



LYCOPODIUM LIMITED

(ABN 83 098 556 159)

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (Board) of Lycopodium Limited (Lycopodium or Company) is responsible for the overall corporate governance of the Company and its subsidiary companies (Group). The Board governs all matters relating to the strategic direction, policies, practices, management and operations of the Group with the aim of protecting the interests of shareholders and other stakeholders, including employees, clients and suppliers, and creating value for them.

The Board has implemented the Recommendations of the ASX Corporate Governance Council to the extent considered appropriate for the size and nature of the Company's current operations.

The table below summarises the Group's compliance with the Corporate Governance Council's Corporate Governance Principals and Recommendations 3rd Edition with any exceptions disclosed with reasons provided for not following the recommendations.

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

This Statement is current as at 30 June 2019 and has been approved by the Lycopodium Limited Board of Directors.

Recommendations (3 RD Edition)	Comply	Explanation
Principal 1: Lay solid foundations for management and oversight		
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	<p>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 reserved to the Board and those delegated to management.</p> <p>The Board Charter sets out the specific responsibilities of the Board requirements as to composition, the roles and responsibilities of the Chairman and Managing Director, 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, which is part of the Company's Corporate Governance Framework, is available on the Company's website.</p>

Recommendations (3 RD Edition)	Comply	Explanation
<p>Recommendation 1.2</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 will 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 Framework. The Company's Nomination Committee Charter requires the full Board to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankrupt history (as appropriate)) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director.</p> <p>(b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</p>
<p>Recommendation 1.3</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 Nomination Committee Charter requires the full 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>The Company has written agreements with each of its Directors and senior executives.</p>
<p>Recommendation 1.4</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>	YES	<p>The Board Charter outlines the roles, responsibilities and accountability of the Company Secretary. In accordance with this, 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>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(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 entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(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</p>	PARTIALLY YES	<p>The Company has adopted a Diversity Policy which outlines the policies for the employment of people and career advancement based on merit.</p> <p>The Company has not yet adopted measurable objectives.</p> <p>The Diversity Policy is available on the Company's website.</p>

Recommendations (3 RD Edition)	Comply	Explanation
<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>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 Company’s Nomination Charter requires the full Board to participate in assessing the performance of the Board as a whole and contribution of each Director to the effectiveness of the Board, evaluating the performance of the Board, its Committees and individual Directors on an annual basis. If deemed necessary it may do so with the assistance of an independent advisor.</p> <p>(b) The Company’s Corporate Governance Framework requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p>
<p>Recommendation 1.7</p> <p>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>	<p>YES</p>	<p>(a) The Company’s Nomination Charter requires the full Board to be responsible for evaluating the performance of the Company’s senior executives on an annual basis. The Company’s Remuneration Committee is responsible for evaluating the remuneration of the Company’s individual Directors and key management personnel on an annual basis.</p> <p>(b) The Company’s Corporate Governance Framework requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period.</p>

Recommendations (3 RD Edition)	Comply	Explanation
Principle 2: Structure the Board to add value		
<p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination 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, <p>and disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; and (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 nomination committee, disclose that fact and the process 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>	PARTIALLY YES	<p>(a) The role of nomination committee is carried out by the full Board. The Board intends to reconsider the formation of a separate nomination committee as the Company's operations evolve.</p> <p>The Nomination Committee Charter is available on the Company's website.</p>
<p>Recommendation 2.2</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>	NO	<p>The Company does not comply with this recommendation. The Board considers that each of its current directors possess skills and experience appropriate to managing and developing the Company. Any additional information or specific advice required can be more appropriately and economically obtained by engaging independent external expert consultants.</p> <p>Full details as to each Director and senior executive's relevant skills and experience are available on the Company's website.</p>



Recommendations (3 RD Edition)	Comply	Explanation
<p>Recommendation 2.3</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 that might cause doubt about 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>	YES	<p>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on its website.</p> <p>(b) There are two independent Directors.</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 does not comply with this recommendation.</p> <p>The Board currently comprises a total of eight directors, of whom only two are considered independent.</p> <p>The Board considers that the shareholders are well served with the blend of director types consisting independent, non-executive and executive some who have a vested interest in the success of the Company.</p>
<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 Managing Director of the entity.</p>	PARTIALLY YES	<p>The Company does not fully comply with this recommendation as the Chairperson is non-executive but not an independent director.</p> <p>The role of Chairperson and Managing Director are not fulfilled by the same person and are separated whereby the Chairperson bears the responsibility for providing guidance on the corporate direction of the group and leadership to the Board, and the Managing Director has executive responsibility for the Company's day-to-day business.</p> <p>The Chairman and the Managing Director are not related.</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>The Company's Nomination Charter requires the full Board to be 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>

