

K&L GATES

Corporate Governance Policy  
**Audit and Risk Charter**

BirdDog Technology Limited  
ACN 653 360 448

18 November 2021

**K&L Gates**  
Melbourne office  
Ref: 7393199.00001

# Corporate Governance Policy

**Date**

**18 November 2021**

## Introduction

Corporate governance refers to the system by which companies are directed and managed. It influences how the objectives of a company are set and achieved, how risk is monitored and assessed, and how performance is optimised. What constitutes good corporate governance will evolve with the changing circumstances of a company and must be tailored to meet those circumstances.

## ASX's best practice recommendations

The ASX Corporate Governance Council (**Council**) provides guidelines in relation to corporate governance, entitled "*Corporate Governance Principles and Recommendations*" (4th Edition). This document articulates 8 central principles and 38 best practice recommendations (**ASX Principles and Recommendations**). The Council believes that the ASX Principles and Recommendations underscore good corporate governance and includes guidelines to assist companies in complying with the ASX Principles and Recommendations.

The board of directors (**Board**) of BirdDog Technology Limited ACN 653 360 448 (**Company**) supports the central principles and best practice recommendations published by the Council. The current policies, procedures and practices of the Company as contained in this Corporate Governance Policy (**Corporate Governance Policy**) comply with the Council's principles and best practice recommendations to the extent possible taking into account the Company's size, complexity, history and corporate culture.

As required under ASX Listing Rule 4.10.3, the Company will include in its annual report either the corporate governance statement (which discloses the extent to which the Company has followed the ASX Principles and Recommendations), or the URL of the page on the Company's website where the corporate governance statement can be located.

The Company will also lodge an *Appendix 4G Key to Disclosures Corporate Governance Council Principles and Recommendations*.

## Company corporate governance charters and policies

The Company has adopted the following corporate governance charters and policies:

1. Primary Board Charter;
2. Code of Conduct;
3. Diversity Charter;
4. Trading Policy;
5. Audit and Risk Charter;
6. Nomination and Remuneration Charter;
7. Continuous Disclosure Policy;
8. Whistleblower Policy; and

9. Shareholder Communication Policy.

Attached are copies of each of the above charters and policies as adopted by the Board.

## **5. Audit and Risk Charter**

### **5.1 General scope and authority**

The Audit and Risk Committee is a sub-committee of the Board and is established in accordance with the authority provided in the Company's constitution. The Board has resolved to establish this Audit and Risk Committee and to adopt the following terms of reference to govern the proceedings and meetings of the Audit and Risk Committee.

The primary role of the Audit and Risk Committee is to monitor and review the effectiveness of the Company's control framework in the areas of operational risk, legal and regulatory compliance and financial reporting. The Audit and Risk Committee also has the responsibility to independently review this Corporate Governance Policy to ensure transparency and focus in the Company's risk management framework. The Audit and Risk Committee will advise and assist the Board in the discharge of its responsibility to exercise due care, diligence and skill in relation to:

- (a) reporting financial information to users of financial reports, in particular the quality and reliability of such information;
- (b) assessing the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets, governmental and other public bodies;
- (c) reviewing the application of accounting policies;
- (d) financial management;
- (e) reviewing internal and external audit reports to ensure appropriate and prompt remedial action is taken by management where weaknesses in controls or procedures have been identified, and for internal audits:
  - (i) appointing and removing the head of the internal audit (including ensuring that the head of the internal audit is suitably qualified);
  - (ii) scoping the adequacy of the internal audit work plan; and
  - (iii) assessing the independence, objectivity and performance of the internal audit;
- (f) evaluating the Company's compliance and risk management structure and procedures, internal controls and ethical standards;
- (g) reporting to the Board where the circumstances require the Company to operate outside of its risk appetite;
- (h) reviewing the Company's business policies and practices;
- (i) conducting any investigation relating to financial matters, records or accounts, and reporting those matters to the Board;
- (j) protecting the Company's assets;
- (k) assessing compliance with applicable laws, regulations, standards and best practice guidelines; and

(l) reviewing this Corporate Governance Policy.

