



ACN 121 184 316

Corporate Governance Statement

OVERVIEW

The Board of Directors (**Board**) of Buddy Technologies Limited (**the Company**) is responsible for the overall corporate governance of the Company, and is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the Australian Securities Exchange (ASX) Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations (3rd Edition)* (**the Principles and Recommendations**).

In line with the above, the Board has set out the way forward for the Company in its implementation of the Principles and Recommendations. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the Principles and Recommendations. Where the Company has not adhered to the Principles and Recommendations it has stated that fact in this Corporate Governance Statement. This statement is current as at 30 September 2019.

The Company's corporate governance policies are as follows and are all available on the Company's website at www.buddy.com

- Board Charter
- Corporate Code of Conduct
- Audit and Risk Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Performance Evaluation
- Continuous Disclosure
- Risk Management
- Trading Policy
- Diversity Policy
- Shareholders Communications Strategy



Principle / Recommendation	Compliance	Reference	Commentary
Principle 1: Lay solid foundations for management and oversight			
<u>Recommendation 1.1</u> A listed entity should disclose: (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	Board Charter, Code of Conduct and Website	<p>The Company has adopted a Board Charter, which discloses the specific responsibilities of the Board.</p> <p>The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the CEO for the day-to-day management of the Company. Powers and functions not delegated remain with the Board. The key responsibilities and functions of the Board include the following:</p> <ul style="list-style-type: none"> • appointment of the CEO and other senior executives and the determination of their terms and conditions including remuneration and termination; • driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance; • reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance; • approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures; • approving and monitoring the budget and the adequacy and integrity of financial and other reporting; • approving the annual, half yearly and quarterly accounts; • approving significant changes to the organisational structure;



			<ul style="list-style-type: none"> • approving the issue of any shares, options, equity instruments or other securities in the Company; • ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making; • recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and • meeting with the external auditor, at their request, without management being present. <p>The Board's role and the Company's corporate governance practices are periodically reviewed and improved as required.</p> <p>Full details of the roles and responsibilities of the Board and the company secretary of the Company (Company Secretary) are contained in the Board Charter.</p>
<p><u>Recommendation 1.2</u> A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(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</p>	Yes	Director Selection Procedure and Website	<p>Directors of the Company (Directors) are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's operations. The Company's current directors have relevant experience across operations and the Information Technology sector. In addition, Directors have the relevant blend of personal experience in:</p> <ul style="list-style-type: none"> • Accounting and financial management; and • Director-level business experience. <p>In respect of any future Directors, the Company will continue to conduct specific and appropriate checks of candidates prior to their appointment or nomination for election by shareholders. However the Company does not</p>



director.			<p>propose to conduct these checks prior to nominating an existing Director for re-election by shareholders at a general meeting on the basis that it is not considered necessary in the Company's circumstances.</p> <p>Currently, the Company includes in its notice of meetings a brief biography which sets out relevant qualifications and professional experience, of each Director who stands for election or re-election, for consideration by shareholders.</p>
<p><u>Recommendation 1.3</u> A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	Yes	Kept at registered office	<p>The Company seeks to engage or employ its Directors and other senior management under written agreements setting out key terms and otherwise governing their engagement or employment by the Company.</p> <p>The Company's CEO and Executive Director are employed pursuant to written agreements with the Company and each non-executive Director is engaged under a letter of appointment.</p>
<p><u>Recommendation 1.4</u> The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	Yes	Board Charter And Website	<p>The Company Secretary reports directly, and is accountable, to the Board through the Chairman in relation to all governance matters.</p> <p>Full details of the Board's and Company Secretary's roles and responsibilities are contained in the Board Charter and in the Annual Report.</p>
<p><u>Recommendation 1.5</u> A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity</p>	<p>Yes – 1.5(a), 1.5(b) and 1.5(c)(1). No – 1.5(c)</p>	Diversity Policy and Website	<p>The Board has adopted a Diversity Policy which is available on the Company's website www.buddy.com</p> <p>The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.</p>



