

# Corporate Governance Statement

2020

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Board Adopted: 16 Nov 2020

**technologyone**

Transforming business, making life simple

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## QUALITY ENDORSEMENT - ISO9001:2015 Quality Management Systems - Requirements

### ABOUT TECHNOLOGYONE

TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,200 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive industries, project intensive industries and corporates. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For over 30 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology. Today, our software is available on TechnologyOne SaaS and across smart mobile devices.

For further information, please visit: [TechnologyOneCorp.com](http://TechnologyOneCorp.com)

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## 1. Corporate Governance Statement

The Board of Directors of the Company is responsible for its corporate governance. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Directors have established guidelines for the operation of the Board and its Committees. Set out below are the Company's main corporate governance practices.

The TechnologyOne Board routinely considers industry governance initiatives in consideration of their benefit to the Company and its many stakeholders. The Board has adopted the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations.

The Corporate Governance Statement, as well as supporting documents are available on the Company's internet site: [www.technologyonecorp.com/company/investors/corporate-governance](http://www.technologyonecorp.com/company/investors/corporate-governance).

## 2. Board of Directors

The Board of the Company currently comprises nine Directors and includes:

Adrian Di Marco	Executive Chairman - major shareholder (appointed 08/12/1999)
Ronald McLean	Non-Executive Deputy Chairman – Independent (appointed 08/12/1999)
John Mactaggart	Non-Executive Director - major shareholder (appointed 08/12/1999)
Kevin Blinco	Non-Executive Director - Independent (appointed 01/04/2004) <sup>1</sup>
Richard Anstey	Non-Executive Director – Independent (appointed 02/12/2005)
Jane Andrews	Non-Executive Director – Independent (appointed 22/02/2016)
Sharon Doyle	Non-Executive Director - Independent (appointed 28/02/2018)
Cliff Rosenberg	Non-Executive Director - Independent (appointed 27/02/2019)
Peter Ball	Non-Executive Director – Independent (appointed 02/03/2020)

<sup>1</sup> Kevin Blinco will not seek re-election at the upcoming AGM (ceasing to be a Director, 23 February 2021).

The following information is provided in the Corporate Governance section of the Company's Annual Report:

- Details of names, qualifications, skills, experience and dates of appointment of each Board member.
- The number of meetings of the Board and the names of attendees.
- Explanation of any departures from the ASX Corporate Governance Principles and Recommendations.

The role of the Board is as follows:

- Setting objectives, goals and strategic direction for management, with a view to maximising shareholder value.
- Input into and ratifying any significant changes to the Company.
- Adopting an annual budget and monitoring financial performance.
- Ensuring adequate internal controls exist and are appropriately monitored for compliance.
- Ensuring significant business risks are identified and appropriately managed.
- Selecting, appointing and reviewing the performance of the Managing Director and Chief Executive Officer.
- Setting the highest business standards and code of ethical behaviour.
- Overseeing the establishment and implementation of the risk management system, and annually reviewing its effectiveness.
- Decisions relating to the appointment or removal of the Company Secretary.
- To review and evaluate the performance of the Board as a whole, each Committee, key Executives and each Director on an annual basis.

The Board has the authority to delegate any of their powers to committees consisting of such Directors and external consultants, as the Directors think fit. The Board has established a number of committees as follows:

- Nomination & Governance Committee
- Audit & Risk Committee
- Remuneration Committee

Board papers are prepared for the Directors, containing detailed operational reports from each region and department in the Company, highlighting:

- Operational performance.
- Initiatives undertaken/completed.
- Identified problems/risks and proposed solutions.

The Managing Director and Chief Executive Officer also prepare a summary report that highlights:

- Financial performance year to date, and forecast for the full year.
- Significant issues.
- Significant changes proposed.
- Proposed strategic initiatives.

On a regular basis, members of the Executive/Management Team are invited to present to the Board directly and to answer questions the Board may have.

The strategy of the Company, as well as matters reserved to the Board, are reviewed annually by the Board.

### **Matters Reserved to the Board**

Matters that are reserved to the Board are as follows:

- Communications with shareholders and the market in general, including ASX announcements, through the Chairman of the Board.
- Input into and subsequent approval of corporate strategy and performance objectives.
- Reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance (ASX, ASIC, and ATO).
- Input into and subsequent approval of significant organisational structure/restructure.
- Review of the Managing Director, Chief Executive Officer and Company Secretary to the relevant Code of Conduct established by the Board.
- Appointing and removing the Managing Director and Chief Executive Officer and monitoring their performance respectively.
- Input into and subsequent approval of the budget including Operating Expenditure and Capital Expenditure, and any significant variations.
- Oversight of the Company, including its control and accountability systems.
- Input into and subsequent approval of changes to internal systems and controls.
- Review, and accept/reject recommendations from sub-committees such as Audit & Risk, Remuneration and Nomination & Governance committees.
- Input into and ratifying any acquisitions and divestitures.
- Oversee the establishment and implementation of a risk management system, and review regularly the effectiveness of the Company's implementation of that system.

