



2021 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 2021 Corporate Governance Statement is based on ASX Corporate Governance Council's (the **Council**) *Corporate Governance Principles and Recommendations* (4th 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:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Act ethically and responsibly
Principle 4	Safeguard integrity in corporate reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of security holders
Principle 7	Recognise and manage risk
Principle 8	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 2021; and
- approved by the Board.

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For further information on the Company's corporate governance statement and adopted policies, please refer to its website: k2fly.com/investors/corporate-governance/.

The Company revised its corporate governance policies on 29 September 2021. The policies referred to in this Corporate Governance Statement are in respect of the policies in place as at 30 June 2021, unless otherwise indicated.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT.

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Recommendation 1.1

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/investors/corporate-governance/.

Recommendation 1.2

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 Company also undertakes a comprehensive screening and verification process prior to appointing a senior executive.

Recommendation 1.3

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/investors/corporate-governance/.

Recommendation 1.4

The Company Secretary reports directly to the Board through the Chair 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.

Recommendation 1.5

The Company has recently 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. The principles of diversity and equal opportunity were incorporated into the Company's Code of Conduct for Directors and Officers, and also its Code of Conduct for Employees and Contractors. It also has a formal Workplace Harassment and Discrimination Policy. The Company is currently satisfied with the level of age, cultural and gender diversity among its employees and executives and therefore has not set measurable objectives in relation to diversity.

As at 30 June 2021, the Company had one female board member (25%), and 25% of its staff were women.

The Company is not a 'relevant employer' for the purposes of the Workplace Gender Equality Act 201, and therefore no gender equality indicators are disclosed.

Recommendations 1.6 and 1.7

The Company has a Performance Evaluation Practices policy which is available from the Company's website at k2fly.com/investors/corporate-governance/.

Performance evaluations are conducted on the Board's performance, and in respect of senior management's performance for the year ended 30 June 2021 and each year are completed, at the latest, prior to the Company's Annual General Meeting

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE.

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

Recommendation 2.1

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.

Recommendation 2.2

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/investors/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.

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 skills matrix set out below, describes the combined skills, experience and expertise presently represented on the Board. To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Skills, Experience and Expertise

- CEO level experience
- ASX listed company experience
- Capital markets
- Finance
- Legal
- Strategy and risk management
- Governance
- Human resources and executive remuneration
- Financial acumen and transaction experience
- Mergers and acquisitions
- Marketing / customers / sales
- International business experience
- Corporate sustainability

Recommendation 2.3

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	Chief Executive Officer and Executive Director	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	Non-Executive Chair	15 September 2017 – present	Yes

Recommendations 2.4 and 2.5

The Board is currently comprised of a majority of independent directors, including an independent chair, 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*.

Recommendation 2.6

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 instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Recommendation 3.1

The Company has formulated and disclosed values, which form the Company's guiding principles and norms which define the type of organisation it aspires to be. The Company's driving purposes is to have our software and our people contribute to a more sustainable and transparent world and to provide solutions which have a 'net positive benefit'.

Our values are:

- **Integrity** – we will do the right thing and always strive to create value for our clients and our partners. Including we will do what, what we say will do and not be afraid to voice our concerns if we see unethical or inappropriate behaviours.
- **Collaboration** – we will listen, learn and think together, and we will develop a 'One K2fly' culture. We will be an inclusive organisation and we will each take responsibility for outcomes within K2fly and its client base. We will not be restrained by working in silos and we will welcome the engagement of industry partners.
- **Growth** – We will share ideas, knowledge and learning to grow and improve ourselves, each other and our clients. Our goal is to grow to be seen as a thought leader in our specialist areas. We will drive to constantly and consistently improve our solutions and our delivery capability.
- **Customer Focused** – We will develop enhanced client intimacy by establishing a record of consistently delivering and exceeding expectations. Our plan is to "land & expand" within the client base where we deliver more than one solution or service to any given client. This will require the discipline and focus to ensure that the client sees us as a trusted partner who helps them deliver on their targets.
- **Curiosity** – We will be curious, creative and innovative in all that we do. We will work dynamically to ensure that we contribute to the building of new or improved solutions. We will keep a watching brief on external factors, be they economic, political or social to ensure K2fly's commercial success.

Recommendation 3.2

The Company maintains Codes of Conduct for its directors, senior executives, employees and contractors. In summary, the Codes of Conduct require 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 Codes of Conduct also addresses corporate misconduct (including fraud, unlawful or unethical payments or inducements) and the consequences of any breaches to the Codes are reviewed as necessary to ensure they reflect the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Codes of Conduct - are available from the Company's website at k2fly.com/investors/corporate-governance/.

