responsibly.*

The Company maintains a Code of Conduct for its directors, senior executives and employees. In summary, the Code of Conduct requires that each person: act honestly and with integrity, operate within the law, follow the Company's policies, act in good faith and in the best interests of the Company; exercise a duty of care; use the powers of office in the best interests of the Company and not for personal gain; declare any conflict of interest; safeguard the Company's assets and information; and not undertake any action that may jeopardise the reputation of Company. The Code of Conduct also addresses corporate misconduct (including fraud, unlawful or unethical payments or inducements) and the consequences of any breaches to the Code of Conduct. The Code of Conduct is reviewed as necessary to ensure it reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Code of Conduct is available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING.**

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

During the year ended 30 June 2018 the Company did not maintain an audit committee as it was considered that the size and composition of the Board did not warrant the formal establishment of a separate committee. The Board performed the functions of such a committee which included review and monitoring of periodic management information and the systems used to generate financial information that provided the content for the Annual

Report. The Board has processes in place to ensure that it can independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external audit and the rotation of the audit engagement partner. If necessary, the Board appoints external independent professionals to provide the necessary independent verification.

In accordance with the ASX Recommendation 4.3, the audit engagement partner will attend the AGM and be available to answer shareholder questions from shareholders relevant to the audit. In accordance with the ASX Recommendations 4.2 the Company's Chief Executive Officer provided the Board with the required declarations for the financial year ended 30 June 2018 and the half-year ended 31 December 2017.

The Audit Committee Charter is available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

#### **PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE.**

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

The Company has adopted a formal written policy for complying with its continuous disclosure obligations under Listing Rule 3.1.

This policy outlines the processes followed by the Company to ensure compliance with its continuous disclosure obligations and the corporate governance standards applied by the Company in its market communications.

The Company's Continuous Disclosure Policy is available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

#### **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS.**

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

The Company has a Shareholder Communications Policy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs.

As part of the Company's developing investor relations program, shareholders can access market announcements via the Australian Securities Exchange, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the Australian Securities Exchange is immediately posted.

The Company's Shareholder Communication Policy is available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

The Company maintains information in relation to governance documents, Board and committee charters, annual reports, Australian Securities Exchange announcements and contact details on the Company's website, [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).

The Company continuously reviews its website to identify ways in which it can promote its greater use by shareholders and make it more informative.

The Board engage with investors (and are encouraged to participate) at all general meetings and the AGM and respond to shareholder enquiry on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.

The Company engages its share registry to manage most of its communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through its share registry, Advanced Share Registry at [advancedshare.com.au/](http://advancedshare.com.au/).

**PRINCIPLE 7: RECOGNISE AND MANAGE RISK.**

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

During the year ended 30 June 2018 the Company did not maintain a risk committee as it was considered that the size of the Company and composition of the Board did not warrant the formal establishment of a separate committee.

During the period the Board as a whole performed the function of such a committee which included setting of corporate governance policy and exercising due care and skill in assessing risk, developing strategies to mitigate such risk, monitoring the risk and the Company's effectiveness in managing it. The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The Company is of the view that its operations do not create a material exposure to economic, environmental and social sustainability risks.

The Company has adopted a Risk Management and Internal Compliance and Control Policy which is available from the Company's website at [k2fly.com/investor/corporategovernance/](http://k2fly.com/investor/corporategovernance/).

A review of the Company's risks was undertaken by the CEO and senior management during the reporting period, and reported to the Board during its August Board meeting. The Company has implemented processes where a risks register will be created and reviewed by the Board on a regular basis.

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY.**

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

In FY17, the Company did not maintain a remuneration committee as it was considered that the size of the Company and composition of the Board did not warrant the formal establishment of a separate committee at that time.

On 21 November 2017, the Company formed a Remuneration Committee. James Deacon is the independent chair of the Remuneration Committee, with Neil Canby and Jenny Cutri as members.

During the period to 30 June 2018, there were three (3) meetings of the Committee held, attended by all members.

The function of the Committee includes making recommendations in connection with setting the Company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board and Chief Executive Officer. The Committee may obtain external advice from independent consultants, where it is considered appropriate, in determining the Company's remuneration practices including remuneration levels.

Details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' Report in the Company's Annual Report. During the year ended 30 June 2018, the Company did not grant any securities under an equitybased remuneration scheme.

The Remuneration Committee Charter is available from the Company's website at [k2fly.com/investor/corporate-governance/](http://k2fly.com/investor/corporate-governance/).