All other matters are referred to management.

### Board Skills

As a collective, the Board has extensive commercial skills and experience which provide a solid base for the governance of the Company. The Board has a combination of experience in the following core areas:

- Strategic and Commercial Acumen
- Finance and Taxation
- Risk and Compliance
- IT and Communications Industry
- Software and Product Development
- Start-ups and Early Stage Investments
- Corporate Governance
- Sales and Marketing
- People, Culture and Conduct
- Executive Management and Leadership
- Listed Entities
- International Business

The Board as a whole benefits from the combination of the Director's individual skills, experience and expertise in particular areas, as well as the varying perspectives that arise from the interaction arising from the Board's diverse backgrounds.

The Board believes that its current membership provides a suitable level of skills to properly guide the Company and deliver the Company's strategic objectives and provide a solid base for governance.

The Board assesses its level of skills annually and will address any requirements for additional skills that it feels would be in the best interest of the Company in response to wider market factors and the growth of the Company. The Board has determined the core skills for its governance of the Company.

### Director Principles

The Directors operate in accordance with the following broad principles:

- The Board should comprise of at least three members, but no more than 10. The current Board membership is nine. The Board may increase the number of Directors where it is felt that additional expertise in specific areas is required. The Company believes for its current size, a smaller Board allows it to be more effective and to react quickly to opportunities and threats.
- The Board should be comprised of Directors with an appropriate mix of skills, qualifications, expertise, experience and diversity. The skills, experience and expertise which the Board considers to be particularly relevant include those listed above. In respect of diversity, the Board recognises that diversity relates to, but is not limited to gender, age, ethnicity and cultural background. The Board values diversity and recognises the individual contribution that people can make and the opportunity for innovation that diversity brings.
- The Board shall meet on both a planned basis and an unplanned basis when required, and have available all necessary information to participate in an informed discussion of agenda items.
- The Directors are entitled to be paid expenses incurred in connection with the execution of their duties as Directors. Each Director is therefore able to seek independent professional advice at the Company's expense, where it is in connection with their duties and responsibilities as Director. The Company policy is that a Director wishing to seek independent legal advice should advise the Chairman at least 48 hours before doing so.

- The Directors and Officers will not engage in short term trading of the Company's shares. Furthermore, the Directors and Officers will not buy or sell shares at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price of the Company's shares. Information is not considered to be generally available until a reasonable time has elapsed to allow the market to absorb these announcements. A detailed policy exists on this matter – refer below, section: Trading in Company Securities.
- Directors have a clear understanding of the corporate and regulatory expectations of them. To this end formal letters of appointment are made for each Director setting out the key terms and conditions, any special duties or arrangements, remunerations and expenses, their rights and entitlements, confidentiality and rights of access to corporate information, as well as Indemnity and Insurance cover provided.
- Newly appointed Directors undertake an induction course covering the Company's strategy, products and operations. They are also provided a copy of the Company's constitution, charters and key policies.
- Directors are required to disclose Directors' interests and any matters that affect the Director's independence. This includes disclosure of conflicts of interest, which may include transactions with family members or related entities.
- If there is a potential conflict of interest, conflicted Directors must immediately inform the Board and abstain from deliberations on such matters. Such Directors are not permitted to exercise any influence over other Board members. If the Board believes the conflict of interest is material or significant the Directors concerned will not be allowed to attend the meeting or receive the relevant Board papers.

### **Director Independence**

The Board comprises a majority of independent Non-Executive Directors who have broad commercial experience and bring independence, accountability and judgement in discharging the Board's responsibilities to ensure optimal returns to shareholders and the ongoing provision of benefits to the Company's employees.

The Board is required to disclose any new information that could, or would be reasonably perceived, to influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on the issues before the Board and to act in the best interests of the Company and its shareholders.

The independence of the Directors is assessed annually in accordance with the ASX Corporate Governance Principles and Recommendations.

While the ASX Corporate Governance Principles and Recommendations and proxy advisors consider the tenure of a Director as affecting independence, the Board believes that this is not a material consideration due to the way TechnologyOne facilitates interactions between Directors and Senior Executives and the benefits that tenure brings with established, deeper levels of company specific knowledge. TechnologyOne does not have casual, ad-hoc informal relationships between the Directors and Senior Executives and provides only formal interaction between the Board and Senior Executives in order to maintain the independence of each Director. All interactions are formal in nature and documented. TechnologyOne believes that by doing this, it maintains the independence of the Directors and nullifies the impact on tenure on independence. These formal interactions include presentations to the Board throughout the year on their business unit strategies and outcomes. Any other interaction by a Board Member and a Senior Executive is only under prior approval by the Chairman.