## 5.2 Composition

The Audit and Risk Committee consists of a minimum of 3 directors of the Board, with a majority being independent directors. Provided the Company has at least three non-executive directors, executive directors are **not permitted** to be members of the Audit and Risk Committee. All members of the Audit and Risk Committee (including its chairperson) are appointed by the Board. The chairperson of the Audit and Risk Committee will be an independent director who is not the Chairperson of the Board. All members of the Audit and Risk Committee are to be financially literate in order to be able to appropriately discharge their responsibilities. A member's appointment to the Audit and Risk Committee will automatically terminate on that member ceasing to be a non-executive director of the Company.

The initial Audit and Risk Committee comprises:

- (a) Joanne Moss Independent chairperson
- (b) Andrew Baxter Independent member
- (c) John Dixon Independent member

The secretary of the Audit and Risk Committee will be the Company Secretary.

## 5.3 Meetings

The Audit and Risk Committee will meet as frequently as required but not less than twice a year. The Audit and Risk Committee may also meet at other times during the year to address specific issues referred by the Board and to review financial reports prior to presentation to the Board.

Any member of the Audit and Risk Committee may call a meeting of the Audit and Risk Committee.

A notice of meeting, confirming the date, time, venue and agenda, will be forwarded to each member of the Audit and Risk Committee in the week prior to the date of the meeting. The notice of meeting will also include relevant supporting papers for the agenda items to be discussed.

The quorum for a meeting is 2 members or any greater number determined by the Audit and Risk Committee from time to time.

Other directors, executives and other parties may attend Audit and Risk Committee meetings but only at the invitation of the chairperson of the Audit and Risk Committee.

The Audit and Risk Committee may conduct meetings without all members being in the physical presence of one another provided that all Audit and Risk Committee members involved in the meeting are able to participate in the discussion.

The chairperson of the Audit and Risk Committee, or their delegate, will report to the Board following each meeting.

If the chairperson of the Audit and Risk Committee is absent from a meeting and no acting chairperson has been appointed, the members of the Audit and Risk Committee present

at the meeting have authority to choose 1 of their number to be chairperson for that particular meeting.

Minutes of proceedings and resolutions of the Audit and Risk Committee meetings will be kept by the secretary. Minutes will be distributed to all Audit and Risk Committee members after preliminary approval has been given by the chairperson of the Audit and Risk Committee.

At the end of the Company's reporting period, the number of times the Audit and Risk Committee met in that period, and the individual attendances of the members of the Audit and Risk Committee, will be included in the "Corporate Governance" section of the Company's annual report and/or on the Company's website.

#### **5.4 Authority**

The Audit and Risk Committee has the authority to seek any information it requires to carry out its duties from any officer or employee of the Company or related parties and such officers or employees will be instructed by the Board to cooperate fully in the provision of such information.

The Audit and Risk Committee will maintain free and open communications with the Company's external auditors, internal auditors and management. The Audit and Risk Committee will periodically meet with the internal and external auditors without representatives of management present to discuss the adequacy of the Company's disclosures and policies, and to satisfy itself regarding the external auditors' independence.

The Audit and Risk Committee also has authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities, at the Company's expense.

The Audit and Risk Committee discharges its responsibilities by making recommendations to the Board, however it does not have any executive powers to commit the Board or management to their implementation. The Audit and Risk Committee is not responsible for supervising the performance of executives and is not involved in day-to-day operations, management functions or decision making.

