



# Statement of Corporate Governance

**As at: 30 August 2023**

**xReality Group Limited**  
ACN 154 103 607

## Corporate Governance Statement

The Board of xReality Group Limited (XR Group) is committed to corporate governance to help ensure the future sustainability of the organisation and to create long term value for its shareholders.

The Board has adopted a corporate governance framework designed to promote responsible management and to assist the Board to discharge its corporate governance responsibilities on behalf of XR Group's shareholders.

XR Group regularly reviews its policies and charters to ensure they remain consistent with the Board's objectives, current laws and best practice. The policies and charters referred on in this statement are available from the Corporate Governance section of the XR Group website (<https://xrgroup.com.au/investors/charters-and-policies/>).

This Corporate Governance Statement of XReality Group Limited (**XR Group**) has been prepared in accordance with the 4<sup>th</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principals and Recommendations (**ASX Recommendations**). It has been approved by the Board and is current as at 30 August 2023.

The ASX Recommendations and whether XR Group has adopted that recommendation is set out below. More detailed information, including the reasons why some ASX Recommendations have not been adopted and the corporate governance practices XR Group has implemented, follows the table.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation	XR Group's Compliance with the Recommendation
1.1 Roles and responsibilities of Board and Management	Adopted
1.2 Process of checking and providing information concerning director candidates	Adopted
1.3 Written agreements of appointment with each director and senior executive	Adopted
1.4 Company Secretary accountable to the Board, through the Chair	Adopted
1.5 Diversity Policy	Not adopted: explanation provided
1.6 Periodic review of Board and director performance	Adopted
1.7 Periodic review of senior executive performance	Adopted

### PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation	XR Group's Compliance with the Recommendation
2.1 Nominations Committee	Not adopted: explanation provided
2.2 Board skills matrix	Adopted

## Corporate Governance Statement

Recommendation	XR Group's Compliance with the Recommendation
2.3 Disclose independence and length of service of Directors	Adopted
2.4 Majority of Directors independent	Adopted
2.5 Independent Chair who is different to the CEO	Adopted
2.6 Program for the induction and professional development of Directors	Adopted

### PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Recommendation	XR Group's Compliance with the Recommendation
3.1 Articulate and disclose its values	Adopted
3.2 Code of Conduct for directors, senior executives and employees	Adopted
3.3 Disclose whistleblower policy and ensure board is informed of material incidents	Adopted
3.4 Disclose anti-bribery and corruption policy and ensure board is informed of material incidents	Adopted

### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation	XR Group's Compliance with the Recommendation
4.1 Audit Committee	Not adopted: explanation provided
4.2 CEO and CFO Certification of Financial Statements	Adopted
4.3 Process for Period Corporate Reports	Adopted

### PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation	XR Group's Compliance with the Recommendation
5.1 Policy for Continuous Disclosure	Adopted
5.2 Board receives material market announcements	Adopted
5.3 Investor presentations released to market ahead of presentations	Adopted

## Corporate Governance Statement

### PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation	XR Group's Compliance with the Recommendation
6.1 Information on website	Adopted
6.2 Investor Relations Program	Adopted
6.3 Facilitate participation at meetings of security holders	Adopted
6.4 Substantiative resolutions decided through poll	Adopted
6.5 Facilitate electronic communications	Adopted

### PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation	XR Group's Compliance with the Recommendation
7.1 Risk Committee	Not adopted: explanation provided
7.2 Annual review of risk management framework	Adopted
7.3 Internal audit processes	Adopted
7.4 Disclosure of sustainability risks	Adopted

### PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation	XR Group's Compliance with the Recommendation
8.1 Remuneration Committee	Not adopted: explanation provided
8.2 Disclosure of Executive and Non-Executive Director Remuneration policy	Adopted
8.3 Policy on hedging equity incentive securities	Adopted

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### 1.1 The Board

The XR Group Board of Directors (**Board**) is responsible for protecting the interests of shareholders and for the performance, operation and business of XR Group. The Board's principal role is to provide leadership and guidance to XR Group as opposed to managing it. The Board represents the interests of shareholders and collectively oversees and appraises XR Group's strategies, policies and performance.

The Board is responsible for oversight of XR Group including:

- Driving, monitoring and approving the strategic direction of XR Group

## Corporate Governance Statement

- Approving significant corporate initiatives and transactions
- Setting XR Group's risk appetite and monitoring the XR Group risk management framework
- Monitoring and evaluating the Board's processes and performance as a whole
- Overseeing the integrity of XR Group's accounting and reporting systems including the external audit process
- Evaluating, reviewing and monitoring senior management's performance and related remuneration practices.

Day to day management of the business of XR Group has been delegated to management.

