

AUDIO PIXELS HOLDINGS LIMITED
ACN 094 384 273
CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Audio Pixels Holdings Limited is responsible for the corporate governance of the entity. The Board guides and monitors the business and affairs of Audio Pixels Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board recognises that it has a number of legal and other obligations to non-shareholder stakeholders.

The Directors are committed to protecting stakeholders' interests and keeping investors fully informed about the performance of the Group, while meeting stakeholders' expectations of sound corporate governance practices. The Company provides ready access to its shareholders and members of the public to information about the Company and its governance on its web site <http://www.audiopixels.com.au> which is regularly updated with latest information. Price sensitive information is only loaded to the website after it is duly released to the ASX.

The Corporate Governance Statement follows the Australian Stock Exchange Corporate Governance Council's (the "Council's") amendments to the 4th edition of the Corporate Governance Principles and Recommendations released on 27 February 2019 in relation to diversity, remuneration, sustainability, trading policies and briefings.

In accordance with the Council's recommendations, the Corporate Governance Statement must now 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. Audio Pixels Holdings Limited's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

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|--------------|--|
| Principle 1. | Lay solid foundations for management and oversight |
| Principle 2. | Structure the Board to be effective and add value |
| Principle 3. | Instil a culture of acting lawfully, ethically and responsibly |
| Principle 4. | Safeguard the integrity of corporate reports |
| 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 |

Audio Pixels Holdings Limited's corporate governance practices were in place throughout the year ended 31 December 2020, unless otherwise stated, and embrace the Council's best practice recommendations which are being put in place as appropriate.

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The Company has adopted a code of conduct policy to comply with Recommendation 3.1. The Company has two executives and twelve staff based in Israel, one executive based in Australia and three Australian based directors to which the code of conduct applies. The company currently has one woman on the board and one woman in an executive position in Israel.

In accordance with Recommendation 5.1, the Board has appointed Ian Dennis, Director and Company Secretary to ensure compliance with ASX Listing Rule disclosure requirements. Due to the limitations imposed by size the Board has not established written policies and procedures.

The Directors respect the rights of shareholders in accordance with Principle 6. The Company sends all financial communications to shareholders who have requested hard copy financial statements and posts all relevant information including all ASX Announcements on the Company web site. Notices of Meetings are sent to all shareholders inviting them to attend the Annual General Meeting which is held in Sydney. A representative of the auditor, Deloitte Touche Tohmatsu attends the Annual General Meeting.

The Company has developed an investor relations program which includes the web site.

The Directors have not established a formal risk assessment plan in order to comply with Principle 7. The Directors and management have considered whether the Company has any material exposure to economic, environmental and social sustainability risks and determined that whilst the Company is in a development phase that no material exposure exists. Whilst the company is in a development stage, the directors do not believe that there is a need for the establishment of a formal committee and all the directors carry out the function as the board.

The company does not have an internal audit function due to the development stage of the company and its size.

Additional information regarding the Company's corporate governance policies, its Directors and other relevant information can be found on the Company's website:

www.audiopixels.com.au

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each Director in office at the date of this Annual Report is included in the Directors' Report on page 2. Directors of Audio Pixels Holdings Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

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In the context of director independence, “materiality” is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5 percent of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10 percent of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company’s loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following Director of Audio Pixels Holdings Limited is considered to be independent:

Name	Position
Mr. Ian Dennis	Non-executive Director

Due to limitations imposed by the small size of the Company, the company does not comply with Recommendation 2.4 in having a majority of independent directors. The Chairman, Mr Fred Bart is not an independent Chairman as recommended by Recommendation 2.5. The Board proposes to maintain the current directors until the size of the activities of the Company warrant further changes.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company’s expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Position	Term in Office
Mr Fred Bart	Non-Executive Chairman	20 years
Mr. Ian Dennis	Non-Executive Director	20 years
Ms Cheryl Bart	Non-Executive Director	19 years

For additional details regarding board appointments, please refer to the Company’s website.

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Audit Committee

The Audit Committee was formally constituted on 29 August 2014 with all three directors appointed to the Audit Committee and the Audit Committee Charter adopted on that date. Ian Dennis was appointed chair of the Audit Committee and is an independent director. The relevant qualifications and experience of the member of the committee is set out in the Annual Report of the Company.