<p>and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <ol style="list-style-type: none"> 1. 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 2. if the entity is a "relevant employer" under the Workplace 			<p>The Board is responsible for developing objectives and strategies, if any, to meet the objectives of the Diversity Policy and will report at least annually on the progress against and achievement of these objectives. The Board may also set measurable objectives for achieving gender diversity. The Board is responsible for implementing, monitoring and reporting on any measurable objectives it has set.</p> <p>Given the size of the Company, no measurable objectives or strategies have been set by the Board at this stage.</p> <p>However, it is Company practice to recruit from a diverse pool of candidates for all positions, including senior management and the Board.</p> <p>As at the date of this report, the Company has the following proportion of women appointed:</p> <ul style="list-style-type: none"> • to the Board – 20% • to senior management – 15% • to the organisation as a whole – 20%
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<p>Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>			
<p><u>Recommendation 1.6</u> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Yes 1.6(a)</p> <p>No 1.6(b)</p>	<p>Remuneration and Nomination committee charter and disclosure schedule 6 Performance evaluation</p>	<p>It is the policy of the Board to conduct evaluation of its performance through its Board Charter with delegated responsibilities to the Remuneration and nomination committee consisting on Non-executive Directors, An evaluation guidance is included as schedule 6 of the Company's Corporate Governance Plan.</p> <p>An annual review was required in accordance with the Corporate Governance Charter and was conducted prior to 31 December 2017. The review was carried out by members of the remuneration committee. The review included a survey completed by each board member on each other board members performance during the year. A board report was compiled and tabled by the remuneration committee. In respect to the CEO a similar survey was compiled by members of the senior management.</p>
<p><u>Recommendation 1.7</u> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period,</p>	<p>1.7(a) Yes</p> <p>1.7(b) no</p>	<p>Remuneration and Nomination committee charter and disclosure schedule 6 Performance evaluation</p>	<p>An annual review was completed, details included in 1.6 above.</p>



<p>whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>			
<p>Principle 2: Structure the board to add value</p>			
<p><u>Recommendation 2.1</u> The board of a listed entity should: (a) have a nomination committee which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. 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>Yes</p>	<p>Nomination Committee Charter and Website</p>	<p>The Nomination committee is a joint committee of the Remuneration committee consisting of three non-executive directors who are independent. To assist the Board to fulfill its function and the Remuneration Committee, the Board has adopted a Nomination Committee Charter. The Nomination Charter is available on the Company's website at www.buddy.com.</p>



<p>(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.</p>			
<p><u>Recommendation 2.2</u> A listed entity 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.</p>	No		<p>The Board does not have, and has not disclosed, a skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. Owing to the size of the Company and its operations, the Board does not consider the need to have a skills matrix as it considers the Board to have the appropriate skills for the operations and governance of the Company. Should the Company's operations expand or change, the Board will re-consider the needs for a skills matrix.</p>
<p><u>Recommendation 2.3</u> A listed entity 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</p>	Yes		<p>The Company has three Directors who satisfy the criteria for independence as outlined in Box 2.3 of the Principles & Recommendations.</p> <p>The Board currently comprises the following members:</p> <p>(a) Mr Richard Borenstein (appointed 17 December 2015) is Non- Executive Chairman of the Company and has held office since the Company was reinstated onto the ASX on 30 December 2015. The Board considers Mr Borenstein to be independent and is not involved in the day-to-day</p>