XR Group has formalised the respective roles and responsibilities of the Board and management in a Board Charter. A copy of the Board Charter is available in the Corporate Governance section of XR Group's website.

### 1.2 The CEO

The Board has delegated to the CEO responsibility for the overall management and performance of XR Group including the day to day operations. The roles of Chairman and CEO are separate and not exercised by the same individual.

The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board. Management is accountable to the Board and is required to provide the Board with information in a form, timeframe and of a quality to support effective decision making. Management of XR Group must be undertaken in accordance with XR Group's Delegation of Authority and the risk management framework approved by the Board.

### 1.3 Appointment of Directors

The Board carefully considers the skills it requires to competently discharge its duties, taking into account XR Group's performance, financial position and strategic direction. This assessment also includes consideration of the specific knowledge, skills and expertise that directors must possess.

The Board assesses candidates for appointment to the Board when it considers that the Board would benefit from the services of a new director. Particular attention is given to the mix of skills, experience and expertise of existing directors and how a new candidates skill's, experience and expertise will contribute to the Board as a whole. Appropriate independent checks are undertaken for all nominated candidates before they are nominated.

Any director appointed during the year must stand for election at the next annual general meeting. The notice of annual general meeting provides the appointment date, details of the individuals skills, experience and expertise as well as any other listed directorships when the election or re-election of a director is considered. All material information obtained by XR Group through its nomination process is presented to shareholders to assist in determining whether to appoint a particular director.

All directors other than the Chief Executive Officer are required to retire by rotation and must submit to re-election by shareholders at least every 3 years.

### 1.4 Written Appointments

All non-executive directors are provided with a letter of appointment setting out XR Group's expectations, the director's responsibilities and rights and the terms and conditions of their tenure. All executive directors and senior managers have entered into an executive services agreement setting out the rights and obligations of the individual and XR Group.

## Corporate Governance Statement

### 1.5 Company Secretary

The Company Secretary has an important role in supporting the effectiveness of the Board by monitoring compliance with Board policies and procedures. The Company Secretary is accountable directly to the Board, through the Chairman. All directors have unfettered access to the Company Secretary. The Company Secretary is responsible for coordination of all Board business, including agendas, Board papers and minutes.

### 1.6 Diversity

XR Group's approach to maintaining an inclusive, diverse and collaborative workplace culture is to determine all appointments and performance reviews solely on merit and competency. XR Group employees have a wide range of backgrounds, education and life experiences and are supported by XR Group's approach to flexible working arrangements, commitments to equality and value of merit.

Given XR Group's stage of development and its size, the Board does not consider it appropriate to set measurable objectives based on gender.

At 30 June 2023, the proportion of female, male and others employed by XR Group was as follows:

	F	M	O
Leadership roles	39%	59%	2%
Total XR Group workforce	29%	70%	1%

The Leadership roles reflect a combination of operational, functional and strategic leadership roles, including managerial roles from shift managers at the indoor skydiving facilities through to the CEO.

### 1.7 Board Performance Evaluation

The Board recognises that regular reviews of its effectiveness and performance are key to good corporate governance. A formal review of the Board's performance, including the performance of individual directors, is undertaken at appropriate times against the strategic objectives of the company.

The formal reviews of the Board performance are supplemented by informal appraisals which consider the Board's performance, composition, size and succession plans.

### 1.8 Senior Executive Performance Evaluation

All senior management undergo a performance and development review on an annual basis. The process involves:

- An assessment of each senior manager by their manager against a set of key criteria which measure the individuals performance across a range of competencies
- A meeting at the end of each financial year with their manager to discuss their performance over the past year and to assess their progression against an agreed goal and development plan.
- The setting of an agreed goal and development plan for the upcoming year.

The Board is responsible for setting all targets and objectives for senior management which are linked to incentive programs.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board has determined that, taking into account the size of the Board, nomination matters should be referred to the full Board for consideration. Following that decision, the Board as a whole considers the composition of the Board, the appointment of new directors and identifies and considers suitable candidates as they arise. The consideration is undertaken in accordance with the

## Corporate Governance Statement

nomination related sections of the Nomination & Remuneration Committee Charter, a copy of which is available on the XR Group website.

In keeping with the overall size of the Company, XR Group seeks to maintain a small board comprised of individuals with a broad range of experience and expertise which will assist the Company in achieving its strategic goals.

Together, the Directors contribute the following key skills and experience:

- experience in dealing with high levels of government including the defence force;
- experience in strategic leadership;
- high level of business acumen including entrepreneurial experience;
- understanding of access to capital and debt markets including the ability to analyse the comparative cost of capital;
- financial skills and literacy;
- international entertainment experiences including wind tunnel and freefall qualifications;
- experience with specialised vertical wind tunnel technology and operating systems;
- understanding of diverse operating environments and models including international operations.