TechnologyOne will only enter into an agreement for the provision of consultancy or similar services by a Director or senior executive or by a related party of theirs if: TechnologyOne has independent advice that the services being provided are outside the ordinary scope of their duties as a Director or senior executive; the agreement is on arm's length terms; and, the remuneration payable under it is reasonable and with full disclosure of the material terms to securityholders.

The independence of Mr Ron Mclean has been debated by some corporate advisory groups because he was a past employee of TechnologyOne, ceasing to be an executive in 2004. The Board is of the opinion that, due to the period of time that has lapsed since Mr Mclean's employment with the company 14 years ago, Mr Mclean is considered as being independent. Mr Mclean's appointment also took place in 1992, prior to the introduction of the ASX's 1<sup>st</sup> edition of the Principles of Good Corporate Governance in March 2003.



The ASX guidelines commentary provides the following guidelines note which supports this position: “The mere fact that a director has served on a board for a substantial period does not mean that he or she has become too close to management to be considered independent. However, the board should regularly assess whether that might be the case for any director who has served in that position for more than 10 years.”

The ASX guidelines also states that it “recognises that the interests of a listed entity and its security holders are likely to be well served by having a mix of directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspective.”

The company has set the objective to increase the Board size, with the aim of adding additional independent directors, with Jane Andrews’ appointment in the 2016 financial year, Sharon Doyle’s appointment in the 2018 Financial Year, Cliff Rosenberg’s appointment in the 2019 Financial Year and Peter Ball appointed in the 2020 Financial Year, resulting in an indisputable majority of independent directors.

TechnologyOne is also progressing with a Committee composition strategy which continues to comply with the ASX Corporate Governance Principle recommendations while transitioning newly appointed Directors into the appropriate Committees once they have had sufficient time to develop a comprehensive understanding of TechnologyOne’s operations.

### **Lead Independent Director**

The Company will appoint a Lead Independent Director in the next 12 months once the new independent non-executive Directors have been appointed and established in their roles. The Lead Independent Director will represent the interests of shareholders where the Executive Chairman is unable to do so due to a conflict of interest.

The role of Lead Independent Director will include:

- Representing the independent Directors as the most senior independent Director;
- Acting as principle liaison between the independent Directors and the Chairman; and
- Advising the Board with reference to the other independent Directors on the matters where there is a conflict of interest.

The roles of Deputy Chairman and Lead Independent Director will be separated to further strengthen the overall independence of the Board and to allow greater flexibility in responding to governance issues and in supporting the interests of the shareholders.

### **Director Appointments**

All Directors, both Executive and Non-Executive, receive written notifications of their appointment and a new Director induction pack which details the terms and conditions of their appointment, remuneration (including superannuation contributions), continuous disclosure requirements (including interests in the Company), ongoing confidentiality obligations, Company policies on when to seek independent professional advice, the Company’s indemnity and insurance measures.

Prior to appointment, appropriate checks are undertaken on the candidates and relevant information provided to shareholders to consider when voting on the election of the Director. Relevant information is also provided for shareholders to consider when voting to re-elect existing Directors upon rotation. Executive Directors and senior management of the Company will also have formal written employment agreements which set out the terms of their employment, roles and responsibilities, reporting lines, remuneration, confidentiality and termination provisions.

All Directors and senior management are required to comply with key corporate policies which include, but are not limited to, Share Trading Policy, Insider Trading Policy, Privacy Policy, Diversity Policy and Code of Conduct..

All new Directors and senior management participate in the Company’s formal on-boarding program which includes an induction program which incorporates meetings with key senior executives.

### **3. Company Secretary**

The Company has a Company Secretary that is appointed by the Board by resolution.

The Company Secretary is accountable directly to the Board, through the Chairman.

The role of the Company Secretary is as follows:

- Advising the Board and Committees on governance matters.
- Monitoring adherence of Board and Committees to policies and procedures.
- Coordinating timely completion and despatch of Board and Committee papers.
- Ensuring business at Board and Committee meeting is accurately captured in the minutes.
- Helping to organise and facilitate induction and professional development of Directors.

## 4. Audit & Risk Committee

The Board has established an Audit & Risk Committee. The committee is comprised of:

Peter Ball (Chairman)	Independent Non-Executive Director
Jane Andrews	Independent Non-Executive Director
Sharon Doyle	Independent Non-Executive Director
Kevin Blinco	Independent Non-Executive Director <sup>1</sup>

<sup>1</sup> Kevin Blinco will not seek re-election at the upcoming AGM (ceasing to be a Director, 23 February 2021).