The Audit Committee meets at least twice a year to approve the full year financial statements for the financial years ended 31 December and the half year financial statements for the year ended 30 June.

Nomination and Remuneration Committee

The entire Board of Fred Bart, Cheryl Bart and Ian Dennis comprise the Nomination and Remuneration Committee with Ian Dennis as the independent chairman. The Board continues to operate within the established guidelines of the Charter on the web site, including when necessary, selecting candidates for the position of Director and, where appropriate, seeking the services of an independent consultant who is not a director of the Company to provide assistance in the recruitment of potential Directors.

Due to limitations imposed by the small size of the Company, the company does not comply with Recommendation 2.1(a)(1) in having a majority of independent directors on the Nomination and Remuneration Committee. Ian Dennis was appointed Chairman of the Nomination and Remuneration Committee and is an independent director. The Board proposes to maintain the current directors until the size of the activities of the Company warrant further changes.

One of the Company's key objectives is to provide maximum stakeholder benefits from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- Retention and motivation of directors; and
- Attraction of quality management to the Company;

For details regarding the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year, refer to the Remuneration Report in the Directors report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The Board may recommend the issue of options to non-executive directors provided the shareholders approve the issue of options and the Board itself may

recommend the issue of options to senior executives. The Board believes this is a cost effective way to reward and retain directors and senior executives and maintain cash reserves at the same time.

The Company has an Employee Share Option Plan which was approved by shareholders on 13 January 2011. On 17 December 2018, the Company issued 203,000 unlisted options to senior staff based in Israel (excluding directors). These options are exercisable at \$16.20 each and expire on 17 December 2021. These options are subject to continuous employment and commence to vest on 17 December 2020 on the basis of one twelfth of the total number each month in the twelve month period to 17 December 2021. These unlisted options are not transferable and participants are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves.

New Directors receive a letter of appointment, which outlines the Company's expectations in relation to participation, time commitments and compliance with policies and regulatory requirements. As with all employees, senior executives are required to sign employment agreements setting out the key terms of employment.

Performance

The performance of the Board is reviewed annually against both measurable and qualitative indicators. Directors whose performance is consistently unsatisfactory may be asked to retire.

The performance of all key management personnel is reviewed annually against both measurable and qualitative indicators. Senior executives whose performance is consistently unsatisfactory may be asked to retire.

Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a diversity policy which outlines its diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress made in achieving them.

At the date of this report, the Company has two executives and eleven staff based in Israel, one executive in Australia and three Australian based directors to which this policy applies. The company currently has one woman on the board and two women in executive positions in Israel.

CEO/CFO declarations

Before the Audit Committee recommends, and the Board approves, the Company's financial statements for the half year or full year, the CEO and CFO are required to provide a declaration that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with 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.

Policy on Securities Trading

In accordance with Recommendation 3.2 the Directors have set out the policy on Securities Trading which has been lodged with ASX on 23 December 2010.

Directors and employees of Audio Pixels Holdings Limited should not buy or sell securities in Audio Pixels Holdings Limited, when Audio Pixels Holdings Limited is in possession of price sensitive information that is not generally available to the market.

Subject to the insider trading provisions of the Corporations Act and the notification requirements of the Company set out in the "Insider Trading Policy", the recommended time (in order to minimize suggestions of insider trading) for any Director or employee to deal in Securities is during the four week period commencing on the second business day after:

- (a) Audio Pixels Holdings Limited annual general meeting;
- (b) The release of Audio Pixels Holdings Limited half-yearly announcement to the ASX;
- (c) The release of Audio Pixels Holdings Limited preliminary final statement or full year announcement to ASX (whichever is earlier);
- (d) The release of a disclosure document (eg. a prospectus) by Audio Pixels Holdings Limited.
- (e) The release of the quarterly commitments test report known as Appendix 4C.

The Chairman of the Board, or the Chairman's delegate, (eg. the Company Secretary) may also notify Directors and employees of Audio Pixels Holdings Limited in writing of other ad hoc "trading windows".

The complete Securities Trading Policy of the Company is available on the Company's website at www.audiopixels.com.au

Ian Dennis
Company Secretary
8 March 2021