

# Corporate Governance Statement

YEAR ENDED 30 JUNE 2023

Sovereign Cloud Holdings Limited  
(ACN 622 728 189)



## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (“Statement”) has been approved by the Board. It describes the corporate governance arrangements for Sovereign Cloud Holdings Limited and its subsidiaries (“SOV” or the “Company”). The Board sets SOV governance practices having regard to the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) (“Recommendations”), corporate best practice and the best interests of shareholders.

The principal features of the Company’s governance framework are set out in this Corporate Governance Statement. This Statement reports the Company’s compliance with the Recommendations and also documents any relevant governance practices that were updated during the year.

The Company is committed to adopting best practice in corporate governance where these practices are appropriate to the business.

This Corporate Governance Statement sets out the Company’s current compliance with the Recommendations and is current as at 22 September 2023 and has been approved by the Board.

References to ‘Annual Report’ in this Corporate Governance Statement refer to the Company’s 2023 Annual Report as published on 22 September 2023 and available for download from the Company’s website at [www.aucloud.com.au/Corporate-Governance](http://www.aucloud.com.au/Corporate-Governance).

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

### 1.1 Board Charter

Sovereign Cloud has a Board Charter, publicly available on the Company website, that sets out:

- a) The respective roles and responsibilities of the Board; and
- b) Those matters expressly reserved to the Board and those delegated to management.

### 1.2 Roles and responsibilities of the Board and Management

The Board is responsible for the corporate governance of the Company. The Board accepts this role with the objective of ensuring the long-term prosperity of the Company for the benefit of its shareholders, employees, contractors, consultants and clients.



### 1.3 Appointment and re-election of Board Members

The Remuneration and Nomination Committee assists the Board in decision making by reviewing and making recommendations in relation to the appointment of new directors.

Prior to appointing a new director, the Company conducts background and reference checks and criminal/police checks.

The Company provides shareholders with material information, including the Board's recommendations that are relevant to a shareholder's decision regarding whether to elect or re-elect a Director at the Annual General Meeting.

### 1.4 Terms of appointment

The Company has a written agreement in place with each of its directors.

### 1.5 Company Secretary

The responsibilities of the Company Secretary are outlined in Section 4.6 of the Board Charter, including the accountability that the Company Secretary has to the Board (through the Chair) on all matters to do with the proper functioning of the Board. The Board is responsible for the appointment and, where appropriate, the replacement of the Company Secretary.

### 1.6 Diversity

The Board is committed to workplace diversity and is conscious of building a diverse and inclusive workforce. The Company's Diversity Policy is available on the Company website.

The Company continues to focus on gender diversity within its workforce, with women making up 21% of employees, 22% of senior leadership and 20% of the Board.

The Board endorsed the following diversity objectives for the financial year to 30 June 2023 ("FY23"):

Diversity Objective	Status
Maintain a minimum of 20% female board representation	Achieved for FY23
Maintain the gender balance within our operations' employee base	Achieved for FY23

### 1.7 Board, Committee and Director performance evaluation

The Board is committed to regular assessment of its effectiveness and believes that the contribution of individual directors is essential to improve the governance and guidance of the Company.

In accordance with Section 2.6 of the Board Charter, performance of the Board and of individual directors is required to be assessed each year. The Company has an informal process for evaluating the effectiveness, process and structure of the Board, its committees and individual directors. An assessment was completed in the 2023 financial year.

### 1.8 Senior Executive performance evaluation

There is a performance evaluation system in place throughout the financial year to assess employees, including senior executives. This includes setting and assessing key performance indicators for each employee on an annual basis.

A performance evaluation was completed in the 2023 financial year.

## PRINCIPLE 2: STRUCTURE OF THE BOARD TO BE EFFECTIVE AND ADD VALUE

### 2.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee Charter outlines the role of the internal committee which is to assist the Board in decision making by reviewing and making recommendations in relation to the appointment of new directors, senior executives, the structure of remuneration packages to attract and motivate high performers, the design of the equity-based initiative plans and other employee benefit programs.

The members of the Remuneration and Nomination Committee are:

- Ms Cathie Reid (Non-executive Chairman) – Chair of Committee and;
- Mr Ross Walker (Non-executive and independent director) – Member of Committee.

The charter of the Remuneration and Nomination Committee is available on the Company's website. The number of Remuneration and Nomination Committee meetings convened in the last financial year is disclosed in the Annual Report.

### 2.2 Board skills matrix

The Company has implemented a board skills matrix detailing the current mix of skills, qualifications and experience on the Board.

