

**PHYLOGICA LIMITED**  
**ACN 098 391 961**  
**(Company)**

**Corporate Governance Statement – 30<sup>th</sup> June 2017**

**1.1 ASX Corporate Governance Council Principles and Recommendations**

Our Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, our Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this statement are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website ([www.phylogica.com](http://www.phylogica.com)).

**Board of directors**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

### ***Composition of the Board***

Election of Board members is substantially the province of the Shareholders in general meeting.

### ***Identification and management of risk***

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### ***Ethical standards***

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### ***Independent professional advice***

Subject to the Chair's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### ***Remuneration arrangements***

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### ***Trading policy***

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chair) must be obtained prior to trading.

### ***External audit***

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

### ***Audit committee***

During the year the company had an audit committee in place with its compositions as close to the guidelines as can be constructed from the current Board membership. The committee operated under its written terms of reference, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and the external audit function.

As a result of Board changes toward the end of the 2017 financial year the Company did not have a separate audit committee. The duties and responsibilities typically delegated to such a committee will now be carried out by the full Board. The full Board is able to meet the objectives of the best practice recommendations and discharge its duties in this area. The Company has adopted a formal audit committee charter.

### ***Diversity policy***

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

## **1.2 Departures from Recommendations**

The Company's compliance and departures from the Recommendations as at the date of this statement are set out on the following pages.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<p><b>Recommendation 1.1</b></p> <p>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.</p>	YES	<p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chair and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is available on the Company's website.</p>
<p><b>Recommendation 1.2</b></p> <p>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>	YES	<p>(a) The Company has guidelines for the appointment and selection of the Board in its Corporate Governance Plan. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.</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>
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p>

<p><b>Recommendation 1.4</b></p> <p>The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.</p>	<p>YES</p>	<p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.</p>
<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the Board:</p> <p>(i) to set measurable objectives for achieving gender diversity; and</p> <p>(ii) to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p>	<p>NO</p>	<p>(a) The Company has adopted a Diversity Policy.</p> <p>(i) Whilst the Diversity Policy provides a framework for the Company to achieve a list of measurable objectives that encompass gender equality, it does not propose to establish measurable gender diversity objectives in the foreseeable future as:</p> <ul style="list-style-type: none"> <li>- the Company's senior management team are experienced and stable and there are no plans for changes; and</li> <li>- the Company is committed to making all selection decisions on the basis of merit and the setting of specific objectives for the quantum of males/females at any level would potentially influence decision making to the detriment of the business.</li> </ul> <p>(ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The Company is responsible for implementing, monitoring and reporting on any measurable objectives adopted.</p> <p>(b) The Diversity Policy is available on the Company's website.</p>

<p>(c) disclose as at the end of each reporting period:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(ii) either: <ul style="list-style-type: none"> <li>(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</li> <li>(B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.</li> </ul> </li> </ul>		<p>(c) The Company does not propose to establish measurable gender diversity objectives at this stage. See (a) above.</p>
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</li> <li>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<p>YES</p>	<ul style="list-style-type: none"> <li>(a) The Board is responsible for evaluating the performance of the Board and individual Directors on an annual basis. It may do so with the aid of an independent advisor.</li> <li>(b) The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. Details of the performance evaluations conducted will be provided in the Company's Annual Reports. No formal evaluation was conducted during the 2017 financial year.</li> </ul>
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> </ul>	<p>YES</p>	<ul style="list-style-type: none"> <li>(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</li> </ul>

<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>(b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of senior executives. Schedule 6 "Performance Evaluation" requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period.. No formal evaluation was conducted during the 2017 financial year.</p>
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**Principle 2: Structure the Board to add value**

<p><b>Recommendation 2.1</b> The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(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</li> </ul> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>YES</p>	<p>During the year, as a result of Board changes, the nomination committee duties and responsibilities typically delegated to the committee were carried out by the full Board.</p> <p>Going forward the Company will maintain this procedure until such time as the Board believes any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.</p> <p>The Company does not currently have a separate nomination committee and hereby discloses this fact as required by recommendation 2.1. Given the size of the Company and the Board and the nature and scope of the Company's activities, the Board does not believe any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.</p> <p>The Company has adopted a formal nomination committee charter which is available on its website.</p>
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<p><b>Recommendation 2.2</b></p> <p>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>	<p>YES</p>	<p>Under the Board Charter, the Company is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this regularly against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.</p> <p>The Board Charter requires the disclosure of each Board member's qualifications and expertise.</p> <p>Full details as to each Director and senior executive's relevant skills and experience are available on the Company Website.</p>
<p><b>Recommendation 2.3</b></p> <p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p> <p>(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 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>YES</p>	<p>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports.</p> <p>(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Director's interests, positions associations and relationships are provided in the Annual Reports.</p> <p>(c) The Board Charter requires the length of service of each Director to be disclosed. The length of service of each Director will be provided in the Annual Reports.</p>