The Board considers that collectively the Directors have the range of skills, knowledge and experience necessary to direct the Company.

Details concerning each director's appointment and independence as at 30<sup>th</sup> June 2023 is as follows:

Director	Date of Appointment	Position	Independence Status
John Diddams	24 <sup>th</sup> January 2022	Non-Executive Chairman	Independent
Danny Hogan	4 November 2011	Non-Executive Director	Independent
Mark Smethurst	15 November 2021	Non-Executive Director	Independent
Philip Copeland	23 January 2023	Non-Executive Director	Independent
Wayne Jones	4 November 2011	Executive	Not Independent
Kim Hopwood	26 May 2021	Executive	Not Independent

The skills, experience and expertise of each director is detailed in the Directors' Report of the 2023 XR Group Annual Report.

The Board has adopted a process and policy for managing conflicts of interest and duties. Directors are required to disclose all their interest on an ongoing basis as well as in relation to any specific transactions. Where the Board is required to approve a transaction or arrangement with an

## Corporate Governance Statement

organisation that a director has an interest in, the relevant director is excluded from all consideration, discussion and voting on the conflicted transaction or arrangement.

Each director has the right to access all relevant information and, subject to informing the Chairman, may seek independent professional advice in relation to them in carrying out their responsibilities at XR Group's expense. Where appropriate, a copy of this advice is made available to all other members of the Board.

New directors participate in an induction program co-ordinated by the Company Secretary to enable them to actively participate in decision-making from their appointment. The induction process includes a detailed briefing of the Company's strategic, financial, operational and risk management issues; meeting with all members of the senior management team and the Board; and receipt of all relevant policies, charters and procedures including the Constitution and Code of Conduct.

Directors may also participate in appropriate professional development to assist in the fulfilment of their duties.

### PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

XR Group is committed to the highest level of integrity and ethical standards in its business practices. All XR Group employees, directors and contractors must comply with the XR Group Code of Conduct (Code). The Code applies to all business activities and dealings with employees, customers, suppliers, shareholders and other external stakeholders. The Code outlines how XR Group expects its directors and employees to behave and conduct business in a range of circumstances including actual or potential conflicts of interests.

A copy of the Code of Conduct is available on the XR Group website.

### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### 4.1 Audit Committee

The XR Group Board has determined that taking into account the size of the Company and the relative lack of complexity in its financial affairs, that audit matters should be dealt with directly by the Board. Accordingly, XR Group does not comply with Recommendation 4.1 at the date of this Statement.

The XR Group Board is responsible for reviewing the adequacy of the Company's reporting processes, assessing XR Group's financial statements, considering the appropriateness of the accounting judgments applied by management and approving all matters relating to the auditor and the provision of services by the auditor. These matters are considered in accordance with the Audit & Risk Committee Charter which is available on the XR Group website.

The external auditor meets with the Board when the full and half year accounts are considered. As part of that meeting, the external auditor meets with the non-executive directors without management being present.

#### 4.2 CEO and CFO Declarations

In connection with the financial statements for the year ended 30 June 2023, the CEO and CFO made declarations to the Board to the following effect, that:

- In their opinion, the financial records of XR Group have been properly maintained;
- In their opinion, XR Group's financial statements and notes for the financial year comply with appropriate accounting standards and give a true and fair view of the financial position and the performance of XR Group; and
- That the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.



## Corporate Governance Statement

### 4.3 External Auditor Attendance at AGM

The external auditor, Felsers Chartered Accountants trading as Accru Felsers, will attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

#### PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

XR Group has a Continuous Disclosure Policy which reinforces its commitment to continuous disclosure, as well as setting out employee's responsibilities regarding inside information. The Continuous Disclosure Policy includes processes outlining how information is released to the public. A copy of the Continuous Disclosure Policy is available on the XR Group website.

XR Group is committed to timely, factual and balanced disclosure to ensure investors are informed of all material developments for the Group. Announcements are prepared to ensure they do not omit material information and are expressed in a clear and objective manner to allow investors to assess the impact of information when they make investment decisions.

All material, price sensitive announcements are subject to an approval process before they are released to the ASX.

In accordance with the Continuous Disclosure Policy, XR Group is committed to ensuring that all investors have equal access to information on our financial performance. All investor and media material released on the ASX is posted on the XR Group website including:

- Annual and interim reports;
- Investor and media releases and presentations of half year and full year results;
- Notices of general meetings including explanatory material;
- All addresses given to the AGM; and
- All other information released to the market.

#### PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

##### 6.1 Information and Governance

XR Group maintains a comprehensive website at [www.xrgroup.com.au](http://www.xrgroup.com.au) to provide shareholders with information about XR Group including our corporate governance policies. The website also contains biographies for our Board and senior managers.