The Board's current skills matrix as at the date of this Report is summarised below:

Skills and Experience	Key Knowledge/Experience
Industry knowledge and experience	Industry/sector knowledge
Technical skills and experience	<ul style="list-style-type: none"> <li>• Accounting/finance</li> <li>• Information technology</li> <li>• Sales and marketing</li> <li>• Risk management</li> <li>• HR/Remuneration experience</li> <li>• Executive leadership</li> <li>• Strategic and commercial acumen</li> <li>• Acquisition experience</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Director and listed company experience</li> <li>• Governance of risk management and compliance</li> <li>• Public/reputation management</li> </ul>

### 2.3 Independent directors

The Company considers Mr Ross Walker to be an independent director. The length of service of each director is disclosed each year in the Annual Report.

### 2.4 Majority of the board should be independent directors

The current directors of the Board are listed in the Annual Report.

One of the three current non-executive directors are considered to be independent directors. The remaining two non-independent directors are major shareholders of the Company. The board recognises that the majority are not independent directors, although, given the company's size and growth stage, the board requires members who possess a deep understanding of the company's unique challenges and growth strategies. To ensure transparency and ethical conduct, clear guidelines and processes for managing conflicts of interest have been established.

The Company will consider the appointment of further independent directors as the Company continues to grow.

### 2.5 Chair of the board

Ms Cathie Reid is the Non-Executive Chair of Sovereign Cloud Holdings Limited. She is not considered to be an independent director because of her shareholding in the Company.

While the Board recognises the principle that the Chairman should be an independent director, the Board believes that Ms Reid is the most appropriate person to lead the Board as Chairman given her long-standing leadership and business experience. The Board remains confident that Ms Reid is able to bring quality and independent judgement to relevant issues falling within the scope of the role of Chairman.

Further the Board has processes in place to identify and manage any conflict of interest. For example, each Board meeting asks where necessary for and records any conflicts as they relate to the agenda and directors may either not participate in the decision-making process or seek independent advice where there is a potential conflict.

### 2.6 Director induction and professional development

Under Section 5.7 of the Board Charter, each new director will, upon appointment, participate in an informal induction program.

This includes meeting with a member of the existing Board, company secretary, management and other relevant executives to familiarise themselves with the Company, its procedures and prudential requirements and Board practices and procedures.

The Board performance assessment process provides an opportunity for directors to periodically review their professional development needs and identify opportunities to develop and maintain their skills and knowledge including professional memberships.

## **PRINCIPLE 3: INSTILL A CULTURE OF ACTING ETHICALLY AND RESPONSIBLY**

### **3.1 Code of conduct**

The Board has adopted a Code of Conduct and articulated the conduct expected of employees to establish a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

In addition, the Company has a Whistleblower Policy to encourage the disclosure of any wrongdoing while ensuring individuals who disclose wrongdoing can do so safely with confidence they will be supported and protected.

The Company has also implemented an Anti-Bribery and Corruption Policy as part of its commitment to complying with applicable laws and regulations and acting in an ethical manner consistent with the principles and values set out in the Code of Conduct.

The Code of Conduct, Whistleblower Policy and Anti-Bribery and Corruption Policy are all available on the Company's website. Under Board reporting practices, the Board, or a Committee of the Board, will be informed of any material incidents reportable under the Code of Conduct, Whistleblower Policy and Anti-Bribery and Corruption Policy.

## **PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

### **4.1 Audit Committee**

The Company has an Audit and Risk Committee to ensure its corporate reporting is adequately reviewed and that the external auditors are independent.

The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter, which is available on the Company's website. The relevant qualifications and experience of each member of the Audit and Risk Committee are disclosed in the Annual Report.

The Audit and Risk Committee has 2 members:

- Mr Ross Walker (Non-executive and independent director) – Chair of Committee; and
- Ms Cathie Reid (Non-executive Chairman) – Member of Committee.

The Company has implemented an Audit and Risk Committee that has two members as above. The Audit and Risk Committee Charter requires a maximum of three members, all of whom must be non-executive directors.

The qualifications of the Committee Members and the number of Committee meetings they convened in the last financial year are disclosed in the Annual Report.

For periodic corporate reports that are not audited or reviewed by an external auditor, the Company has an internal approval process to ensure that the reports are materially accurate, balanced and provide investors with appropriate information to make informed decisions.

## **4.2 CEO & Finance Manager declaration**

The Board receives representations from the CEO and Finance Manager prior to approving financial statements that, in their opinion:

- The financial records of the entity have been properly maintained;
- The financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position of the performance of the entity; and
- The opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **4.3 External auditor attendance at AGM**

The Company's external auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit.

# **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

## **5.1 Continuous disclosure obligations**

The Company is committed to promoting investor confidence and ensuring that shareholders and the market are provided with timely and balanced disclosure of all material matters concerning the Company, as well as ensuring that all shareholders have equal and timely access to externally available information issued by the Company.

