

Corporate Governance Statement

Sovereign Cloud Holdings Limited
(ACN 622 728 189)



Sovereign Cloud Holdings Limited

(the 'Company')

Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles and Recommendations**). The Principles and Recommendations are not mandatory. Except as set out below, the Company intends to comply with all of the Principles and Recommendations and the Company will also disclose the extent of its compliance with the Principles and Recommendations in its annual reports.

The Board of the Company currently has in place corporate governance policies and charters which have been posted in a dedicated corporate governance information section on the Company's website at www.australiacloud.com.au. The Company is committed to high standards of corporate governance and behaviour.

Principles and Recommendations		Comply Yes/No	Explanation
1	Lay solid foundations for management and oversight		
1.1	Companies should have and disclose a Board charter setting out: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	Yes	The respective roles and responsibilities of the Board and management are defined under the Board Charter, a copy of which is available on the Company's website at www.australiacloud.com.au . There is a clear delineation between the Board's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company.
1.2	Companies should: a) undertake appropriate checks before appointing a director or senior executive, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	The process for selection and appointment of new directors is detailed in the Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.australiacloud.com.au . The Company will undertake appropriate checks before appointing a director or senior executive, or putting forward to shareholders a candidate for election as a director. Shareholders will be provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director, including biographical details, qualifications, and a

Principles and Recommendations	Comply Yes/No	Explanation
		statement as to whether the Board supports the nomination of the director.
1.3 Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company requires each director and senior executive to execute a written agreement setting out the terms of their appointment.
1.4 The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company secretary is Michelle Crouch, who will report directly to the chair of the Board, Cathie Reid. The role of the Company Secretary is outlined in the Board Charter, a copy of which is available on the Company's website at www.australiacloud.com.au .
1.5 Companies should: a) have and disclose a diversity policy; b) through the Board or a committee of the Board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and c) disclose in relation to each reporting period (i) the measurable objectives for achieving gender diversity; (ii) the entity's progress towards achieving those objectives; and <i>either</i> (iii) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (iv) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes in part	<p>The Company has adopted a Diversity Policy, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>Under the Diversity Policy, the Board will establish (though has not yet established) measurable objectives to assist the Company to achieve gender diversity and to assess the Company's progress in achieving these objectives. The Company intends to do so in the next reporting period.</p> <p>The Board will report on the Company's progress towards achieving its measurable objectives each year.</p> <p>Currently the proportion of men and women on the Board is 3 to 1, in senior executive positions is 4 to 3, and across the whole organisation is 28 to 9 (excluding the Board). For this purpose, the Company has defined 'senior executive' as the Company's Managing Director, Chief Operating Officer, Head of Sales, Head of Marketing and Communications, Head of Information Assurance (CISO), Head of Application Development, and Company Secretary.</p>
1.6 Companies should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes	Under the Board Charter, the Board is required, at least once per year, with the advice and assistance of the Remuneration and Nomination Committee, to review and evaluate the performance of the Board, its Committees and individual directors against the relevant charters, corporate governance policies, and agreed goals and objectives (as applicable).

Principles and Recommendations	Comply Yes/No	Explanation
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		The Board will ensure that an evaluation of the Board, its committees and individual directors is undertaken in accordance with the Board Charter for each reporting period. The Company will provide details as to such performance evaluations and its compliance with the Board Charter in its future annual reports.
1.7 Companies should: <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes	Under the Remuneration and Nomination Committee Charter, the Remuneration and Nomination Committee is required to review and make recommendations to the Board about the performance of senior executives. The Remuneration and Nomination Committee will undertake this evaluation at least once every reporting period. The Company will provide details as to such performance evaluations and its compliance with the Remuneration and Nomination Committee Charter in its future annual reports.
2 Structure the board to add value?		
2.1 The board should: <ul style="list-style-type: none"> a) have a nomination committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an Independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	Yes in part	The Board has established a Remuneration and Nomination Committee to oversee the remuneration, selection and appointment practices of the Company. The Remuneration and Nomination Committee is governed by a Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.australiacloud.com.au . The Remuneration and Nomination Committee consists of three members, being Cathie Reid (Chair), Ross Walker and Allan Brackin, all of whom are independent, non-executive directors, except for Cathie Reid who is not considered by the Board to be independent. The Board, having regard to the Company's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board (and its committees) is appropriate. The Remuneration and Nomination Committee will meet at least once a year. The Company will provide details as to the number of meetings actually held and the individual attendances of the members at those meetings for each reporting period in its future annual reports.