Recommendations (3 RD Edition)	Comply	Explanation
Principle 3: Act ethically and responsibly		
<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 (which forms part of the Corporate Governance Framework) is available on the Company's website.</p>
Principle 4: Safeguard integrity in financial reporting		
<p>Recommendation 4.1</p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, who is not the Chair of the Board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) 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</p> <p>(b) if it does not have an audit committee, disclose that fact and the process 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.</p>	PARTIALLY YES	<p>(a) The Company does have an Audit Committee. The Company's Corporate Governance Framework contains an Audit Charter that provides for the creation of an Audit Committee comprising of three members.</p> <p>The Audit Committee consists of three Directors only one of which is a non-executive and considered to be independent.</p> <p>The Audit Committee Charter is available on the Company's website.</p> <p>The members of the Audit Committee, their relevant qualification and experience, the number of times the committee meets during each financial year, and the individual attendances of the meetings are disclosed in the Annual Report.</p>

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 Managing Director 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 Committee Charter requires the Managing Director and CFO to provide a sign off on these terms.</p> <p>The Company obtains a sign off on these terms for each of its financial statements in each financial year.</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's Corporate Governance Framework provides that the Board must ensure that the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>
<p>Principle 5: Make timely and balanced disclosure</p>		
<p>Recommendation 5.1</p> <p>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 Board Charter provides details of the Company's disclosure policy. In addition, the Corporate Governance Framework details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Company's Continuous Disclosure Policy is available on the Company website.</p>
<p>Principle 6: Respect the rights of security holders</p>		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	<p>Information about the Company and its governance is available on the Company's website.</p>
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	YES	<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.</p>



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<p>Recommendation 6.3</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>	YES	The Company does comply with this recommendation as the Company maintains a website that provides comprehensive operational information and invites shareholders enquiries. The Company also has a policy of providing an operational report to shareholders on a six monthly basis in addition to advising shareholders on a timely basis of any material changes to operations via ASX announcements and the Company's website. All shareholders receive an invitation to attend General Meetings.
<p>Recommendation 6.4</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>	YES	The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when the Company makes an announcement to the ASX, including the release of the Annual Report and half-yearly reports. Links are made available to the Company's website on which all information provided to the ASX is posted.

Recommendations (3 RD Edition)	Comply	Explanation
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> <p style="margin-left: 20px;">(i) has at least three members, a majority of whom are independent Directors; and</p> <p style="margin-left: 20px;">(ii) is chaired by an independent Director,</p> <p>and disclose:</p> <p style="margin-left: 20px;">(iii) the charter of the committee;</p> <p style="margin-left: 20px;">(iv) the members of the committee; and</p> <p style="margin-left: 20px;">(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 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>	PARTIALLY YES	<p>(a) The Company does not have a Risk Committee.</p> <p>(b) The Board considers risk management as one of its primary responsibilities. The Board has adopted a Risk Management Policy, which provides that:</p> <ul style="list-style-type: none"> • all members of the Board are responsible for risk management and internal controls rest with the Managing Director. • the Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full board as part of a monthly written report to directors. <p>The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these policies in order to centralise the controls and intends that the Risk Management Policy will be enhanced as its operations evolve. The area of risk covered by the internal control framework are:</p> <ul style="list-style-type: none"> • tenders / proposals • client contract negotiation and management • financial control and reporting • technical risks • commercial / corporate control • operational control • personnel management • procurement / purchasing • supplier contract negotiation <p>The Company has a delegation of authority matrix in place which has been approved by the Board.</p>
<p>Recommendation 7.2</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; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	YES	<p>(a) The Board reviews the Company's Risk Management Policy annually to satisfy itself that the Company's risk management internal control framework continues to be sound.</p> <p>(b) The Company discloses whether such review has taken place in the Annual Report.</p>

Recommendations (3 RD Edition)	Comply	Explanation
<p>Recommendation 7.3</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>PARTIALLY YES</p>	<p>(a) The Audit Committee Charter requires that the Audit Committee should monitor the need for an internal audit function.</p> <p>(b) The Company does not have an internal audit function.</p>
<p>Recommendation 7.4</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 intends to manage those risks.</p>	<p>YES</p>	<p>The Risk Management Policy requires the Board to assist management in determining whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it intends to manage those risks.</p> <p>The Company discloses this information in its Annual Report and on the ASX website as part of its continuous disclosure obligations.</p>

Recommendations (3 RD Edition)	Comply	Explanation
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration 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</p> <p>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 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>	YES	<p>(a) The Company does have a Remuneration Committee. The Company's Corporate Governance Framework contains a Remuneration Charter that provides for the creation of a Remuneration Committee comprising of three members.</p> <p>The Remuneration Committee consists of three Directors all of which are non-executive and only two Directors are independent.</p> <p>The chair of the Remuneration Committee is an independent Director.</p> <p>The Remuneration Committee Charter is available on the Company's website.</p> <p>The members of the Remuneration Committee, their relevant qualification and experience, the number of times the committee meets during each financial year, and the individual attendances of the meetings are disclosed in the Annual Report.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding 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>	YES	<p>The Company's Corporate Governance Framework requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives.</p>



Recommendations (3 RD Edition)	Comply	Explanation
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none">(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(b) disclose that policy or a summary of it.	YES	(a) The Company's Securities Trading Policy prohibits hedging arrangements, dealing in derivatives or entering into any arrangements that vary the economic risk related to the Company's securities. The Company's Securities Trading Policy is available on the Company's website.