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Corporate Governance Review

Story-i Limited (ASX:SRY) (Story-i or the Company) refers to the Company's ASX announcement dated 31 October 2022, which noted that the Company had commissioned Hall Chadwick, an independent accounting firm, to undertake a review of the Company's corporate governance policies and processes focusing on compliance with the ASX Listing Rules (**Corporate Governance Review or Review**).

The Company is pleased to announce that it has received the Review and wishes to provide investors a summary of the Review's key findings and recommendations.

Background

The Company's securities were, and have remained, in voluntary suspension from quotation pursuant to ASX Listing Rule 17.2 since 24 March 2021 by reason of (amongst other matters) ASX and the Company identifying various *Corporations Act 2001* (Cth) (**Corporations Act**) and ASX Listing Rules (**Listing Rules**) compliance matters, which has resulted in a number of queries from the ASX (refer to the Company's ASX announcement dated 31 October 2022 for further information).

ASX has advised that the Company's securities will not be reinstated to trading until (amongst other things) the Company provides ASX the Review and releases an announcement summarising the findings and recommendations of the Review. The Company has provided ASX the Review.

Key Findings and Recommendations of the Corporate Governance Review

Findings

- 1 The key findings of the Corporate Governance Review are that:
 - (a) although the Company's board of directors (**Board**) adopted most of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) (the **Recommendations**), the Board's understanding of the Recommendations was not at a sufficient level;
 - (b) the Company's documentation to assist in compliance with the Recommendations was deficient in a number of areas;
 - (c) the Board's practices, processes and systems for ensuring compliance with the Listing Rules (including in relation to the Company's continuous disclosure obligations pursuant to Chapter 3 of the Listing Rules) were deficient in a number of areas, noting that (amongst other things):
 - (i) the lack of a proper risk management plan and risk strategy left the Board in the situation where required regulatory compliance matters were overlooked

or not attended to. Ongoing breaches of regulatory compliance matters were not been actioned or formal legal advice was not sought to provide the Board information as to ramifications of these breaches and the possible methods available to mitigate the effects of the breaches and prevent future breaches;

- (ii) the Board did not have proper systems in place to track or note changes in interests of the directors of the Company (**Directors**);
- (iii) the Board did not have any practices, processes or systems (including, but not limited to checklists) for considering significant acquisitions, contracts or transactions to assist the Board in ensuring that, when entering into those transactions, it considered the requirements of good governance and compliance matters with regard to the Corporations Act, the Listing Rules and the Company's constitution (amongst other laws), including shareholder approval, related party transaction compliance requirements, disclosure requirements and its internal risk management practices, processes and systems;
- (iv) the Directors did not appropriately consider the possibility of related party transactions with the Company. A register of related parties for each Director was not maintained nor was the shareholdings in the Company of these related parties; and
- (v) the Board did not have any formal practices, processes or systems for properly monitoring the incidence of related party transactions with the Company and when making decisions concerning entering into transactions with known related parties, did not have proper practices, processes or systems in place to identify and manage potential conflicts of interest.

Recommendations

2 The key recommendations of the Corporate Governance Review are that:

- (a) the Board and senior executives engage in professional development to ensure all Directors are aware of their obligations and duties;
- (b) Board meetings occur every month (and more frequently as required), and must be properly structured with a Board pack to be circulated ahead of the Board meetings that is retained on company secretarial files. The monthly pack should include as standing items of business:
 - (i) a personal interest register for all Directors and key management personnel which they are obligated to keep up to date with any disclosures with regard to said register being the first item of business at each Board meeting;
 - (ii) a register which lists all parties falling under Chapter 2E of the Corporations Act and/or Chapter 10 of the Listing Rules;
 - (iii) reporting of any matters that may relate to the Company's continuous disclosure obligations; and
 - (iv) reporting of any non-compliance with any corporate governance practices, processes or systems;
- (c) the Board implement internal controls at each corporate level in the corporate group to ensure that related party transactions / sales are not entered into without express Board consent, including but not limited to:

- (i) instructing all senior operational personnel not to undertake any transactions, irrespective of transaction value, with certain people (such as those parties detailed on the register referred to paragraph 2(b)(ii) above) without express Board approval; and
 - (ii) ensuring that all senior key management personnel are aware of which persons are related parties of the Company;
- (d) Board practices, processes and systems are implemented to assist in ensuring compliance with statutory and fiduciary duties, such as duties to avoid conflicts of interest. For example, section 195 of the Corporations Act and the common law must be complied with (in relation to disclosure and management of conflicts) and any conflicted matters must be dealt with by independent Directors with no personal interest or (in the absence of a quorum of independent Directors) by the SRY shareholders in general meeting under the Corporations Act;
- (e) when considering the appointment of a new Director, the Board identify at the beginning of the process before considering any new appointees, the needs of the Board in terms of:
 - (i) needed skills to assist in the strategic direction of the Company;
 - (ii) the need for the Company to comply with the requirements under section 201A(2) of the Corporations Act;
 - (iii) consideration of the diversity of the Board;
 - (iv) how potential conflicts will be noted and then addressed;
 - (v) identifying candidate's directorships in other public companies;
 - (vi) determining the appropriate independent checks that will be required; and
 - (vii) developing an appropriate induction program for a successful candidate;
- (f) the Board undertake appropriate checks for each candidate for the Board and the Company's senior management regarding (non-exhaustively) a candidate's:
 - (i) bankruptcy history;
 - (ii) criminal / police history;
 - (iii) relevant qualifications (i.e. require that candidates provide authorised copies of any evidentiary documents);
 - (iv) any applicable professional organisation history (i.e. require references from relevant legal practice boards, international accounting associations etc.);
 - (v) citizenship or residency status; and
 - (vi) reference checks,

before appointing a candidate, particularly with regard to Director appointments so that security holders are provided with all material information in the Company's possession relevant to security holders' decision to elect or re-elect a Director;
- (g) prior to entering into any proposed transaction (particularly any related party transaction), the Board conduct a legal and regulatory compliance review, such as concerning fiduciary duties, Listing Rules, Corporations Act, constitution and common

law compliance including, but not limited to, continuous disclosure requirements (in conjunction with critical analysis of the personal interests register, conducting relevant due diligence and obtaining relevant legal, tax, financial, accounting and other advice);

- (h) prepare all ASX announcements in accordance with ASX Guidance Note 8, and ensure practices, processes and systems are in place to release announcements immediately and without delay when required for continuous disclosure or periodic disclosure purposes (noting that these requirements continue to apply during SRY's suspension from trading on ASX);
- (i) the Company ensures legal compliance and, as appropriate, undertakes due diligence when lodging any ASX announcements or documents to be lodged with the ASX and other regulatory agencies such as ASIC (whilst also ensuring compliance with applicable legal requirements at all times – e.g. requesting trading halts in the appropriate circumstances when needed for the purpose of managing the Company's continuous disclosure obligations);
- (j) having regard to:
 - (i) the Company's Corporate Governance Plan (**Plan**) which requires that the Board monitor the need for a formal internal audit function and its scope; and
 - (ii) the Board's lack of an internal audit function,the Board consider appointing an internal auditor/consultant to assist the Board in the implementation of the matters raised in the Review (as summarised in this announcement);
- (k) having regard to the Board's responsibility for determining the risk management system and overseeing the management practices, processes and systems to ensure effective risk identification and management and compliance with internal guidelines and external guidelines:
 - (i) the Board engage a consultant to prepare a risk management plan and strategy. This will require the identification of risks in all operating areas, the potential impact of those identified risks, the likelihood of the risks occurring and the impact of the risks. Practices, processes and systems can be identified that mitigate the identified risks;
 - (ii) the risk management plan and strategy consider other legislative and regulatory requirements of the other countries in which the Company and its subsidiaries (**Group**) operates. The development of the risk management plan and strategy needs to ensure the risks from all countries in which the Group has a presence are properly considered and assessed. The Company and the Group also take appropriate legal advice in each relevant jurisdiction; and
 - (iii) as a part of the consultant's brief detailed in paragraphs 2(k)(i) and 2(k)(ii), the reporting process required once the risk management plan and strategy has been completed can be developed to reflect best practice and the requirements of the Company's Risk Management Policy and the Plan;
- (l) noting that:
 - (i) the Company's Nomination Committee, or in this the case the Board, has a duty and responsibility to "identify and recommend to the Board candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience

and after assessment of how the candidates can contribute to the strategic direction of the Company"; and