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2.2 Companies should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	No	<p>The Company's Remuneration and Nomination Committee is responsible for reviewing the size, composition, diversity and skills of the Board to ensure that the Board is able to discharge its duties and responsibilities effectively and to identify any gaps in the skills or experience of the Board, but it has not yet developed a Board skills matrix. The Company intends to do so in the next reporting period.</p>
2.3 Companies should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	Yes	<p>The Company assesses the independence of its directors against the requirements for independence set out in the Board Charter which reflect the independence criteria set out in the Principles and Recommendations.</p> <p>Director independence is initially assessed upon each director's appointment and reviewed each year, or as required when a new personal interest or conflict of interest is disclosed. Directors are required to disclose all actual or potential conflicts of interest on an ongoing basis.</p> <p>Ross Walker and Allan Brackin are the directors considered by the Board to be independent for ASX purposes.</p> <p>The length of service of each director on the Board is as follows:</p> <ul style="list-style-type: none"> • Cathie Reid: 2017 – Present • Phil Dawson: 2017 – Present • Ross Walker: 2017 – Present • Allan Brackin: 16 October 2020 – Present
2.4 A majority of the board should be independent directors	No	<p>The Company has 4 directors and 2 of these are considered independent for ASX purposes.</p> <p>The Board, having regard to the Company's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board (and its committees) is appropriate.</p>
2.5 The chair of the board should be an independent director and, in particular, should not be the same person as the CEO.	No	<p>The Chair of the Board is Cathie Reid, who is not considered to be an independent director. It is the current intention of the Board that Allan Brackin (who is considered by the Board to be an independent director) will take over the role of Chair of the Board in the first half of the 2020 calendar year.</p>

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			The role of CEO is held by Phil Dawson.
2.6	Companies should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	<p>The Company's Remuneration and Nomination Committee is responsible for establishing and facilitating an induction program for new directors and providing new directors with all such information and advice which may be considered necessary or desirable for the director to commence their appointment to the Board.</p> <p>The Company's Remuneration and Nomination Committee is also responsible for developing and reviewing continuous professional development programs for directors in order to enhance director competencies and develop and enhance directors' skills and knowledge on key developments affecting the Company and its group and the industry in which it operates.</p> <p>A copy of the Remuneration and Nomination Committee Charter is available on the Company's website at www.australiacloud.com.au.</p>
3 Act ethically and responsibly			
3.1	A company should articulate and disclose its values.	Yes	The Company's stated values are available on its website at www.australiacloud.com.au .
3.2	Companies should: <ul style="list-style-type: none"> a) have and disclose a code of conduct for its directors, senior executives and employees; and b) ensure that the board or a committee of the board is informed of any material breaches of that code. 	Yes	<p>The Company has adopted a Code of Conduct which applies to all directors, officers, employees, consultants, advisers and contractors of the Company and its group, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>In accordance with the terms of the Code of Conduct, any material breaches of the Code of Conduct must be reported to the Board or the Audit and Risk Committee.</p>
3.3	A listed entity should: <ul style="list-style-type: none"> a) have and disclose a whistleblower policy; and b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy. 	Yes	<p>The Company has adopted a Whistleblower Policy, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>All reports made under the Whistleblower Policy will be reviewed and, where appropriate, will be investigated at the earliest opportunity. Any findings will be managed promptly and reported to the Audit and Risk Committee and the Board, as appropriate, having regard to the nature of the disclosure.</p>

