

**BuildingIQ, Inc.**

**Corporate Governance Statement**

# BuildingIQ, Inc.

## 1. Introduction

Corporate governance is a set of systems, policies and procedures which define the way in which a company is governed. It establishes the objectives of a company ensuring that the administration and management of a company is undertaken in a manner which is consistent with the interests of the company's security holders. Additionally, it establishes a system for monitoring and evaluating the achievement of those objectives.

The ASX Corporate Governance Council "*Corporate Governance Principles and Recommendations*" (**ASX Recommendations**) define corporate governance as "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations".

Corporate governance policies will vary from company to company as there is no single system of corporate governance that is applicable to all companies. A company must establish systems, processes and policies that help it achieve its objectives in light of the nature and size of that company.

As a result, BuildingIQ and its controlled entities (the **Group**) has adopted a number of policies to ensure that it has high-quality and transparent systems of corporate governance in place. These policies are prepared in line with the ASX Recommendations which the Board recognises as best practice guidelines.

In accordance with the ASX Listing Rules, the Company has elected to publish its Statement of Corporate Governance Practices on its website ([www.buildingiq.com](http://www.buildingiq.com)) and will lodge an Appendix 4G annually which sets out a Key to Disclosures – Corporate Governance Council Principles and Recommendations. This will be lodged on the same date as the Company's Annual Report.

## 1. Lay Solid foundations for management and oversight

### Recommendation 1.1

The Board has a charter which sets out its roles and responsibilities and which defines the matters which are reserved to the board and those which are delegated to management. The Board Charter is available on the Company's website. In summary, the Board is responsible for the overall operation, strategic direction, leadership and integrity of the Company and in particular, is responsible for the Group's growth and profitability including the following functions:

- (a) *Strategy*: approving the Group's strategy and performance objectives, including reviewing performance against objectives, approving and overseeing capital management and significant transactions;
- (b) *Risk management* – overseeing the Group's risk management ensuring that significant risks are appropriately identified and managed,
- (c) *Reporting* - Monitoring and appraising financial performance including the approval of annual and half year financial reports and liaising with the Group's auditors.
- (d) *Management* – reviewing Management's performance and ensuring that appropriate and effective remuneration packages and policies are implemented by the Group.
- (e) *Board Performance* – reviewing composition and performance of the Board.

- (f) *Remuneration* - ensuring appropriate remuneration policies and practices are in place for non-executive directors and executives and reviewing the allocation and amount of remuneration for executive and non-executive directors.
- (g) *Corporate governance* - ensuring compliance with the Constitution and the continuous disclosure requirements of the ASX Listing Rules, the General Corporation Law and the Corporations Act (to the extent that the Act applies).
- (h) *Shareholders* - communicating with, and protecting the rights and interests of, all Shareholders.

The Board has delegated responsibility to the Chief Executive Officer for implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

### **Recommendation 1.2**

BuildingIQ will undertake appropriate checks in relation to the appointment of any new director. No new directors have been appointed since the Company listed in late 2015. In respect of any future appointments of new directors, the Board would undertake checks in relation to the candidate's character, experience, education, criminal record and bankruptcy history.

Under the Company's Bylaws, all directors must stand for re-election at each annual general meeting of the Company. The Board will provide all material information in its possession relevant to enabling security holders to make an informed decision on whether or not to elect or re-elect a director. In relation to the re-election of directors during the reporting period, this information included biographical details, details of other material directorships held and length of service. There were no directors appointed for the first time during the reporting period.

### **Recommendation 1.3 – Agreements with Directors and Senior Executives**

All directors and senior executives have a written agreement setting out the terms of their appointment.

### **Recommendation 1.4 – Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

### **Recommendation 1.5 - Diversity**

The Board recognises the benefits of an appropriate mix of diversity on its Board and throughout the Company in order to enhance the Company's performance and better reflect the diversity of its stakeholders. The Board seeks to encourage the Company's development of a skilled and diverse workforce and a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff and which values the contributions of employees with diverse backgrounds, experiences and perspectives. Upon review, the Board has concluded that at this stage of the Company's development it is not appropriate to establish a formal diversity policy due to the limited number of personnel employed by the Company. Although the Board aims to achieve an appropriate mix of diversity on its board, in senior management and throughout the Company, it has determined that no specific measurable objectives will be established until the number of employees increases to a level sufficient to enable meaningful and achievable objectives to be developed. The Board's position on this will be reviewed annually.

As at the date of this Statement, the Company has one female director (who is also Chair of the Audit & Risk Management Committee and the Remuneration Committee) and four male directors. The Company Secretary is female. It has 4 senior executives, none of whom are women. The Group employs 39 people, 9 of whom are women.

### **Recommendation 1.6 – Board Performance Evaluation**

The Board recognises the merit of evaluating both the collective performance of the board, of its committees and individual members. The Board has elected to evaluate and assess its own performance annually following its first full year as an ASX listed company.