<p>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</p> <p>(c) the length of service of each director.</p>			<p>management of the Company.</p> <p>(b) Mr David McLauchlan (appointed 17 December 2015) is CEO of the Company and has held office since the Company was reinstated onto the ASX on 30 December 2015. The Board does not consider Mr McLauchlan to be independent as he is a substantial shareholder of the Company and is an executive of the Company.</p> <p>(c) Mr Marc Alexander is an Executive Director & CTO (Appointed 1 April 2019) The Board does not consider Mr Alexander to be independent as he is a large shareholder of the Company and is an executive of the Company</p> <p>(d) Mr John van Ruth (appointed 11 February 2016) is Non-Executive Director. The Board considers Mr van Ruth to be independent and is not involved in the day-to-day management of the Company.</p> <p>(e) Ms Rosey Batt (appointed 30 Nov 2018) is a Non-Executive Director. The Board considers Ms Batt to be independent and is not involved in the day-to-day management of the Company.</p>
<p><u>Recommendation 2.4</u> A majority of the board of a listed entity should be independent directors.</p>	Yes		
<p><u>Recommendation 2.5</u> The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	Yes		<p>The roles of Chairman and CEO are performed by different persons.</p> <p>The Chairman of the Company is Mr Richard Borenstein and is independent and satisfies the definition of independence for the purposes of Principle and Recommendation 2.3.</p>
<p><u>Recommendation 2.6</u> A listed entity should have a program for inducting new directors and provide</p>	No		<p>The Company does not currently have a formal induction program for new Directors nor does it have a professional development program for existing Directors. The Board does not consider it necessary to have a formal induction</p>



<p>appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>			<p>program given the current size and scope of operations. However, the Board intends to review the requirement for, and benefits of, a formal induction program and professional development program as the Company grows and evolves.</p> <p>All Directors are generally experienced in various facets of professional development, albeit not all in the same area. Some of the current Directors have experience in other listed companies. The Board seeks to ensure that all of its members understand the Company's operations. Directors also attend, either through the Company or for their own professional development requirements, seminars, industry conferences, technical reading and research, to maintain and develop their knowledge.</p>
<p>Principle 3: Act ethically and responsibly</p>			
<p><u>Recommendation 3.1</u> A listed entity should:</p> <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	<p>Yes</p>	<p>Code of Conduct and Website</p>	<p>The Company has adopted a Code of Conduct that outlines how the Company expects its Directors and employees of the Company to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices.</p> <p>The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.</p> <p>The Code of Conduct sets out the Company's expectations of its Directors and employees with respect to a range of issues including personal and professional behaviour, conflicts of interest, public and media comment, use of Company resources, security of information, intellectual property and copyright, discrimination and harassment, corrupt conduct, occupational health and safety, fair dealing and insider trading.</p>



			A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment. The Code of Conduct is available on the Company's website at www.buddy.com .
Principle 4: Safeguard integrity in corporate reporting			
<p>Recommendation 4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, <p>and disclose:</p> <ol style="list-style-type: none"> 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period 	No – 4.1(a)1	<p>Audit and Risk Committee Charter and Website</p>	<p>The audit & risk committee consists of two non-executive directors who are independent. It has been deemed of adequate membership size based on the size of the Company but will review in line with the Company's growth and operational activities. The Chair of the committee is Mr John van Ruth, an independent and non-executive director who has experience from a career in the accounting profession and is an experienced company director and CFO.</p> <p>Mr. John van Ruth is currently Chief Executive Officer of Operation Finders Foundation, and holds a number of non-executive directorships. Prior to his work in the not for profit sector, he spent four years as Chief Financial Officer for Coopers Brewery, the largest Australian owned Brewery. Before Coopers Brewery, Mr. John van Ruth held a number of senior executive roles with other iconic South Australian companies including the RAA of SA, Inc., Adelaide Bank and Faulding. His early career was with professional services firms EY, KPMG and Arthur Andersen with particular focus on strategic advisory services in emerging technologies in Australia, Netherlands and Canada.</p> <p>Mr. van Ruth's other non-executive directorships include past Chair of the Chartered Accountants ANZ SA/NT Regional Council and councillor on the Chartered Accountants ANZ joint governing council. He is also a councillor on the Australian Institute of Company Directors (AICD) SA Regional Council, and member of the AICD National Reporting Committee.</p> <p>Mr Richard Borenstein is a member of the audit committee. Mr Borenstein is a venture investor, advisor and board member with over 40 years of technology company experience. He currently advises 7 venture-financed companies and sits on several boards. Mr. Borenstein brings extensive business, finance, accounting and entrepreneurial skills to each company.</p> <p>Rick co-founded Sequoia Partners in 1988 and currently serves as Chairman.</p>