#### **5.5 Duties and responsibilities**

The Audit and Risk Committee's main responsibilities are as follows:

(a) **External Reporting**

The Audit and Risk Committee will:

- (i) consider the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them, ensuring they are in accordance with the stated financial reporting framework and internal control framework;
- (ii) assess significant estimates and judgements in financial reports by making inquiries of management about the process used in making material estimates and judgements and then making inquiries of the internal and external auditors as to the basis of their conclusions and the reasonableness of management's estimates;

- (iii) review management's processes for ensuring compliance with laws, regulations and other requirements (including the Australian Accounting Standards, the Corporations Act, the ASX Listing Rules and the ASX Market Rules) relating to the external reporting of financial and non-financial information;
- (iv) ensure that a comprehensive process is established by management to capture issues for the purposes of continuous reporting to ASX;
- (v) assess information from internal and external auditors that affects the quality of financial reports (eg actual and potential material audit adjustments, financial report disclosures, non-compliance with the laws and regulations, internal control issues);
- (vi) ask the external auditor for an independent judgement about the appropriateness of accounting principles used and the clarity of the financial disclosure practices used or proposed to be used as put forward by management;
- (vii) review documents and reports to regulators and make recommendations to the Board on their approval or amendment;
- (viii) assess the management of non-financial information in documents (both public and internal) to ensure the information does not conflict inappropriately with the financial statements and other documents and assess internal control systems covering information releases that have the potential to adversely reflect on the Company's conduct;
- (ix) review the completeness and accuracy of the reporting of the Company's main corporate governance practices as required under the ASX Listing Rules or the rules of any other stock exchange where the securities of the Company are quoted;
- (x) recommend to the Board whether the financial and non-financial statements should be signed based on the Audit and Risk Committee's assessment of them; and
- (xi) require the CEO and the Chief Financial Officer (or each person who performs each of those roles) to provide a declaration in the form of a certification (**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 system of risk management and internal control which is operating effectively. The Declaration must be given before the Board approves the financial statements for the financial year.

(b) **Periodic corporate report**

The Committee will review and verify the integrity and material accuracy of periodic corporate reports which are not audited or reviewed by an external auditor including the Company's:

- (i) annual director's reports;

- (ii) quarterly activity reports;
- (iii) quarterly cash flow reports;
- (iv) integrated reports (if prepared as a separate annual report); and
- (v) sustainability reports,

by interviewing contributors to each periodic corporate report and independently confirming the information presented in each report.

(c) **Related party transactions**

Review and monitor the propriety of related-party transactions.

(d) **Internal control and risk management**

An internal officer of the Company is to be appointed and responsible for reporting to the Audit and Risk Committee about:

- (i) assessing the internal processes for determining and managing key risk areas, particularly:
  - (A) monitoring any non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
  - (B) important judgements and accounting estimates;
  - (C) contractual risks and indemnities;
  - (D) litigation and claims;
  - (E) insurance programs;
  - (F) fraud and theft; and
  - (G) relevant business risks other than those that are dealt with by other specific Board committees;
- (ii) making recommendations to the Board in relation to the Company's risk management framework and risk appetite;
- (iii) assessing management's performance against the risk management framework and the risk appetite of the Company;
- (iv) receiving from management reports on all suspected and actual frauds, thefts and breaches of laws;
- (v) receiving reports from management on new and emerging sources of risk and the controls put in place to deal with those risks;
- (vi) addressing the effectiveness of the internal control system with management and the internal and external auditors;



- (vii) evaluating the process for assessing and continuously improving internal controls, particularly those related to areas of significant risk;
- (viii) assessing whether management has controls in place for unusual types of transactions including any potential transactions that may carry more than an acceptable degree of risk;
- (ix) assessing the effectiveness of and compliance with the Company's code of conduct;
- (x) meeting periodically with key management, internal and external auditors and compliance staff to understand and discuss the control environment; and
- (xi) ensuring the CEO/Managing Director, Chief Operating Officer and Chief Financial Officer each provide a written statement to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

(e) **Internal audit**

The function of an internal audit is to provide an independent assessment of risk and compliance with internal controls. The results of internal audits are reported to senior management and to the Audit and Risk Committee on a regular basis. In addition, processes have been put in place to ensure that appropriate follow up actions are taken in relation to significant audit findings and any identified areas of risk.