The role of the committee is to:

- Ensure the integrity in financial reporting (refer section below – Safeguard Integrity in Financial Reporting).
- Receive and review reports from the external Auditor.
- Review for accuracy financial statements for each reporting period prior to approval by the Board, and publishing.
- Ensure that systems of internal control are functioning effectively and economically and that these systems and practices contribute to their achievement of the Company's corporate objectives.
- Ensure required declarations from the Company's CFO and Chief Executive are received for each reporting period.
- Monitor compliance with the requirements of the Corporations Act, Listing Rules, Australian and Foreign Taxation Offices and other related legal obligations.
- Ensure that the financial statements for each reporting period comply with appropriate accounting standards.
- Regularly review Accounting Standards and Company Policies in conjunction with the Auditors and recommend adoption/changes to the Board.
- Directly follow-up action where considered necessary.
- Relate any matters of concern to the Board.
- Ensure the Internal Audit Function maintains a high standard of performance
- Oversight of the process to ensure the independence and competence of the Company's external auditors.
- Review the performance of the external auditor on an annual basis.
- Recommend the selection and the appointment of the external Auditors, based on specified criteria.
- Oversee the ongoing development by management of an enterprise-wide risk management framework for management of material risks.
- Periodically review the adequacy and effectiveness of the Company's policies and procedures relating to risk management and compliance.
- Make recommendations to the Board on key risk management performance indicators and levels of risk appetite.
- Oversight and development of the Company's group taxation matters.
- Review of taxation governance processes, policies, control framework and reporting.

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Audit & Risk Committee Charter is available on the Company's website.

### **Principles of the Audit & Risk Committee**

The committee operates in accordance with the following broad principles:

- Advise and assist the Board in fulfilling its responsibilities relating to financial management, risk oversight and reporting functions and in safeguarding the Company's assets;
- Provide a means of easy access to the Board for the external auditors in order to assist them in performing their functions;
- Assign the Secretary of the Committee such duties and responsibilities as the Committee may deem appropriate.
- Do other things and take other actions as are necessary or prudent to fulfil the responsibilities of the Committee, provided that no action will be taken without prior approval of the Board.
- TechnologyOne requires the rotation of the external audit partner every five years. The Audit & Risk Committee includes members who are financially literate; and at least one member who has financial expertise, preferably a qualified accountant.

## 5. Remuneration Committee

The Board has established a Remuneration Committee.

The committee is comprised of:

Jane Andrews (Chair)	Independent Non-Executive Director
Cliff Rosenberg	Independent Non-Executive Director
Ron McLean	Independent Non-Executive Director

The role of the committee is:

- To advise the Board with regard to the Company's broad policy for Executive and Director remuneration.
- To determine, on behalf of the Board, the individual remuneration packages for Executives and Directors.
- To give the Company's Executives encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contribution.

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Remuneration Committee Charter is available on the Company's website.

Non-Executive Directors' remuneration is determined by the Board within the aggregate amount per annum which may be paid in Directors' fees.

### Principles of the Remuneration Committee

The committee operates in accordance with the following broad principles:

- The committee should provide the packages needed to attract, retain and motivate Executives, but avoid paying more than is necessary.
- The committee should judge where to position the Company relative to other companies. Be aware of comparable companies' pay, but exercise caution.
- The committee should be sensitive to the wider scene, especially with regard to salary increases.
- Performance related elements should form a significant proportion of the package; should align interests with those of shareholders; and should provide keen incentives.

## 6. Nomination & Governance Committee

The Board has established a Nomination & Governance Committee. The Committee is comprised of:

Richard Anstey (Chair)	Independent Non-Executive Director
Sharon Doyle	Independent Non-Executive Director
Jane Andrews	Independent Non-Executive Director

The role of the Committee is as follows:

- Assessment of the necessary and desirable competencies and experience for Board membership.
- Evaluation of the membership of the Board, Audit & Risk and Remuneration committees, and their membership.
- Evaluation initially and on an on-going basis of Non-Executive Director's professional development, commitments, and their ability to commit the necessary time required to fulfil their duties to a high standard.
- Adherence by Directors to the Director's Code of Conduct and to good corporate governance.
- Review of Board succession plans.
- Recommendation for changes to committees.
- Recommendation of, and undertaking the appropriate checks, before for the appointment of new Directors.
- Recommendation of, and undertaking the appropriate checks, for the endorsement or non-endorsement of existing Directors.
- Ensuring that an effective induction process is in place for new Board members.
- Review and oversight of the Company's Corporate Governance Statement and governance related policies.
- Oversight of ESG strategy and Sustainability Reporting
- Oversee compliance with Modern Slavery Regulations

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Nomination & Governance Committee Charter is available on the Company's website.

### Principles of the Nomination & Governance Committee

The committee operates in accordance with the following broad principles:

- The Nomination & Governance Committee is entitled to seek the advice of an external consultant.
- The Nomination & Governance Committee will make recommendations to the Board. The Board is responsible to appoint the most suitable candidate, after receiving recommendations from the Nomination & Governance Committee. The nominated appointee upon acceptance will hold office until the next Annual General Meeting, where the appointee must retire and is entitled to stand for re-election.
- The Board is responsible to either recommend/not recommend the endorsement of a Director at the next Annual General Meeting.
- The name of all candidates submitted for election as Director is accompanied with necessary information required by shareholders to make an informed decision including biographical details, competencies, qualifications, details of relationships between the Company, the candidate and Directors; other directorships held, particulars of other positions held which involve significant time commitments, and any

other particulars required by law or good corporate governance. For existing Directors standing for re-election, the number of years as a Director of TechnologyOne will also be provided.