<p><b>Recommendation 2.4</b></p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	<p>NO</p>	<p>The Board Charter requires that, where practical, the majority of the Board must be independent.</p> <p>During the year one of the Company's five directors was considered independent. Mr Rick Kendall and prior to his appointment Mr Jeremy Curnock Cook are considered independent.</p>
<p><b>Recommendation 2.5</b></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>	<p>NO</p>	<p>The Board Charter provides that, where practical, the Chair of the Board should be an independent Director. The present Chair is not independent. Notwithstanding that the Company does not currently comply with Recommendations 2.4 and 2.5, given the stage of development of the Company and the current nature and scope of the Company's activities, the Company believes that the current composition of the Board is appropriate.</p>
<p><b>Recommendation 2.6</b></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>	<p>YES</p>	<p>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. 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><b><i>Principle 3: Act ethically and responsibly</i></b></p>		
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its Directors, senior executives and employees; and</p>	<p>YES</p>	<p>(a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</p>

(b) disclose that code or a summary of it.		(b) The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) is available on the Company's website.
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**Principle 4: Safeguard integrity in financial reporting**

<p><b>Recommendation 4.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, who is not the chair of the Board,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(i) the charter of the committee;</li> <li>(ii) the relevant qualifications and experience of the members of the committee; and</li> <li>(iii) 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</li> </ul>	<p>YES</p>	<p>During the year the company had an audit committee in place with its compositions as close to the guidelines as can be constructed from the current Board membership. The committee operated under its written terms of reference, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and the external audit function.</p> <p>As a result of Board changes toward the end of the 2017 financial year the Company did not have a separate audit committee. The duties and responsibilities typically delegated to such a committee will now be carried out by the full Board. The full Board is able to meet the objectives of the best practice recommendations and discharge its duties in this area. The Company has adopted a formal audit committee charter.</p>
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(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.

(b) The Company presently does not have a separate audit committee. The duties and responsibilities typically delegated to such a committee are carried out by the full Board.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

The Company has adopted a formal audit committee charter which is available on its website.

<p><b>Recommendation 4.2</b></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>	<p>YES</p>	<p>These obligations of a Company's CFO or CEO are set out in the Company's Corporate Governance Plan and are provided to the Audit Committee before the consideration of the half year and annual accounts.</p>
<p><b>Recommendation 4.3</b></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>	<p>YES</p>	<p>The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>
<p><b>Principle 5: Make timely and balanced disclosure</b></p>		
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p>	<p>YES</p>	
<p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p>		<p>(a) The Board Charter provides details of the Company's disclosure policy.</p>
<p>(b) disclose that policy or a summary of it.</p>		<p>(b) The Continuous Disclosure Policy is available on the Company website.</p>
<p><b>Principle 6: Respect the rights of security holders</b></p>		

<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>YES</p>	<p>Information about the Company and its governance can be found on the Company's website.</p>
<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>YES</p>	<p>The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website.</p>
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>YES</p>	<p>Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material in that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.</p>
<p><b>Recommendation 6.4</b></p> <p>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>	<p>YES</p>	<p>The Shareholder Communication Strategy states that, as a part of the Company's investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half 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>Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>

**Principle 7: Recognise and manage risk**

**Recommendation 7.1**

The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
- (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
- (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.

YES

b) The Company does not have a risk committee and hereby discloses that fact. Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management policy is detailed in full on our website.

		<p>The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.</p> <p>The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.</p> <p>The Chief Executive Officer has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.</p> <p>The company has adopted a formal risk committee charter which is available on its website.</p>
<p><b>Recommendation 7.2</b></p> <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the Board; and</p>	<p>YES</p>	<p>(a) The Company's process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. This is contained in the Audit and Risk Charter.</p>

<p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>		<p>The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Reports.</p>
<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>YES</p>	<p>The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:</p> <ul style="list-style-type: none"> <li>• Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.</li> <li>• Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, and levels of authority and due diligence requirements where businesses or assets are being acquired or divested.</li> <li>• Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.</li> </ul>
<p><b>Recommendation 7.4</b></p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>YES</p>	<p>Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.</p>



**Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1**

The Board of a listed entity should:

(a) have a remuneration committee which:

- (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

(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.

YES

During the year, as a result of Board changes the duties and responsibilities typically delegated to the remuneration committee were carried out by the full Board.

Going forward the Company will maintain this procedure until such time as the Board believes any marked efficiencies or enhancements would be achieved by the creation of a separate remuneration committee.

The Company does not currently have a separate remuneration committee and hereby discloses this fact. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

**Recommendation 8.2**

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.

YES

The Company has adopted a formal Remuneration committee charter which is available on its website.

The Company's policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives are included in the Charter.

<p><b>Recommendation 8.3</b></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 Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) 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. The Board must review and approve any equity based remuneration schemes and any transactions which limit the economic risk of participating in the scheme. It is noted that a prohibition into entering such arrangements is provided for in the Corporations Act</p> <p>The Company's policy for trading in its securities is available on the company website</p>
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