- (ii) the Board has a skills matrix which has not been formally reviewed or tabled at the time of any new Director appointments or on an annual basis,

the Board should develop a succession plan to maintain an appropriate balance of skills and experience on the Board based upon a review of the skills matrix. Should gaps be identified, the Board should consider supplementing those gaps via sourcing internal or external expertise;

- (m) the format of the Board's minutes of meetings (**Minutes**) are improved to reflect the Australian Institute of Company Directors (**AICD**) / Governance Institute of Australia – Joint Statement on Board minutes August 2019 (**Joint Statement**), which provides that board minutes include details regarding minutes of the previous meetings, materials distributed before and during the meeting, proceedings of the meeting and resolutions made, closing time and chair signature; and
- (n) having regard to the broad findings and recommendations detailed in the Review:
 - (i) the Board engage a consultant to commence work on developing a risk management plan, strategy and mitigation plan that encompasses risks in all areas of operation. The area of risk management should be included as a standing item on the Board agenda for meetings;
 - (ii) the Board, to ensure the recommendations of the Review are adhered to and practices, processes and systems followed, implements an external corporate governance committee (**Governance Committee**) and considers via the Governance Committee the engagement of an internal audit function to assist in providing to the Governance Committee assurance that the agreed enhanced practices, processes and systems are implemented and adhered to;
 - (iii) the Board ensures that the corporate governance measures and controls bind, and are carried out, at all levels of the Group and that applicable foreign legal and regulatory requirements are also complied with (such as in Indonesia and Singapore). External advice must be sought in each relevant jurisdiction as required to achieve that purpose; and
 - (iv) the Board considers enforcing accountability for corporate governance performance by implementing measures such that a portion of Board and management remuneration is at-risk and contingent on that performance. The Board should:
 - (A) introduce a program of continuous professional development to Board members to enhance skill sets; and
 - (B) establish the Governance Committee as soon as possible to provide a monitoring function to ensure the recommendations of the Review are implemented as soon as possible.

3 The Board noted the recommendations and agreed to implement them in full.

Conclusion

The Board takes the findings and recommendations made by Hall Chadwick in the Review seriously. The Company is committed to taking the necessary actions to adopt the recommendations detailed in the Review, and as part of such process, confirms that it has already adopted an updated Continuous

Disclosure Policy with regard to the Review's preliminary findings and recommendations previously circulated to the Company.

The Company shall continue to take all steps necessary to ensure that its practices, processes and systems remain compliant with the Listing Rules, the Corporations Act and all relevant legislation and regulations.

Authorised for release by Mr Michael Chan, Executive Director.

For more information please contact Michael Chan at michael@story-i.com.

Forward looking statements

Certain information in this document refers to the intentions of Story-i, but these are not intended to be forecasts, forward looking statements or statements about the future matters for the purposes of the Corporations Act or any other applicable law. The occurrence of the events in the future are subject to risk, uncertainties and other actions that may cause Story-i's actual results, performance or achievements to differ from those referred to in this document. Accordingly, Story-i and its affiliates and their directors, officers, employees and agents do not give any assurance or guarantee that the occurrence of these events referred to in the document will actually occur as contemplated. Statements contained in this document, including but not limited to those regarding the possible or assumed future costs, performance, dividends, returns, revenue, exchange rates, potential growth of Story-i, industry growth or other projections and any estimated company earnings are or may be forward looking statements. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. These statements relate to future events and expectations and as such involve known and unknown risks and significant uncertainties, many of which are outside the control of Story-i. Actual results, performance, actions and developments of Story-i may differ materially from those expressed or implied by the forward-looking statements in this document. Such forward-looking statements speak only as of the date of this document.

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