



BRAINCHIP HOLDINGS LTD
ACN 151 159 812
(Company)

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 26 February 2020 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that are not being followed have been identified and reasons provided for not following them, along with alternative governance practices (if any) the Company intends to adopt in lieu of the recommendation.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees other than an Audit Committee and Remuneration Committee and that its resources are better utilised in other areas in support of the Company. Under the Company's Board Charter, the duties that would ordinarily be assigned to other individual committees such as a Risk Committee and Nomination Committee are currently carried out by the full Board under the written terms of reference for those committees.

The Company's Corporate Governance Charters, Policies & Procedures are available on the Company's website at <http://ir.brainchipinc.com/governance-docs>.

RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
<i>Principle 1: Lay solid foundations for management and oversight</i>		
Recommendation 1.1 A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.	YES	The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management.

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
		<p>The Board Charter sets out the role and specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of individual Directors, the Chairman and CEO, as well as the roles and responsibilities of Executive Directors, Non-Executive Directors and management, details of the Board's relationship with management, details of the Board's performance review, and details of the Directors' right to seek independent advice.</p> <p>A copy of the Company's Board Charter is available on the Company's website.</p>
<p>Recommendation 1.2 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 relevant to a decision on whether or not to elect or re-elect a Director.</p>	<p>YES</p>	<p>(a) The Company has guidelines for the appointment and selection of the Board in its Remuneration & Nomination Committee Charter. The Remuneration & Nomination Committee Charter requires the Remuneration & Nomination Committee (or, in its absence, the Board) to ensure appropriate checks are undertaken before appointing a Director (including a review of qualifications, capabilities, ability to serve, conflicts of interest and other relevant factors). The Remuneration & Nomination Committee (or, in its absence, the Board) must then record the finding of each review and recommendations in their minutes.</p> <p>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</p>

Recommendation 1.3	YES	
RECOMMENDATIONS (3RD EDITION)	COMPLY	EXPLANATION
A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.		All Directors and senior executives have a written agreement in place with the Company.
Recommendation 1.4 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.	YES	The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
Recommendation 1.5 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 and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and	YES	(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives and to assess annually both the objectives if any have been set and the Company's progress in achieving them. (b) The Diversity Policy is available on the Company's website. (c) (i) The Board did not set measurable gender diversity objectives during 2019. However, the Board continues to review this matter and consider whether

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<p>(ii) either:</p> <p>(A) 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</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act.</p>		<p>measurable objectives will be set for the coming year.</p> <p>(ii) the respective proportions of women on the Board, in senior executive positions and across the whole organisation as at 31 December 2019 are set out in the following table:</p> <table border="1" data-bbox="1196 451 1989 751"> <thead> <tr> <th></th> <th>Proportion of women (%)</th> <th>Proportion of men (%)</th> </tr> </thead> <tbody> <tr> <td>Whole organization (inc Board)</td> <td>9.67%</td> <td>90.33%</td> </tr> <tr> <td>Senior Executive positions*</td> <td>0%</td> <td>100%</td> </tr> <tr> <td>Board</td> <td>0%</td> <td>100%</td> </tr> </tbody> </table> <p>*Senior executive is defined as a Key Management Personnel</p>		Proportion of women (%)	Proportion of men (%)	Whole organization (inc Board)	9.67%	90.33%	Senior Executive positions*	0%	100%	Board	0%	100%
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<p>Recommendation 1.6</p> <p>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</p>	<p>(a) The Board is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. This process is governed by the Board and Committee charters, which are available on the Company's website.</p> <p>(b) A review process for the Board and each of the Committees and for individual Director's was undertaken and finalized in February 2020. In this process each Director completed a written questionnaire which was subsequently reviewed by the Chair of the Board. The results of the questionnaire were subsequently shared and discussed by and among the Board.</p>												

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>Recommendation 1.7 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, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	YES	<p>(a) The Board and the CEO are responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration & Nomination Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>The Company's Board Charter and Remuneration & Nomination Committee Charter are both available on the Company's website.</p> <p>(b) The Company and the CEO carried out ongoing performance reviews for the 2019 financial year with this process being finalized in February 2020, in accordance with the above process.</p>
Principle 2: Structure the Board to add value		
<p>Recommendation 2.1 The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the</p>	NO	<p>The Company has a Remuneration & Nomination Committee which during the 2019 financial year had at least three members comprising Emmanuel Hernandez, Adam Osseiran and Stephe Wilks all of whom were independent Directors. Mr Wilks resigned as a director effective 31 December 2019 with Mr Osseiran resigning as a director effective 29 January 2020.</p> <p>Mr Steve Leibeskind (an independent Director) joined the Committee on 01 January 2020 and was appointed as Chairman. Previously the Committee was chaired by independent Director Emmanuel Hernandez.</p> <p>The Committee currently comprises two members. The Company considers that the structure of the Committee is appropriate for a Company of its size and nature and will review the composition of the Committee should additional independent directors join the Board</p>