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3.4 A listed entity should: <ul style="list-style-type: none"> a) have and disclose an anti-bribery and corruption policy; and b) ensure that the board or a committee of the board is informed of any material breaches of that policy 	Yes	<p>The Company has adopted an Anti-Bribery and Corruption Policy, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>The Company encourages all employees to raise concerns with their Manager. Any material breaches of the Anti-Bribery and Corruption Policy will be reported to the Board.</p>
4 Safeguard integrity in corporate reporting		
4.1 The board should: <ul style="list-style-type: none"> a) have an audit committee which: <ul style="list-style-type: none"> (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. 	Yes in part	<p>The Company has established an Audit and Risk Committee to oversee the management of financial and internal risks.</p> <p>The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>The Audit and Risk Committee consists of two members, Ross Walker (Chair) and Allan Brackin, both of whom are independent, non-executive directors.</p> <p><u>The</u> Board, having regard to the Company's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board (and its committees) is appropriate.</p> <p>The Audit and Risk Committee will meet at least three times per year. The Company will provide details as to the relevant qualifications and experience of the members of the committee, the number of times the committee met and the individual attendances of the members at those meetings for each reporting period in its future annual reports.</p>
4.2 The board should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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	Yes	<p>Prior to the Board approving the Company's financial statements for a financial period, the Board will ensure that it receives from the CEO and CFO a declaration that, in their opinion, the financial records of the Company 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 Company, and that the opinion has been formed on the basis of a sound</p>

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has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		system of risk management and internal control which is operating effectively.
4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes	The Company will disclose either in its annual report or in the applicable periodic corporate report that has not been audited or reviewed by an external auditor, the process used to verify the integrity of the report.
5 Make timely and balance disclosure		
5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	Yes	<p>The Company is committed to taking a proactive approach to continuous disclosure and creating a culture within the Company that promotes and facilitates compliance with the Company's continuous disclosure obligations.</p> <p>The Company has adopted a written policy to ensure compliance with the ASX Listing Rule continuous disclosure obligations. A copy of the Company's Continuous Disclosure Policy is available on its website at www.australiacloud.com.au.</p>
5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	<p>The Company requires the Company Secretary (Michelle Crouch) to ensure that the Board receives copies of all material market announcements promptly after they have been made under its Continuous Disclosure Policy, which is available on its website at www.australiacloud.com.au.</p>
5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Yes	The Company will ensure that the Company Secretary releases any presentation materials to the ASX Market Announcements Platform ahead of the relevant presentation.
6 Respect the rights of security holders		
6.1 Companies should provide information about itself and its governance to investors via its website.	Yes	<p>The Company provides investors with comprehensive and timely access to information about itself and its governance on its website at www.australiacloud.com.au, including copies of the Company's constitution, Board and committee charters, key corporate governance policies, copies of all material information lodged with ASX, copies of all announcements, briefings and speeches made to the market, analysts or the media, press releases or announcements made by the Company, financial data for the Company, the Company's annual reports, and</p>

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6.2 Companies should have an investor relations program that facilitates effective two-way communication with investors.	Yes	<p>notices of shareholder meetings. Further details are set out in the Company's Shareholder Communication Policy, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>The Company has adopted a Shareholder Communications Policy for shareholders wishing to communicate with the Board, a copy of which is available on the Company's website at www.australiacloud.com.au.</p>
6.3 Companies should disclose how it facilitates and encourages participation at meetings of security holders.	Yes	<p>The Company seeks to utilise numerous modes of communication, including electronic communication to ensure that its communication with shareholders is frequent, clear and accessible.</p> <p>All shareholders are invited to attend the Company's annual meetings either in person or by proxy, attorney or representative. Shareholders have an opportunity to submit questions to the Board or to the Company's external auditor.</p>
6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Yes	<p>The Company intends to ensure that all substantive resolutions at a meeting of shareholders are decided by a poll rather than by a show of hands.</p>
6.5 Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically	Yes	<p>The Company encourages shareholders to submit questions or requests for information directly to the Company via the Company's website at www.australiacloud.com.au. The Company also encourages shareholders to update their personal information, elect to receive communications electronically, or submit any questions related to their shareholding in the Company to the Company's share registry with the share registry's contact details included in the Company's Shareholder Communication Policy.</p>
7 Recognise and manage risk		
7.1 Companies should: <ul style="list-style-type: none"> a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and 	Yes in part	<p>The Company has established an Audit and Risk Committee to ensure implementation of a sound system of risk management.</p> <p>The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>The Audit and Risk Committee consists of two members, Ross Walker (Chair) and Allan Brackin, both of whom are independent, non-executive directors.</p>