- Directors (with the exception of the Managing Director who is appointed by the Board) must stand for re-election every three years in accordance with the Company's Constitution. One third of the Directors retire from office at each Annual General Meeting.
- A structured process has been established to review and evaluate the performance of the Board and its Committees. This process also identifies ways to improve their performance, interaction with management, and quality of information provided.

### **Assessment of Director Independence**

The Board has determined that an independent Director will meet all of the following criteria:

- Is not an Executive Director (i.e. not a member of the management)
- Is not a substantial shareholder of the Company, as defined by Section 9 of the Corporations Act, or an officer of a company that is a substantial shareholder.
- Is not directly associated with a substantial shareholder of the Company.
- Within the last three years, has not been employed in an Executive capacity by the Company or another group member, or been appointed a Director within three years after ceasing to hold such employment, insofar as the Director was not appointed prior to the introduction of the ASX Principles of Good Corporate Governance in March 2003.
- Within the last three years, has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provider.
- Is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated, either directly or indirectly, with a material supplier or customer. This includes family members being in these categories.
- Has no material contractual relationship with the Company or another group member other than as a Director of the Company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

## 7. Corporate Governance Principles & Recommendations

### 7.1 Ethical Standards and Code of Conduct

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics, and strive at all times to enhance the reputation and performance of the Company.

A Code of Conduct has been established for each of the following:

- Directors
- Chief Executive Officer
- Chief Financial Officer
- Executives
- Employees

Each of the Codes of Conduct has been approved by the Board, and given their full support.

The codes address:

- Responsibilities to shareholders, and clients.
- “The TechnologyOne Way”, which refers to the success of the company coming from our shared values, our entrepreneurial spirit and innovation.
- Employment practices (anti-discrimination, occupational health and safety, etc.).
- Responsibilities to the community.
- Responsibilities to the individual.
- Compliance with the codes.

In addition, the Directors, Executive Chairman, Chief Executive Officer, Chief Financial Officer, Executives and all employees have employment agreements, which include job descriptions. These job descriptions describe their duties, rights and responsibilities.

In conjunction with the Code of Conduct, TechnologyOne has developed a Whistleblower Policy and Bribery & Corruption Policy. The Whistleblower Policy encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do. The Board will be informed of any material concerns raised that call into question the culture of TechnologyOne or have been raised under the Bribery & Corruption Policy.

The Board is informed of any material breaches of the Code of Conduct by a Director or Senior Executive and of any other material breaches of the code that call into question the culture of the organisation.

#### Diversity Policy

TechnologyOne has an inclusive diversity policy which covers the broader dimension of diversity covering aspects of gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender orientation within the total organisation, including the Board, and senior management. In conjunction with this policy, the Company has measurable objectives which are assessed and reported in the annual report.

The diversity of TechnologyOne remains fundamental to our ongoing success. TechnologyOne has established a Diversity Policy which reflects the company’s commitment to providing an inclusive workplace.

A summary of the Diversity Policy is following:

- Diversity is one of TechnologyOne’s strengths. TechnologyOne values this diversity and recognises the individual contribution our people can make and the opportunity for innovation such diversity brings.



- TechnologyOne believes that we will achieve greater success by providing our people with an environment that respects the dignity of every individual, fosters trust, and allows every person the opportunity to realise their full potential.
- TechnologyOne is committed to providing an inclusive workplace and our commitment to diversity extends to our interactions with customer and suppliers.

The Board established measurable objectives for 2020 and the objectives are:

- Ensuring compliance with the published diversity policy.
- Not less than 30% of the Board to be of each gender by 2022 (to allow for the Board transition)
- 30% of all vacant Senior Management roles are to have at least one female candidate shortlisted.
- Diversity target – setting targets for the number of women in senior roles in the organisation.
- Maintain reporting measures that are in compliance with both the ASX guidelines and Workplace Gender Equality Agency.
- Continue to identify employee feedback mechanisms through the review of existing forums and information provided as well as the identification of appropriate new mechanisms for employee consultation.
- Maintain existing educational programs that support diversity including but not limited to induction, on boarding and leadership programs delivered through the TechnologyOne College.

The Company's 2020 Workplace Gender Equality Agency report can be found on the 'Shareholders' section of the Company's website.

## 7.2 Safeguard Integrity in Financial Reporting

The Company has established a structure of reviews and authorisations designed to ensure the truthful and factual presentation of the Company's financial position. This includes:

- The establishment of an Audit & Risk Committee, and the review and consideration of the accounts by the Audit & Risk Committee.
- Process to ensure the independence and competence of the Company's external auditors.
- Requirement that the CEO and CFO state in writing to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition; operational results are in accordance with the relevant accounting standards and the Company's Risk Management and Internal Compliance and Control System is operating efficiently and effectively in all material respects.
- Ensuring that the Company's external Auditor's attend the Company's Annual General Meeting each year
- Verification of statements and data supplied in the annual directors' report and other corporate reports to ensure that the releases to the market are accurate, balanced and understandable and provide investors with appropriate information to make informed investment decisions.
- Disclosure of the annual tax transparency statement.