The board will evaluate and assess its own performance annually including through the completion of a detailed board evaluation questionnaire which considers the board's key areas of responsibility, its operations and effectiveness. All board members will be required to complete the evaluation questionnaire, which includes an evaluation of their own performance, the performance of the committees, the Chairman and the board as a whole. From this, a summary will be presented and discussed by the board which will agree any initiatives required to address issues identified. A review in accordance with this process was conducted in early 2019 in respect of the reporting period.

### **Recommendation 1.7 – Senior Executive Performance**

The Board, with the assistance of the Remuneration Committee, evaluates the performance of senior executives. The Remuneration Committee makes recommendations to the Board in relation to the payment of short term and long term incentives. More detail on the process adopted by the Board in evaluating the performance of senior executives is found in the remuneration report included in the Company's 2018 Annual Report. A review of the performance of the Chief Executive Officer and any other senior executives identified as key management personnel is conducted in January of each year with respect to performance during the preceding financial year. These reviews were last performed in January 2019. The details of the short term incentives and long term incentives awarded to the CEO are detailed in the Company's remuneration report in the Company's 2018 Annual Report.

## **2. Structure the board to add value**

### **Recommendation 2.1 – Nomination Committee**

The Board has a Nominations Committee the charter of which is available on the Company's website. The Nominations Committee comprises all directors, a majority of whom are independent, and is chaired by an independent director (Alan Cameron). The Nominations Committee met twice during 2018 as detailed the Company's Annual Report.

### **Recommendation 2.2 – Board Skills Matrix**

The Company has identified the skills and competencies of each director, including in its 2018 Annual Report.

To date, BuildingIQ has elected not to adopt Recommendation 2.2 as it considers that its current practices of identifying skills and competency are appropriate for the needs of the Company taking into account the size of its operations, board structure and composition. The Board will review its position on this recommendation annually, as part of its annual evaluation of Board performance.

### **Recommendation 2.3 – Director Independence**

The Company considers three of its five directors to be independent. The factors considered by the Board when assessing independence are in line with the ASX Recommendations and are as set out in the Board Charter. The directors considered to be independent are Alan Cameron, Tanya Cox and Gerd Goette. Michael Nark is not considered to be independent as he is employed by the Company as CEO. William Deane is not considered to be independent because of his relationships (or former relationships) with substantial shareholders. In the past, due to his role as a partner with Siemens Venture Capital (a substantial shareholder of the Company) Gerd Goette was not considered to be independent. Following his departure from Siemens Venture Capital in early 2018, the board reassessed Mr Goette's independence and has deemed him to be an independent director.

### **Recommendation 2.4 – Majority of Independent Directors**

A majority of the Company's directors are considered to be independent including the Chairman and the Chairs of each of the Board Committees.

### **Recommendation 2.5 – Independent Chair**

BuildingIQ's Chair, Alan Cameron, is an independent non-executive director

### **Recommendation 2.6 – Director Induction**

As set out in the Board Charter, the Company Secretary is responsible for arranging for new directors to undertake an induction program to enable them to gain an understanding of: (a) the Company's assets; the Company's financial, strategic, operational and risk management position; (c) their rights, duties and responsibilities; and any other relevant information. As part of this induction program, new directors meet with all incumbent Directors.

## **3. Act ethically and responsibly**

### **Recommendation 3.1 – Code of Conduct**

The Group is committed to maintaining ethical standards in the conduct of its business activities. The Group's reputation as an ethical business organisation is important to its ongoing success and it expects all its officers and employees to be familiar and have a personal commitment to meeting these standards.

The Board has adopted a formal Code of Conduct (**Code**) to define basic principles of business conduct. This Code requires directors, officers and employees to abide by the policies of the Group and to the law. The Code is a set of principles giving direction and reflecting the Group's approach to business conduct and is not a prescriptive list of rules for business behaviour. The Code may be viewed on the Company's website.

## **4. Safeguard integrity in corporate reporting**

### **Recommendation 4.1 – Audit & Risk Management Committee**

The Board has a combined Audit & Risk Management Committee, the charter of which is available on the Company's website.

The Audit & Risk Management Committee has three members, all of whom are non-executive directors and a majority of whom are independent and is chaired by an independent non-executive director (Tanya Cox).

The members of the Audit & Risk Management Committee are Tanya Cox (Chair), Alan Cameron and William Dean. Their qualifications and experience are detailed in the Company's Annual Report as is their attendance at meetings of the Audit & Risk Management Committee held during the reporting period.

### **Recommendation 4.2 – s295A Declaration**

The Board confirms that, before approving the Group's financial statements for a financial period, it receives a declaration from its CEO and/or CFO (as applicable) that the records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

As the Company does not currently have a CFO, this declaration has been provided by the CEO, Michael Nark.

#### **Recommendation 4.3 – Auditor attendance at AGM**

The Company's external auditor attends its annual general meeting and is available to answer questions from security holders relevant to the audit.

## **5. Make timely and balanced disclosure**

#### **Recommendation 5.1 – Continuous Disclosure Policy**

The Company has adopted a formal continuous disclosure policy which is available on the Company's website.