Principles and Recommendations	Comply Yes/No	Explanation
<p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>		<p>The Board, having regard to the Company's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board (and its committees) is appropriate. The Board is responsible for oversight of the overall system of internal control and provides final consideration and direction on any risk management issues.</p> <p>The Audit and Risk Committee will meet at least three times per year. The Company will confirm the number of actual meetings and report on the individual attendances of the members at those meetings for each reporting period in its future annual reports.</p>
<p>7.2 The board or a committee of the board should:</p> <p>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>The Audit and Risk Committee will annually review and evaluate the effectiveness of the Company's risk management framework, including whether it is operating within the risk appetite set by the Board.</p> <p>The division of responsibility between the Board, Audit and Risk Committee and management aims to ensure that specific responsibilities for risk management are clearly communicated and understood.</p> <p>The Audit and Risk Committee Charter provides for reporting to the Board which supplements the Company's quality system, complaint handling processes and standard operating procedures which are all designed to address various forms of risks.</p> <p>The Company will provide details on whether such a review has taken place for each reporting period in its future annual reports.</p>
<p>7.3 Companies should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes</p>	Yes	<p>Due to the Company's current size and business circumstances, the Company does not have an internal audit function. The Company will reconsider this decision as appropriate and appoint an internal auditor if and when the Company considers this necessary.</p> <p>Under the Audit and Risk Committee Charter, the Audit and Risk Committee is responsible for monitoring, reviewing and advising or reporting to the Board on the implementation and effectiveness of the Company's risk management and internal control policies and procedures.</p>

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7.4 Companies should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	<p>The Company does not consider that it has any material exposure to economic, environmental and social sustainability risks.</p> <p>If the Company determines in the future that it has any material exposure to economic, environmental and social sustainability, the Company will provide details in its future annual reports.</p>
8 Remunerate fairly and responsibly		
8.1 Companies should: <ul style="list-style-type: none"> a) have a remuneration committee which: <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	Yes in part	<p>The Board has established a Remuneration and Nomination Committee to oversee the remuneration, selection and appointment practices of the Company.</p> <p>The Remuneration and Nomination Committee is governed by a Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.australiacloud.com.au.</p> <p>The Remuneration and Nomination Committee consists of three members, being Cathie Reid (Chair), Ross Walker and Allan Brackin, all of whom are independent, non-executive directors except for Cathie Reid who is not considered by the Board to be independent.</p> <p>The Board, having regard to the Company's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board (and its committees) is appropriate.</p> <p>The Committee will meet at least once a year. The Company will report on the actual number of meetings held and the individual attendances of the members at those meetings for each reporting period in its future annual reports.</p>
8.2 Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes	<p>The Remuneration and Nomination Committee is responsible for setting and reviewing the policies and practices of the Company regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> <p>Policies and practices regarding remuneration of non-executive directors, executive directors and senior executives will be disclosed by the Company in its future annual reports.</p>

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8.3 A company which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	Yes	<p>The Company has adopted a Securities Trading Policy which provides that employees (including senior executives), officers and directors of the Company or any group member must not engage in hedging arrangements, deal in derivatives or enter into other arrangements which vary economic risk related to the Company's securities.</p> <p>A copy of the Securities Trading Policy is available on the Company's website at www.australiacloud.com.au.</p>
9 Additional recommendations		
9.1 A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	N/A	Not relevant to the Company.
9.2 A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	N/A	Not relevant to the Company.
9.3 A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	N/A	Not relevant to the Company.