<p>and the individual attendances of the members at those meetings; or</p> <p>(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.</p>			<p>Sequoia Partners is a "sell side" information technology mergers & acquisitions firm. Sequoia has a long history of executing premium transactions for venture capital companies and corporate technology investors.</p> <p>Mr. Borenstein started his entrepreneurial career after Wells Fargo when he conceived, built and sold 3 companies over the course of 4 years. Mr. Borenstein became President of IMSI in 1986, a \$50MM per year consumer software products company. During his tenure, he took the company public in 1987 and initiated their strategy of growth through acquisition. This exposure to software company deal making convinced him that a small, "virtual", I.T. focused M&A company could be built successfully.</p> <p>Mr. Borenstein's finance training started at Harvard Business School (M.B.A. 1972) and continued through White, Weld & Co., Salomon Brothers and Wells Fargo and Co. His early investment banking training included mergers and acquisitions, leveraged buy-outs, IPOs and off balance sheet financings. At Wells Fargo, he perfected his accounting skills as Deputy Controller of the Bank; he learned lending and bank/brokerage company finance while serving as the Bank's senior brokerage industry banking officer; and he improved his deal making skills as President of Wells Fargo Investment Company, the Bank's venture capital subsidiary. Rick invested in a group of companies that have since gone on to become some of the best-known names in the Bay Area technology sector.</p> <p>Mr. Borenstein grew up in New York City, and attended the University of Michigan before going to Harvard Business School. He has taught entrepreneurship at the Center for Entrepreneurship at the U of M and at San Quentin Prison (SF Bay Area) as part of The Last Mile program there.</p> <p>The Board has charged the Company Secretary with preparing the annual and half yearly reports. These reports are independently audited. The Company Secretary also prepares the Company's quarterly financial and operational reports.</p> <p>All Company reports are reviewed by the Board and the audit committee before they are finalised and are given the opportunity to question and consider the information contained in the reports.</p>
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<p><u>Recommendation 4.2</u> The board of a listed entity 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</p>	<p>Yes</p>	<p>Kept at registered office</p>	<p>The CEO and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p>



<p>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.</p>			
<p><u>Recommendation 4.3</u> A 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.</p>	<p>Yes</p>	<p>Shareholders Communication Strategy</p>	<p>In accordance with the Company's Shareholder Communication Strategy, the external auditor is invited to attend every AGM for the purpose of answering questions from security holders relevant to the conduct of the audit and the preparation and content of the auditor's report.</p>
<p>Principle 5: Make timely and balanced disclosure</p>			
<p><u>Recommendation 5.1</u> A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.</p>	<p>Yes</p>	<p>Continuous Disclosure Policy Website</p>	<p>The Company is a "disclosing entity" pursuant to section 111AR of the Corporations Act 2001 and, as such, is required to comply with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act.</p> <p>As such, the Company has a Continuous Disclosure Policy. The purpose of this Continuous Disclosure Policy is to ensure the Company complies with continuous disclosure requirements arising from legislation and the Listing Rules of the ASX. The Policy sets out the procedure for:</p> <ul style="list-style-type: none"> • protecting confidential information from unauthorised disclosure; • identifying material price sensitive information and reporting it to the Company Secretary for review; • ensuring the Company achieves best practice in complying with its continuous disclosure obligations under legislation and the Listing Rules; and