The Company has adopted a Continuous Disclosure Policy to outline responsibilities in relation to disclosing information to the market and shareholders, and to ensure compliance with the continuous disclosure regime under ASX Listing Rules and the *Corporations Act 2001 (Cth)*.

A copy of the presentation materials of any new investor presentations are released on the ASX Market Announcements Platform ahead of the presentation.

The Company Secretary ensures that the Board receives copies of all market announcements promptly after they have been made.

A copy of the Continuous Disclosure Policy is available on the Company's website.

# **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

## **6.1 Investor website**

The Company's website contains information about the Company and its corporate governance policies. The web address is [www.aucloud.com.au](http://www.aucloud.com.au).

## **6.2 Investor relations program**

The Company has an investor relations program to facilitate effective two-way communication with investors. The program includes the Company's AGM, Annual Report, full year and interim financial statements, investor presentations and ASX Announcements.

## **6.3 Security holder participation at meetings**

The Company and its Board encourage shareholders to actively participate at its AGM's and other meetings including providing shareholders with the opportunity to question the Board concerning operations of the Company. Security holders' option to receive and send communications electronically.

Shareholders are encouraged to receive communications from, and send communications to, the Company and its share registry electronically.

The Company has an Investor Centre on its website which allows anyone to access:

- Information about the Company's operations
- Annual and half year reports
- Market announcements
- Notices of meetings of shareholders
- Policies and charters
- Interview and presentations
- Key dates for shareholders
- Shareholder maintenance forms
- Information on ownership restrictions

The Company also has a web portal where shareholders can register to view their holdings, update their details and vote online. The web portal is accessible here at [www.aucloud.com.au/myshareholding](http://www.aucloud.com.au/myshareholding).

Shareholders can communicate with the Company's Registry via email, phone, fax or post.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **7.1 Risk Committee**

The Company has an Audit and Risk Committee that focuses on maintaining an effective system of internal control and risk management.

The Committee's structure, roles and responsibilities are detailed in the Audit and Risk Committee Charter, which is available on the Company website.

The Audit and Risk Committee has 2 members:

- Mr Ross Walker (Non-executive and independent director) – Chair of Committee; and
- Ms Cathie Reid (Non-executive Chairman) – Member of Committee.

The Audit and Risk Committee is currently chaired by an independent director. The committee members are considered to be the best qualified to serve their respective roles on the Committee given their background and experience.

The number of Committee meetings that were convened in the last financial year is disclosed in the Annual Report.

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

The Company has a risk management framework, that assesses the key financial and non-financial risks that have the potential, should they occur, to result in significant consequences to the Company. The framework is integrated into the daily management of the business.

The Audit and Risk Committee periodically assesses the effectiveness of the Company's financial and operating risk management framework, including the management of new and emerging risks.

The Audit and Risk Committee also periodically reviews the Company's risk matrix, including discussion of the key internal and external risk sources that could adversely affect the Company's prospects for future financial years.

### **7.3 Internal audit function**

Given the Company's current size and stage of development, the Company does not currently have an internal audit function. The process for evaluating and continually improving the effectiveness of the Company's risk management and internal control processes is overseen by the Audit and Risk Committee as outlined in Sections 4.1, 7.1 and 7.2.

### **7.4 Material exposure to environmental and social sustainability risks**

Sovereign Cloud is committed to ensuring environmental and social risks are identified and managed responsibly in our business activities and relationships.

These risks, along with other business risks, are managed in accordance with the Company's risk management framework discussed in Section 7.2.

As at the publication of this report, the Company does not consider that it has a material exposure to environmental risks.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **8.1 Remuneration committee**

The Company has a Remuneration and Nomination Committee with its own charter. The charter is available on the Company's website.

The members are:

- Ms Cathie Reid (Non-executive Chairman) – Chair of Committee; and
- Mr Ross Walker (Non-executive and independent director) – Member of Committee.

The number of Committee meetings convened in the last financial year is disclosed in the Annual Report.

### **8.2 Remuneration policies and practices**

The Company's Remuneration and Nomination Committee Charter provides separate policies and practices regarding the remuneration of non-executive directors and the remuneration of directors and senior management.

Further information can be found in the Remuneration Report within the Annual Report.

### **8.3 Equity-based remuneration scheme**

The Company has an equity-based remuneration scheme.

Under the Company's Trading Policy, directors and all staff are prevented from trading in the Company's shares during the "black out" periods, including from the end of a statutory reporting period until the next business day after the financial results for that period are released.

Further, Key Management Personnel are prohibited from entering into transactions in products associated with the Company's securities which operate to limit the economic risk of their security holding in the Company.

The Trading Policy is available on the Company's website, [www.aucloud.com.au](http://www.aucloud.com.au).