The Company has put the external audit services to tender in 2020 which is another example of how the Company expresses its dedication to ensuring integrity of the financial reporting is maintained.

## 7.3 Continuous Disclosure

The Company Secretary working closely with the Executive Chairman, have been delegated responsibility for the continuous disclosure of information to the market, to ensure:

- All investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance.

- Company announcements are factual and presented in clear and a balanced way, requiring the disclosure of both positive and negative information.
- When analysts are briefed on aspects of the Company's operations, the market is forewarned, and the materials used in such presentations are also released to the ASX and posted on the Company's website.
- Any information that a reasonable person would expect to have a material effect on the price or value of the Company's share price (as per Listing Rule 3.1) is immediately notified to the ASX.

The Company has established a documented procedure to handle continuous disclosure requirements. Directors are provided with copies of all announcements made under listing rule 3.1 promptly once made.

## 7.4 Risk Assessment Management

The Company has adopted an active approach to risk management and the Board recognises that the Company's participation in commercial and operational activities require a certain level of risk. As such, the Board has delegated the risk management function to the management of the Company with oversight by the Audit & Risk Committee. Management provides risk reporting to the Audit & Risk Committee at each meeting.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to the financial reporting risks.

The risk appetite of the Company takes into account the level of risk and risk combinations that the Board is prepared to take to achieve strategic objectives together with the level of risk shock that the Company is able to withstand.

The Board expanded the role of the Audit Committee in 2017 to include oversight of risk management and compliance functions and as such is now referred to as the Audit & Risk Committee. The Committee has performed an annual risk review and have identified a number of key risk categories for the business.

### Material Risks

#### Human Risk

The company has identified that it has a material risk in relation to the human element of the business. The company manages human risk by undertaking half yearly performance assessment and reviews, performance management (where necessary), succession planning, key talent retention strategies, having human resources business partners assigned to each operating steam of the company to work with the business on any concerns raised, and by conducting half yearly surveys of managers to identify any known issues. The Board is provided with a summary of these issues as part of the Group Director – People & Culture's report tabled at each board meeting.

### Key Risks

The company's focus on risk management is primarily conducted through the Audit & Risk Committee, with a number of identified areas of specific risks as follows:

#### Contract Risk

The company has established a Risk Management Committee that reviews all proposed new contracts with non-standard terms prior to signing to ensure the contracts can be fulfilled, the risks are known and can be managed, and that the contract can be completed profitably without exposing the company to ongoing liabilities.

#### Financial Risk

The company has an Executive Committee that reviews the company's financial exposure with a particular focus in the area of Outstanding Debtors.

### **Data Security & Privacy Risks**

TechnologyOne has successfully completed the Information Security Registered Assessors Program (IRAP) assessment for PROTECTED classified data. This provides our SaaS customers with an increased cyber security posture and greater certainty in a constantly evolving cyber security landscape. This was achieved by leveraging the strong compliance and security foundations established over recent years and is a testament to TechnologyOne's mature security practices, accountability mechanisms and belief in continuous assessment and improvement.

The Company has a robust data security and privacy program developed in accordance with Australia's Privacy Amendments (Notifiable Data Breaches) Act 2017 and the EU General Data Protection Regulation requirements. This program ensures security is considered throughout the day to day operations of the company and is backed by an independently verified process for dealing promptly with matters should they arise. The company also is certified to the standards required in ISO27000, ISO9001, SOC1, SOC2 and SOC3.

### **Software Risk**

The company has an executive R&D Committee that reviews Software Release management, including resourcing and development issues.

### **Insurance Risk**

The Board of TechnologyOne, on an annual basis, reviews the company's insurance requirements and compares this to the level of cover provided to ensure it is adequately covered.

### **Project Risk**

The Board requires the Chief Executive Officer to report on any project that may be at significant risk of either incurring substantial penalties or incurring substantial over-runs. In addition, the company has established a Project Risk Committee that reviews current projects and consulting activities to provide an early detection mechanism to ensure that any risks that pose a significant risk to the company are identified and resolved before exposing the company to potential liabilities.

### **Sustainability Risk**

The Company believes that it does not have material exposure to specific economic, environmental or social sustainability risks. However, the Company recognises the importance of these to its stakeholders and has developed a Sustainability Report to outline the Company's position and initiatives across a number of sustainability risks.

The Sustainability Report provides the company's initiatives and targets on items including:

- Diversity,
- Customer Satisfaction
- Employee Satisfaction
- Corporate Culture
- Ethical Business Practices
- Community Support
- Environmental Sustainability Practices

The Sustainability Report is available on the Company's website.