The objective of the Continuous Disclosure Policy is to ensure that the Company complies with its continuous disclosure obligations under the Corporations Act, in so far as they apply to the Company, and the Listing Rules. It outlines the procedures and policies for identifying matters that are likely to have a material effect on the price or value of the Company's securities.

Additionally, this policy aims to:

- (i) ensure that information issued by the Company is issued to security holders and the market in a timely manner;
- (j) to promote investor confidence in the integrity of the Group and its securities; and
- (k) to generally promote investor protection and protection of the market.

The policy outlines the responsibilities of the Board and the Company Secretary in relation to ASX announcements and monitoring compliance with the policy. It also details the Company's approach to market speculation and rumours, analyst briefings and forecasts and trading halts.

## **6. Respect the rights of security holders**

#### **Recommendation 6.1 – Information on website**

The Company's website contains information about the Group and its corporate governance. This information is currently found at [www.buildingiq.com/investor-relations](http://www.buildingiq.com/investor-relations).

#### **Recommendation 6.2 – Investor relations**

BuildingIQ is committed to providing regular financial and operational updates to security holders, which will facilitate effective two-way communications. To that end, the Company has an investor relations program that includes a financial calendar announcing the release dates of its financial results and market updates; operational (i.e. non-financial) updates; and market briefings and security holder, analyst and prospective investor meetings, typically held around the financial calendar dates. This program ensures that investor information, which is also available on the Company's website, is provided on at least a quarterly basis.

During the reporting period, the Company held five investor updates via teleconference in February, April, July, early and late August and October to coincide with financial reporting.

#### **Recommendation 6.3 – participation of security holders at meetings**

The Board encourages full participation of security holders at its general meetings to ensure a high level of accountability and identification with the Group's strategy and goals. Shareholders are invited

to lodge their questions for the meeting through the registry or directly with the Company and they are invited to ask questions at the meeting.

#### **Recommendation 6.4 – Communication with security holders**

There are a number of avenues for security holders to communicate with the Company electronically, including by contacting BuildingIQ's share registry, Investor Relations Consultant or Company Secretary. Also, security holders are given the option to elect to receive all annual reports and meeting notices electronically from the share registry.

## **7. Recognise and manage risk**

#### **Recommendation 7.1 – Risk Committee**

The Company has a combined Audit & Risk Management Committee which oversees risk. For details of the composition of the Audit & Risk Management Committee please see section 4. The charter of the Audit & Risk Management Committee is available on the Company's website. The number of meetings held during the reporting period and individual attendance at those meetings are disclosed in the Annual Report.

#### **Recommendation 7.2 – Review of risk management framework**

In accordance with the Audit & Risk Management Committee Charter, the committee reviews the Company's risk management framework annually in order to assist the Board in satisfying itself that the risk management framework continues to be sound and that the Company is operating within agreed risk guidelines. In November 2018 the Audit & Risk Management Committee reviewed the Company's risk matrix framework and identified a number of specific risks to be considered and changes to be applied by management in preparing a risk assessment.

#### **Recommendation 7.3 – Internal audit function**

BuildingIQ is a relatively small publicly listed company which is reflected in the size of its operations and finance function. As such it is not practical to have an internal audit function. The Board has outsourced its finance function to a tier one accounting firm which applies its best practice control framework. The Company's auditor, BDO, prepares a management letter semi-annually, detailing internal control recommendations and the Audit & Risk Management Committee discusses internal controls with management semi-annually.

#### **Recommendation 7.4 – Material exposure to certain risks**

The Company, with the assistance of its Audit & Risk Management Committee, reviews material risks facing the Company at least annually. The board conducted a review of risks in November 2018. No material exposure to environmental and social sustainability risks was identified. In terms of exposure to economic and other general risks, the Company's Offer Booklet for its Entitlement Offer (lodged with ASX on 15 December 2017) included a detailed assessment of various risks facing the Company which could potentially impact on its financial or operational performance

## **8. Remunerate fairly and responsibly**

#### **Recommendation 8.1 – Remuneration Committee**

The Board has established a Remuneration Committee. The committee has four members, three of whom are considered independent and is chaired by an independent non-executive director (Tanya Cox). The charter of the Remuneration Committee is available on the Company's website. The Annual Report sets out the number of times the committee met during the reporting period and the individual attendance of members at those meetings.

### **Recommendation 8.2 – Remuneration Policies**

The Company's remuneration policies with respect to non-executive directors and senior executives is disclosed in detail in the Remuneration Report contained in the 2018 Company's Annual Report.

### **Recommendation 8.3 – Equity based remuneration scheme**

The trading of CHES Depository Interests & shares issued to eligible employees under any of BuildingIQ's employee equity plans is subject to, and conditional upon, compliance with BuildingIQ's Securities Trading Policy. No participants in the scheme must use BuildingIQ securities in connection with a margin loan or similar financing arrangement, nor are they permitted to engage in hedging activities, deal in derivatives or enter into other arrangements that limit the economic risk associated with BuildingIQ securities

**This Corporate Governance Statement is current as at 15 March 2019 and was approved by the Board on that date.**