			<ul style="list-style-type: none"> ensuring the Company and individual officers do not contravene legislation or the Listing Rules. <p>The Company has obligations under the Corporations Act 2001 and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or misinformation in the market. The Company discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).</p> <p>The Company recognises that the maintenance of confidentiality is also of paramount importance to the Company both to protect its trade secrets and to prevent any false market for the Company's shares from developing.</p> <p>All relevant information provided to ASX in compliance with the continuous disclosure requirements of legislation and the Listing Rules is promptly posted on the Company's web site www.buddy.com.</p>
Principle 6: Respect the rights of security holders			
<u>Recommendation 6.1</u> A listed entity should provide information about itself and its governance to investors via its website.	Yes	Shareholders Communication Strategy	Information on the Company's Corporate Governance, including copies of its various corporate governance policies and charters, is available on the Company's website.
<u>Recommendation 6.2</u> A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Shareholders Communication Strategy	The Company has a Shareholder Communications Strategy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders through the annual report, half yearly report, quarterly reports, disclosures and announcements made to the ASX, the annual



			<p>general meeting and general meetings and through the Company's website. In addition there are regular CEO presentations that are streamed live across the internet with Q&A.</p> <p>The Shareholder Communications Strategy is available on the Company's website at www.buddy.com.</p>
<p><u>Recommendation 6.3</u> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	Yes	Shareholders Communication Strategy	<p>In accordance with the Company's Shareholder Communications Strategy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation, which will be reviewed regularly to encourage the highest level of shareholder participation.</p> <p>The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend general meetings. In preparing for general meetings, the Company will draft the notice of meetings and related explanatory information so that they provide all of the information that is relevant to the shareholders in making decisions on matters to be voted on by them at the meeting. Information will be presented in a clear, concise and effective manner.</p>
<p><u>Recommendation 6.4</u> A listed entity should give security holders the option to receive communications from and send communications to, the entity and its security registry electronically.</p>	Yes	Shareholders Communication Strategy	<p>The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.</p> <p>In accordance with the Shareholder Communications Strategy, shareholders can register with the Company's Share Registry (Link Market Services Limited) to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the annual, half yearly and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p>
Principle 7: Recognise and manage risk			
<p><u>Recommendation 7.1</u> The board of a listed entity should:</p>	Yes - 7.1(b)		The function of the Risk Management Committee is performed by the audit committee.



<p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. 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>(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>N/A</p>		<p>Refer to section 4 for details and composition of the committee.</p> <p>The Company's Risk Management Policy is available on the Company's website at www.buddy.com which sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to management.</p> <p>The Board will delegate to the CEO responsibility for implementing the risk management system who will submit particular matters to the Board for its approval or review. The CEO is required to report to the Board on the management of risk.</p> <p>The Board and the audit and risk committee monitors risk through various arrangements including:</p> <ul style="list-style-type: none"> • regular Board meetings; • share price monitoring; • market monitoring; and • regular review of financial position and operations. <p>The Board will regularly review assessments of the effectiveness of risk management and internal compliance and control.</p>
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<p><u>Recommendation 7.2</u> 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</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Yes</p>		<p>The Risk committee has completed a risk review in conjunction with the regulatory disclosures required by the 2019 Annual Report. The risk committee has responsibility for the monitoring of risk management, it has reported to the Board on several occasions and has worked alongside the external auditors in the identification of risks and risk mitigation. The Board believes that the Group is currently effectively communicating its significant and material risks to the Board to justify the implementation of a more formal system of identifying, assessing, monitoring and managing risk in the Company.</p> <p>The Company will continually review risk as its operations grow and evolve.</p>
<p><u>Recommendation 7.3</u> A listed entity 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>	<p>Yes – 7.3(b) No – 7.3(a)</p>		<p>The Company does not currently have an internal audit function. This function is undertaken by the full Board and the audit and risk committee.</p> <p>The Company has adopted procedures which are set out in its Risk Management Policy as follows:</p> <p>(a) identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;</p> <p>(b) formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and</p> <p>(c) monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.</p> <p>To this end, comprehensive practices are in place that are directed towards achieving the following objectives:</p> <p>(a) compliance with applicable laws and regulations;</p>