## **7.5 Accounting Standards and Company Policies**

Adhering to Accounting Standards and Company Policies, and the appropriate interpretation of such policies/standards, is seen as critical to managing the financial risk of Technology One. Accounting Standards and Company policies are reviewed on a regular basis by the Audit & Risk Committee working in conjunction

with the Auditors, and recommendations for adoption/change are made to the Board. Compliance to Accounting Standards and Company policies are included as part of the Auditors annual review.

### Internal Controls and Compliance

The Company has an internal control framework that consists of:

- Written policies and procedures.
- Division of responsibilities to ensure appropriate segregation of duties.
- Careful selection of high calibre well qualified staff.

TechnologyOne undertakes Internal Audits in accordance with the Internal Audit schedule as approved by the Audit & Risk Committee. These audits are undertaken by the Governance, Risk & Compliance Team and reported directly through to the Audit & Risk Committee. The company's auditors or another suitable external independent organisation are engaged yearly to review the company's internal controls and compliance and to provide a report to the Board.

The Audit & Risk Committee also oversee the Company's compliance program with relevant international standards (including ISO 9000, 27000 series, SOC 1, 2 & 3).

## 7.6 Remuneration Principles

TechnologyOne believes in the full disclosure of remuneration of its Directors and Executives to the market, on at least an annual basis and as they occur in the case of new employment agreements. Disclosure will cover all monetary and non-monetary components including salary, fees, non-cash benefits, bonuses accruing each year irrespective of payment, profit share accruing each year irrespective of payment, superannuation contributions, payments entitled to termination or retirement, value of shares or options issued, sign-on payments etc.

As a matter of principle, TechnologyOne has adopted the following guidelines to motivate Directors and Executives to pursue long-term growth, and ensure their interests and those of the shareholders are closely aligned:

- Remuneration packages should be set in the context of what is reasonable and fair, taking into account the Company's legal and industrial obligations, labour market conditions, the scale of the business and competitive forces.
- Non-Executive Directors should be remunerated solely on the basis of a cash payment, plus superannuation contributions as required by law. Non-Executive Directors should not be provided with bonuses, options, shares, loans or any other non-cash component. They should not participate in schemes designed for the remuneration of Executives. The Company does not provide a Director's Retirement Plan.
- Non-Executive Directors will not be provided termination or retirement payments other than statutory superannuation.
- Company Executives (including Executive Directors) should be provided with a significant component of their expected salary on "an at-risk basis", tied to the Company's profit target. Shares or Options may also be provided as part of the "at risk component", but these must be tied to performance hurdles. The performance hurdles are to be reasonable, objective and measurable.
- Termination payments should be agreed in writing and in advance if any are to be provided.

## 7.7 Performance Evaluation

### Board

The Board meets annually for the purpose of reviewing and evaluating the performance of the Board as a whole, each Committee, key Executives and each Director individually in meeting key responsibilities and achieving its objectives.

The following areas were considered by the Board in its 2020 annual review:

- Performance evaluation of Directors and Senior Executives.
- Review of skills and experience of the Board for current operations of the Company and identification of any shortfalls.
- Director succession planning.
- Review of current legislation in relation to any age restrictions.
- Review of independence of each Director.
- Review of skills matrix to ensure relevance of required skills.

To assist the Board in maximising its effectiveness, the Board and Nomination & Governance Committee have a skills matrix to provide objective information about each Director and the Board as a whole during the past year.

Each Director is encouraged to discuss any issue concerning Board performance with the Chairman at any time.

Directors are encouraged to maintain and improve their knowledge, skills and expertise through briefings, seminars and going professional development programs.

Remuneration of the Board is assessed every three (3) years against comparative data for Australian publicly listed companies supplied by an independent consultant and reported to the Remuneration Committee. The relative risk, time, effort, complexity of the underlying business, competency of the management team, financial performance and track record, clarity of strategy as well as the number of Board meeting required to oversee the business are used as benchmarks to determine the appropriate level of Director's fees. For years where a formal assessment of remuneration is not conducted, the Director's fees are increased by the Australian Consumer Price Index (CPI).

### Senior Executives

The performance of Senior Executives is reviewed and evaluated annually by a combination of the Company's internal performance management program managed by the Company's human resources department and as part of the formal remuneration review that is conducted annually by the Remuneration Committee.

## 7.8 Trading in Company Securities

The Directors have resolved to adopt the following policy in relation to trading by Directors and Officers in the Company's shares.

- The Directors and Officers will not engage in short term trading of the Company's shares.
- The Directors and Officers will not buy or sell shares at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price of the Company's shares. Information is not considered to be generally available until a reasonable time has elapsed to allow the market to absorb these announcements.

The Directors and Officers are not permitted to use the Company's shares as security for Margin Loans. To assist Directors and officers in abiding by these principles the following rules have been established, relating to when Directors and Officers can buy and sell the Company's shares:

- For 50 days from the day following the release of the following information to the market:
  - the half yearly financial statement
  - the annual financial statement
  - other reports relating to the financial performance or financial status of the Company.