<p>appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>		<p>over timeThe Remuneration & Nomination Committee Charter is available on the Company's website.</p> <p>The Company's Annual Report contains details of the number of meetings held by the Committee during the reporting period and the attendance of members.</p>
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RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>Recommendation 2.2 A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	YES	The Company has 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. This skills matrix can be found on the Company's web site.
<p>Recommendation 2.3 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 described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the</p>	YES	<p>(a) In accordance with the definition of independence in Box 2.3, and the materiality thresholds set, the persons holding directorships during the year were considered as follows: Mr Adam Osseiran was an independent director since his appointment on 10 September 2015 until his resignation on 29 January 2020.</p>

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<p>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>Mr Louis DiNardo is not considered to be an independent director due to his role as an Executive Director and Chief Executive Officer.</p> <p>Mr Emmanuel Hernandez has been an independent director since his appointment on 10 July 2017.</p> <p>Mr Steve Liebeskind has been an independent director since his appointment on 01 May 2018.</p> <p>Mr Stephe Wilks was a independent director during his tenure from 11 February 2019 until 31 December 2019.</p> <p>(b) The Company will disclose in its Annual Report and ASX website any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent.</p> <p>(c) The Company's Annual Report will disclose the length of service of each Director, as at the end of each financial year.</p>
<p>Recommendation 2.4</p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	NO	<p>The Company's Board Charter sets out the Company's priority to achieve an appropriate balance between independent and non-independent representation on the Board.</p> <p>The Board has a majority of independent directors. The Board comprises of a total of 4 directors, of whom 2 are considered to be independent.</p> <p>The Board as at the date of this statement, is actively seeking to recruit an independent Chair and thus on appointment the composition of the Board will revert to a majority of independent Directors.</p>

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<p>Recommendation 2.5</p> <p>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>With effect from 11 February 2019 and upon the appointment of Mr Stephe Wilks, the Chair of the Board was an independent Director and not the CEO of the Company. Between 1 May 2018 and 10 February 2019, Lou DiNardo, Company CEO, served as interim Board Chair following the resignation of Mick Bolto, the Company's previous Board Chair. Mr. Bolto was an independent Director and was not the CEO of the Company.</p> <p>Mr Emmanuel Hernandez was appointed as interim Chair effective 31 December 2019 and is an independent director.</p> <p>The Board was comfortable with Mr. DiNardo filling the Board Chair role during his tenure in this position, as it was specifically for an interim period while the Company engaged in a search for a new independent Chair and because the balance of the Board was comprised of independent members.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.</p>	YES	<p>In accordance with the Company's Remuneration & Nomination Committee Charter, the Remuneration & Nomination Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</p>
<p>Principle 3: Act ethically and responsibly</p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	YES	<p>(a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct is available on the Company's website.</p>

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1

The Board of a listed entity should:

- (a) have an audit committee which:
 - (i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and
 - (b) is chaired by an independent Director, who is not the Chair of the Board,
- and disclose:
- (c) the charter of the committee;
 - (d) the relevant qualifications and experience of the members of the committee; and
 - (e) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
 - (i) (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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

NO

(a) The Company has an Audit & Governance Committee that comprised of three members until 31 December 2019 (being Steve Liebeskind, Stephe Wilks and Emmanuel Hernandez), all of whom were non-executive Directors and all of whom are independent Directors. Effective from the resignation of Mr Wilks on 31 December 2019, the Committee has comprised of two members (Steve Liebeskind and Emmanuel Hernandez) with the Board determining that membership is appropriate based upon the skills of Directors. In the event that new directors join the Board, the Board will review the composition of the Committee. The Audit & Governance Committee is chaired by Steve Liebeskind, an independent Director who is not the Chair of the Board. The Audit & Governance Committee Charter is available on the Company's website. The relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Company's Annual Report.

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>Recommendation 4.2</p> <p>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 the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Company's Audit & Governance Committee Charter requires the Committee to review and make a recommendation to the Board to approve the Company's annual and half-yearly financial reports.</p> <p>Prior to the Board approving the quarterly, half yearly and annual financial statements, the Company obtains a declaration from the CEO and CFO on these terms. In the absence of the CFO this responsibility vests with the CEO.</p>
<p>Recommendation 4.3</p> <p>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>	YES	<p>The Company ensures the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>