The website has a separate section for investors which provides share price history, links to public announcements and annual reports. Shareholders are also able to access a link to the registry which provides electronic access to details of their holdings and allows shareholders to update information and preferences.

XR Group has adopted a Communications Policy which together with the Continuous Disclosure Policy sets out how XR Group will keep all shareholders and potential shareholders up to date about the affairs of XR Group.

##### 6.2 Investor Relations Program

As set out in XR Group's Communications Policy (available from the XR Group website) XR Group aims to ensure that shareholders are kept informed of all major developments affecting XR Group's business. XR Group aims to promote communication with shareholders and to encourage participation at general meetings. In addition, XR Group recognises that potential investors and other interested stakeholders may wish to obtain information about XR Group.

## Corporate Governance Statement

XR Group communicates information to shareholders and other stakeholders through a range of forums and publications. The XR Group website is a key communication tool. At all times XR Group adheres to its continuous disclosure obligations and its Continuous Disclosure Policy requires that it does not selectively disclose material price sensitive information to an external party unless that information has been first released to the ASX.

### 6.3 Participation at General Meetings

Shareholders are encouraged to attend the AGM and ask questions of the Board. XR Group endeavours to provide notices for general meetings and other communications that are honest, accurate, informative and easily understood. All AGM material is made available on the ASX and XR Group website for those unable to attend.

### 6.4 Electronic Communications

XR Group encourages shareholders to embrace the benefits of electronic communications. XR Group's share registry provides an app and interactive website to enable shareholders to maintain their details, review holdings, set preferences and lodge proxies electronically. Shareholders can also elect to receive electronic notification of certain communications.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### 7.1 Risk Committee

XR Group recognises risk management as an integral component of good corporate governance and fundamental to achieving strategic and operational objectives. The XR Group Board is directly responsible for overseeing risk management in accordance with the Audit & Risk Committee Charter. XR Group does not convene a separate committee for this function and does not comply with Corporate Governance Principle 7.1.

XR Group has adopted a risk management framework which provides risk management processes based on risk identification, risk evaluation, risk treatment/mitigation and risk monitoring and reporting. XR Group is exposed to a variety of economic and commercial risks which are captured and managed through this process.

The senior management team are responsible for identifying, evaluating and implementing risk management as part of the day to day operations. The Board sets XR Group's risk appetite, oversees the risk management framework and reviews and evaluates the reporting under the framework.

### 7.2 Risk Management Framework Review

XR Group's risk management framework is reviewed at least annually to confirm that in the Board's opinion it continues to be sound, to identify any new or changed risks and to confirm the risk appetite. A review of each risk, any emerging risk or the reduction of a risk is also undertaken and implemented into the risk management framework. Such a review occurred during the reporting period. Economic, environment and social sustainability risks are considered as part of this process.

### 7.3 Internal Audit Function

The Board is satisfied that XR Group's systematic process of continual review and improved risk management is appropriate given the Company's operations and size and that an internal audit function is not necessary at this time.

### 7.4 Economic, Environment and Social Sustainability Risk

At least once each year XR Group undertakes an assessment process to identify and characterise risks. The results of this process are captured in the risk management framework and material risks are then monitored, mitigated or eliminated as appropriate. Using this process XR Group has determined that it does not have any material exposure to environmental or social sustainability risks.

## Corporate Governance Statement

### PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The XR Group Board comprises a small number of non-executive directors. As such the Board considers it appropriate that the XR Group Board be responsible for the consideration of remuneration matters in accordance with the Nomination & Remuneration Committee Charter available on the XR Group website. XR Group does not comply with the Corporate Governance Principle 8.1. Where appropriate external advice is obtained for the benefit of the Board in considering remuneration matters. This advice can take the form of remuneration benchmarking, remuneration consultancy, tax or financial consultancy services.

XR Group's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Non-executive directors are not entitled to performance based remuneration but are entitled to service rights subject to vesting conditions as a means to keeping cash remuneration at a minimum and aligning the NED's interests with shareholders. The maximum aggregate fees that can be paid to non-executive directors is set by shareholders. There are no termination or retirement benefits for non-executive directors.

Executive remuneration consists of a fixed base salary and performance incentives. Performance incentives are based on pre-determined short and long term targets which are set taking into account the Company's strategic plan and goals.

Details of XR Group's policies and practices regarding the remuneration of non-executive directors the executive directors and other senior executives is set out in the Remuneration Report in the XR Group 2023 Annual Report.

Holders of any XR Group equity based incentives (e.g. options) are prohibited from entering into any hedging arrangement prior to exercising those rights. This prohibition is set out in the Securities Trading Policy and is also condition of any options issued under the XR Group Employee Option Plan.