			<p>(b) preparation of reliable published financial information; and (c) implementation of risk transfer strategies where appropriate, eg insurance.</p> <p>Management is charged with evaluating and considering improvements to the Company's risk management and internal control processes on an ongoing basis.</p> <p>The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations. As the Company's operations grow and evolve, the Board will reconsider the appropriateness of creating an internal audit function.</p>
<p><u>Recommendation 7.4</u> A listed entity 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.</p>	<p>Yes</p>		<p>Buddy has two core businesses – its Commercial Business and Consumer Business. Buddy Ohm and Buddy Managed Services are the company's core Commercial offerings that empower its customers to fully leverage digital technologies and their impact in a strategic and sustainable way. Buddy Ohm is a resource monitoring and analytics solution that provides energy monitoring, reporting and auditing services for commercial and industrial customers. Buddy Managed Services team licenses Buddy's technology platforms to customers for integration into their own products.</p> <p>Buddy's Consumer Business trades under the LIFX brand, which was acquired in 2019 and whose results have been included for accounting purposes from 1 April 2019. LIFX has established a leading market position as a provider of smart lighting solutions. The company's suite of Wi-Fi enabled lights are currently used in nearly one million homes, viewed as second only to lighting giant, Philips Hue. LIFX products are sold in over 100 countries worldwide, directly and via distribution and sales partnerships with leading retailers and ecommerce platforms including Amazon, Google, Apple Stores, JB Hi-Fi, Bunnings, Officeworks, MediaMarkt, Saturn and Best Buy (in both the US and</p>



			<p>Canada).</p> <p>Buddy Ohm and Buddy Managed Services users represent a wide variety of industries, including airlines, agriculture, automotive, consumer electronics, robotics, software development, telecommunications, and transportation. Buddy is headquartered in Seattle, Washington, with offices in Adelaide, Australia.</p> <p>It is subject to various economic, environmental and social sustainability risks, which may be materially impact the Company's ability to operate and to generate value for shareholders which has been encompassed in a Risk Matrix. These include:</p> <ul style="list-style-type: none"> (a) Cash Reserves – Funding will be in the form of operating cashflows from existing businesses and equity/debt funding as when required for acquisitions. Any impact on availability of cashflow will impact operations. (b) Future Capital Requirements – Future funding will be required by the Company to develop various projects and or acquisitions. There can be no assurance that such funding will be available on satisfactory terms or at all, be it via operational cashflows, debt or equity funding. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, which may adversely affect the business and financial condition of the Company and its performance. (c) Market Conditions – Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: general economic outlook, introduction of tax reform or other new legislation, interest rates and inflation rates, changes in investor sentiment toward particular market sections, the demand for, and supply of, capital, and terrorism or other hostilities. The market price of securities can fall as
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			<p>well as rise and may be subject to varied and unpredictable influences on the market for equities in general.</p> <p>(d) Competition and new technologies- The Company will be participating in a highly competitive market both domestic and global, however there are few, if any, specific competitors who have a dominant market share and dictate the structure or practices in the market. The fact that there are no dominant competitors makes market entry and penetration easier but not without the need to ensure that the Company can position and differentiate itself to gain market share. There is no certainty that the Company will be successful in this market, that revenue growth will be stimulated or that the Company will operate profitably in the short term, or at all.</p> <p>(e) Hacker attacks - Hackers could render the Platform unavailable or cause customers' personal information to be compromised. Although Buddy has strategies in place to minimise such attacks, these strategies may not be successful. Unavailability of the Platform could lead to a loss of revenue for the Company while compromised customers' information could hinder the Company's abilities to retain existing customers or attract new customers, which would have a material adverse impact on the Company's growth.</p> <p>(g) Protection of intellectual property rights - If the Company fails to protect the intellectual property rights of Buddy adequately, competitors may gain access to its technology which may harm its business. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country in which the Platform may eventually be launched. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property. In addition, unauthorised use of the "Buddy" brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities</p> <p>(h) Dependence on the Internet - The successful continuation of the Platform will depend to some extent on the continued acceptance of the Internet as</p>
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			<p>a communications and commerce platform for individuals, devices and enterprises. The Internet could become less viable as a business tool due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. If for any reason the Internet does not remain a widespread communications medium and commercial platform, the demand for the Company's products would be significantly reduced, which would harm its business</p> <p>The Company has adopted the Risk Management Policy and other procedures to identify, mitigate and manage these risks and other risks identified going forward. These policies are updated from time to time as the Board considers appropriate in the circumstances for the management of the Company's risk profile.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>			
<p><u>Recommendation 8.1</u> The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the 	<p>Yes</p>		<p>The Remuneration committee consists of three non-executive directors who are independent.</p> <p>To assist the Board to fulfill its function and the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website at www.buddy.com.</p> <p>Members of the committee are-</p> <p>Chairman – Mr Rosey Batt</p> <p>Rosey is the CEO of a boutique legal and business consultancy services firm. Prior to establishing her own business Rosey was an equity partner with Minter Ellison. She has more than 30 years' experience in advising Publicly Listed Companies, Private Companies, Incorporated Associations, Public Companies and Businesses generally on complex transactions, compliance, complex litigation and general commercial issues. Rosey has extensive non-executive Board experience including as Chair and on Audit, Risk, Nomination and Investment committees. Her other current non-executive directorships</p>