Recommendation 3.3

The Company has established a Whistleblower Policy for its directors, senior executives and employees. The Whistleblower Policy is aligned to the Company's Codes of Conduct and aims to maintain the highest standards of ethical behaviour and integrity.

The Whistleblower Policy is available from the Company's website at k2fly.com/investors/corporate-governance/.

Recommendation 3.4

The Company has established an Anti-bribery and Corruption Policy for its directors, senior executives and employees. The Anti-bribery and Corruption Policy is aligned to the Company's Codes of Conduct and aims to affirm the Company's responsibility and commitment to full compliance with applicable Anti-bribery or anti-corruption laws and the provision of assistance to the relevant authorities to detect and prevent criminal activity.

The Anti-bribery and Corruption Policy is available from the Company's website at k2fly.com/investors/corporate-governance/.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING.

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Recommendation 4.1

During the year ended 30 June 2021 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.

The Audit Committee Charter is available from the Company's website at k2fly.com/investors/corporate-governance/.

Recommendation 4.2

In accordance with the ASX Recommendations 4.2 the Company's Chief Executive Officer and equivalent to CFO provided the Board with the required declarations for the financial year ended 30 June 2021 and the half-year ended 31 December 2020.

Recommendation 4.3

In accordance with the ASX Recommendation 4.3, periodic corporate reports are reviewed and approved by the Board prior to release to the market. Where appropriate guidance is sought from its external auditor in terms on how matters should be reported.

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.

Recommendation 5.1

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/investors/corporate-governance/.

Recommendation 5.2

To ensure the Board has timely visibility of the nature and quality of information being disclosed to the market and the frequency of those disclosure, the Board members promptly receive a copy of all material market announcements after they have been made

Recommendation 5.3

The Company released copies of all its investor and analyst presentation materials via the ASX market announcements platform ahead of presentations.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS.

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Recommendation 6.1

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/investors.

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

Recommendation 6.2

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/investors/corporate-governance/.

Recommendation 6.3

The Board engage with investors at general meetings and the AGM as well as responds to shareholder enquiry on an ad hoc basis. Investors are encouraged to attend and participate in shareholder meetings. Material communications are dispatched to investors either via email, surface mail, and/or market announcement.

Recommendation 6.4

The Company confirms that all resolutions at shareholder meetings are decided by poll rather than a show of hands.

Recommendation 6.5

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/.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK.

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

Recommendation 7.1

During the year ended 30 June 2021 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.

Recommendations 7.2 and 7.3

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, and on any risks that have been identified.

The Company has adopted a Risk Management and Internal Compliance and Control Policy which is available from the Company's website at k2fly.com/investors/corporate-governance/.

The Company has developed a risks register/matrix – whereby risks are stated and classified in terms of probability and impact and each risk is given an overall risk rating. The risks register is reviewed by the Board on a regular basis and risks are discussed during Board meetings.

Recommendation 7.4

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

However, to the extent that any of our clients, which are mainly in the resources and asset intensive industries, are impacted by environmental and social sustainability risks (including climate change) we may be impacted in terms of our contracts and renewals of any contract.

Although it should be noted our business involves the sale of software products and solutions to assist companies to manage and report their environmental, social and governance risks.

In terms of exposure to economic risks, we could be impacted by worldwide matters which have economic impact, such as Covid-19. However, we have clients around the world so our risk is dispersed and not impacted by any one domestic economy.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY.

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

Recommendation 8.1

In compliance with the recommendation, the Company has a Remuneration Committee.

James Deacon (Non-Executive Director) is the independent chair of the Remuneration Committee, with Neil Canby and Jenny Cutri (who are also independent Non-Executive Directors) as members. The composition of the Remuneration Committee complies the *Corporate Governance Principles and Recommendations*.

During the year ended 30 June 2021, there was six (6) 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 Remuneration Committee Charter is available from the Company's website at k2fly.com/investors/corporate-governance/.

Recommendation 8.2

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. The Company's remuneration policies are considered on annual basis by the Remuneration Committee to ensure they appropriately reflect the differing roles and responsibilities of non-executive directors, executive directors and other senior executives.

If the Remuneration Committee considers it appropriate, independent external guidance is sought from remuneration specialists.

Recommendation 8.3

During the year ended 30 June 2021, the Company granted securities under an equity-based remuneration scheme to employees. The Company's Securities Trading Policy prohibits employees, directors and officers from entering into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

This prohibition does not apply to acquisitions of shares or options by employees made under employee share or option schemes, nor does it apply to the acquisition of shares as a result of the exercise of options under an employee option scheme. However, the prohibition does apply to the sale of shares acquired under an employee share scheme and also to the sale of shares acquired following the exercise of an option granted under an employee option scheme.

In accordance with the *Corporate Governance Principles and Recommendations*, Non-Executive Directors do not receive performance based remuneration.