At all times, the Director/Officer must notify the Board (as a minimum the Chairman) in advance of any intended transactions involving the Company's shares. It is recognised that there may be circumstances where it may not be appropriate for Directors and Executives to buy and sell within the above 50-day window in the event

the Company is involved in strategic initiatives (such as acquisitions), which could materially affect the market price of the Company's shares.

The Directors and Executives must advise the Company Secretary of any completed trades immediately and definitely no later than one day after each transaction. This will allow the Company Secretary sufficient time to notify the ASX of the change in shareholding within the required period.

A register of Director's holdings is made available for inspection at every Board meeting.

This policy applies to Directors and Executives (including their nominee companies) and the entities which they control.

For the purpose of this Policy, Executive is deemed to include the following parties:

- a) persons named by the Board from time to time who may be involved in strategic issues
- b) Executive officers of the Company as defined in section 9 of the Corporations Act being: 'any person by whatever name called who is concerned or takes part in the management'
- c) any member of the Company's Executive committee.

In addition to the policy for Directors and Executives, all employees are reminded of the Insider Trading provisions of the Corporations Act. Staff are reminded of their obligations during the Trading Windows.

## 7.9 Shareholders' Rights and Communication

The Board of Directors aim to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The information is communicated to shareholders, and forms part of the company's two-way investor relations program:

- By ensuring that all shareholders can elect to receive information and communications from the Company's share registry either physically or electronically and can update their preferences through the share registry.
- By the Annual Report being distributed to all shareholders. The Board ensures the Annual Report contains all relevant information about the operations of the Company during the financial year, together with details of future developments and other disclosures required under the *Corporations Act 2001*.
- By publishing its Notice of Meetings and Explanatory Memorandum for each Annual General Meeting or other such meetings as required from time to time;
- By encouraging shareholders to attend and participate in the Company's Annual General Meeting;
- By encouraging shareholders to participate in proxy voting should they be unable to attend the Company's Annual General Meeting;
- By enabling shareholders to pose questions to the Company in the lead up to the Annual General Meeting for responding during the meeting;
- By facilitating polls for each resolution voted during an AGM;
- By the Half Year results released to the market;
- By disclosures forwarded to the ASX under the Company's continuous disclosure obligations;
- Through the Company's website, under a special area called Shareholders;
- By the Company's participation in scheduled briefings with institutional shareholders and security analysts;
- By the participation of the Company's Auditors and Solicitors at the Annual General Meeting.

All information communicated by the Company is in accordance with its continuous disclosure requirements under ASX Listing Rule 3.1.

## 8. Non-Compliance with ASX Corporate Governance Principles and Recommendations 4<sup>th</sup> Edition

The Board of Technology One believes in working to the highest standards of Corporate Governance. Notwithstanding this, the Board believes it is important to recognise there is not a 'one size fits all' to good corporate governance, and that it is important to consider the size of the Company, the industry it operates within, the corporate history and the Company's inherent strengths.

The ASX Corporate Governance Council has recognised this fact and has allowed companies to explain where they do not comply with the Corporate Governance Principles and Recommendations 4<sup>th</sup> Edition.

The Company has complied with the majority of recommendations, with the exception of the following. The Board believes the areas of non-conformance shown below will not impact the Company's ability to meet the highest standards of Corporate Governance and will at the same time allow the Company to capitalise on its inherent strengths.

This section highlights those areas of non-compliance and explains why it is appropriate.

### **Independent Chairman (Refer ASX Corporate Guidelines – Recommendation 2.5)**

The Board is of the opinion it should maximise the vision, skills and deep industry knowledge of the Company's founder and major shareholder, Mr Di Marco, to continue to lead the Company forward. He has a long and proven track record of creating significant shareholder wealth for the Company as its Chairman, since listing on the ASX in 1999.

The Board believes Mr Di Marco continues to be the best candidate to clearly communicate the Company's vision, strategy and to set market expectations. To this end it is seen as appropriate that Mr Di Marco should remain as Executive Chairman of the Company. There is no empirical evidence to support the preference of an Independent Chairman.

The ASX Corporate Governance Principles and Recommendations propose that "if the Chair is not an independent Director, a listed entity should consider the appointment of an independent director as the Deputy Chair". Mr McLean was appointed Deputy Chair at the Board meeting held 15 August 2017. Mr McLean is deemed to be an independent non-executive director in the Board's opinion.

The Company will appoint a Lead Independent Director in the next 12 months once the new independent non-executive Directors have been appointed and established in their roles.

On 23 May 2017, Mr Edward Chung was appointed as Chief Executive Officer.

Mr Di Marco will not be deemed as independent under the ASX guidelines due to him being a substantial shareholder. This, however, aligns Mr Di Marco with the interests of the Company's shareholders.