<p>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 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.</p>			<p>include ModMed Ltd, Windmill Theatre, the Advisory Board of the Litigation Assistance Fund, the Advisory Board of Floodlight Media Pty Ltd and as Independent Chair of the MOC for the SA Department of Health. For the past 15 years her skills in Corporate Governance have been recognised by her appointment as a facilitator for the Australian Institute of Company Directors in their acclaimed Company Directors Course both nationally and in recent years internationally. Rosey often consults to Boards on governance matters. She holds a Masters of Science and Technology Commercialization (International) from the University of Adelaide and the University of Texas at Austin.</p> <p>Committee member:</p> <p>Rick Borenstein is a venture investor, advisor and board member with over 40 years of technology company experience. He currently advises 7 venture-financed companies and sits on several boards. Mr. Borenstein brings extensive business, finance, accounting and entrepreneurial skills to each company.</p> <p>Rick co-founded Sequoia Partners in 1988 and currently serves as Chairman. Sequoia Partners is a "sell side" information technology mergers & acquisitions firm. Sequoia has a long history of executing premium transactions for venture capital companies and corporate technology investors.</p> <p>Mr. Borenstein started his entrepreneurial career after Wells Fargo when he conceived, built and sold 3 companies over the course of 4 years. Mr. Borenstein became President of IMSI in 1986, a \$50MM per year consumer software products company. During his tenure, he took the company public in 1987 and initiated their strategy of growth through acquisition. This exposure to software company deal making convinced him that a small, "virtual", I.T. focused M&A company could be built successfully.</p> <p>Mr. Borenstein's finance training started at Harvard Business School (M.B.A. 1972) and continued through White, Weld & Co., Salomon Brothers and Wells Fargo and Co. His early investment banking training included mergers and</p>
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<p><u>Recommendation 8.2</u> A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Yes</p>		<p>The Company's policies and procedures regarding the remuneration of Executive and Non-Executive Directors and other Key Management Personnel is contained with the Remuneration Report which is within the Company's Annual Report for the financial year.</p>
<p><u>Recommendation 8.3</u> A listed entity 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</p>	<p>Yes</p>		<p>The Company has an employee incentive performance rights plan which was approved at the 2018 Annual General Meeting. A policy is in place in accordance with this recommendation which is included in the employee incentive performance rights plan, which includes a statement on the Company's policy on prohibiting participants in the Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Plan.</p>



<p>of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.</p>			
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