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Principle 5: Make timely and balanced disclosure		
<p>Recommendation 5.1 A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Continuous Disclosure Policy provides details of the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Continuous Disclosure Policy is available on the Company website.</p>
Principle 6: Respect the rights of security holders		
<p>Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	Information about the Company and its governance is available in the Corporate Governance Charters, Policies and Procedures which can be found on the Company's website.
<p>Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	YES	The Company has adopted a Shareholder Communication Policy which aims to promote and facilitate effective two-way communication with investors. The Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website.
<p>Recommendation 6.3 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	<p>Shareholders are encouraged to participate at all general meetings and AGMs of the Company.</p> <p>The Board encourages shareholders to attend the AGM or to vote directly or by proxy if they are unable to attend. Shareholders are also invited to submit questions prior to the AGM, which may be addressed by the Chair or CEO in their addresses.</p>
<p>Recommendation 6.4 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	The Shareholder Communication Policy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half

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		<p>yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p> <p>Shareholders are encouraged to receive communications from and send communications to the Company and its share registrar electronically.</p>
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, <p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	<p>YES</p>	<p>(a) The Company does not have a Risk Committee.</p> <p>(b) The Company does not have a Risk Committee as the Board considers the Company will not currently benefit from its establishment. The Company's Risk Management Policy provides for the creation of risk management systems created and managed by the CEO and Senior Executives.</p> <p>A copy of the Risk Management Policy is available on the Company's website.</p> <p>In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by a Risk Committee under the Risk Management Policy including the following processes to oversee the entity's risk management framework:</p> <ul style="list-style-type: none"> (i) The CEO is accountable to the Board, for ensuring that the risk management system is implemented and maintained in accordance with the Risk Management Policy. Assignment of responsibilities in relation to risk management is the prerogative of the Board. (ii) Senior Executives are accountable for strategic risk management within areas under their control including the dissemination of the risk management process to

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
		<p>operational managers. Collectively the Senior Executive is responsible for:</p> <ul style="list-style-type: none"> a. The formal identification of strategic risks that impact upon the Company; b. Allocation of priorities; c. The development of strategic risk management plans; d. The Senior Executive review progress against agreed risk management plans.
<p>Recommendation 7.2</p> <p>The Board or a committee of the Board should:</p> <ul style="list-style-type: none"> (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound; and (b) disclose in relation to each reporting period, whether such a review has taken place. 	<p>YES</p>	<ul style="list-style-type: none"> (a) The Risk Management Policy requires that the Board should, at least annually, satisfy itself that the Company's risk management framework continues to be sound. (b) The Board has delegated the responsibility for identifying, mitigating and monitoring risks to the executive team. It has implemented a policy of including discussion on risk each meeting of the Audit and Governance Committee and reporting significant risks to the Board. <p>The Company has previously carried out a review of its risk management framework and has not identified any material exposure to economic, environmental and social sustainability risks</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. 	<p>YES</p>	<p>The Company does not have an internal audit function. The Board works closely with the Management Team to identify and manage operational, financial and compliance risks which could prevent the Company from achieving its objectives. The Audit & Governance Committee actively encourages the External Auditor to raise internal control issues, and oversees management's timely remediation thereof.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social</p>	<p>YES</p>	<p>The Risk Management Policy requires the Board to assist management to determine whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to</p>

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<p>sustainability risks and, if it does, how it manages or intends to manage those risks.</p>		<p>manage those risks. The Company has previously carried out a review of its risk management framework and had not identified any material exposure to economic, environmental and social sustainability risks.</p> <p>The Company's Annual Report sets out a number of key risks identified by the Company that impact the organisation and outlines how the Company manages those risks.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>Recommendation 8.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent Directors; and (ii) is chaired by an independent Director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(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>NO</p>	<p>The Company has a Remuneration & Nomination Committee which during the 2019 financial year had at least three members comprising Emmanuel Hernandez, Adam Osseiran and Stephe Wilks all of whom were independent Directors.</p> <p>Mr Wilks resigned as a director effective 31 December 2019 with Mr Osseiran resigning as a director effective 29 January 2020.</p> <p>Mr Steve Liebeskind (an independent Director) joined the Committee on 01 January 2020 and was appointed as Chairman. Previously the Committee was chaired by independent Director Emmanuel Hernandez.</p> <p>The Committee currently comprises two members.</p> <p>The Company considers that the structure of the Committee is appropriate for a Company of its size and nature and will review the composition of the Committee should additional independent directors join the Board over time.</p> <p>The Remuneration & Nomination Committee Charter is available on the Company's website.</p> <p>The Company's Annual Report contains details of the number of meetings held by the Committee during the reporting period and the attendance of members.</p>

<p>Recommendation 8.2</p> <p>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 and ensure that the different roles and responsibilities of non-executive Directors compared to executive Directors and other senior executives are reflected in the level and composition of their remuneration.</p>	<p>YES</p>	<p>The Company complies with the guidelines for executive and non-executive director remuneration, details of which are included in the Remuneration Report contained within the 2019 Annual Report.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>YES</p>	<p>The Company's Securities Trading Policy prohibits Company personnel who participate in any Company equity incentive plans to enter into a transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in BrainChip securities.</p> <p>A copy of the Securities Trading Policy is available on the Company's website.</p>