The Audit and Risk Committee's internal audit responsibilities include:

- (i) reviewing the internal auditor's mission, charter and resourcing (including qualifications, skills, experience, funding and equipment);
- (ii) reviewing and approving the scope of the internal audit plan and work program;
- (iii) monitoring the progress of the internal audit plan and work program and considering the implications of internal audit findings for the control environment;
- (iv) monitoring and critiquing management's responsiveness to an internal audit's findings and recommendations;
- (v) evaluating the process which the Company has in place for monitoring and assessing the effectiveness of the internal auditor;
- (vi) overseeing the co-ordination of the internal auditor with the external auditor; and
- (vii) providing the opportunity for Audit and Risk Committee members to meet with the internal auditors without management personnel being present at least once a year.

(f) **External audit**

The Board and management must ensure the statutory auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders and investors with reliable and clear financial reports on which to base investment decisions.

The Audit and Risk Committee's responsibilities include:

- (i) making recommendations to the Board on the appointment, remuneration and monitoring of the performance and independence of the external auditor;
- (ii) ensuring any suggestions by management that the external auditor needs to be replaced or that the audit needs to be put out to tender are referred to and examined carefully by the Audit and Risk Committee with it reporting to the Board on its examination before any decision is made by the Board;
- (iii) reviewing the external auditor's fees and being satisfied that an effective, comprehensive and complete audit can be conducted for the set fee;
- (iv) at the start of each audit, agreeing on the terms of the engagement with the external auditor;
- (v) inviting the external auditor to attend Audit and Risk Committee meetings to, at least, review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment;
- (vi) together with the external auditor, reviewing the scope of the external audit (particularly the identified risk areas) and any additional agreed procedures on a regular and timely basis;
- (vii) enquiring of the auditor if there have been any significant disagreements with management irrespective of whether or not they have been resolved;
- (viii) monitoring and critiquing management's responsiveness to the external auditor's findings and recommendations;
- (ix) reviewing all representation letters signed by management and ensuring the information provided is complete and appropriate;
- (x) providing the opportunity for the Audit and Risk Committee members to meet with the external auditors without management personnel being present at least once a year;
- (xi) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations that may impair or appear to impair the external auditor's independence; and
- (xii) requesting the external auditor to attend the AGM of the Company to answer any audit related questions from shareholders.

(g) **Corporate Governance**

The Audit and Risk Committee will review the corporate governance procedures of the Company and, on a regular basis, consider:

- (i) external trends and developments in relation to corporate governance issues;
- (ii) the position which the Company should take in respect of those issues;
- (iii) the adequacy of the Company's corporate governance policies and practices; and
- (iv) the Company's communications with respect to corporate governance issues.

## **5.6 Fees and expenses**

Audit and Risk Committee members are not entitled to receive any additional remuneration for their role as members of the Audit and Risk Committee. Directors' fees are set to include membership of any Board committees.

The reasonable expenses incurred by Audit and Risk Committee members in discharging their obligations and attending Audit and Risk Committee meetings will be reimbursed by the Company, consistent with Company policies which are established from time to time.

## **5.7 Review of terms of reference**

The Audit and Risk Committee's terms of reference (the Company's risk management framework) are to be reviewed at least annually by the Audit and Risk Committee to ensure they remain consistent with the Audit and Risk Committee's authority, objectives and responsibilities, and also adequately deal with current and emerging risks such as conduct risk (e.g. the risk of inappropriate, unethical or unlawful behaviour on the part of the Company's management or employees), digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

At the end of the Company's reporting period, details of whether such a review has taken place will be included in the "Corporate Governance" section of the Company's annual report and/or on the Company's website.

Any significant changes to the terms of reference are to be recommended by the Audit and Risk Committee to the Board for approval.

## **5.8 Disclosure of terms of reference**

Key features of the Audit and Risk Committee's terms of reference are included in the "Corporate Governance" section of the Company's annual report and/or on the Company's website.

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