



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 Corporate Governance Principles and 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 Principles and Recommendations 4th 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 1 July 2020 and has been approved by the Lycopodium Limited Board of Directors.

Recommendations (4 th Edition)	Comply	Explanation
Principal 1: Lay solid foundations for management and oversight		
Recommendation 1.1		
A listed entity should have and disclose a board charter setting out:	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 reserved to the Board and those delegated to management.
(a) the respective roles and responsibilities of its board and management; and		
(b) those matters expressly reserved to the board and those delegated to management.		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.
		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.

Recommendations (4 th Edition)	Comply	Explanation
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(c) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and</p> <p>(d) provide security holders will all material information in its possession 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 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 bankruptcy 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>	<p>YES</p>	<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>	<p>YES</p>	<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>

Recommendations (4 th Edition)	Comply	Explanation
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: <ul style="list-style-type: none"> 1) the measurable objectives set for that period to achieve gender diversity; 2) the entity's progress towards achieving those objectives; and 3) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (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 and published under that Act. <p>If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</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>
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and 	PARTIALLY YES	<ul style="list-style-type: none"> (a) The role of a nomination committee is carried out by the full Board. The full Board participates in evaluating the performance of the Board as a whole and contribution of each Director to the effectiveness of the Board, including a review of qualifications, skills, competencies and experience. Assessment of the performance of the Board, its Committees and individual Directors is undertaken on an annual basis. If deemed necessary, this may be carried out with the assistance of an independent advisor. The Board will consider the formation of a

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<p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>		<p>separate nomination committee, as deemed necessary, as the Company's operations evolve.</p> <p>(b) The Company's Corporate Governance Framework requires the Company to disclose whether or not performance evaluations were conducted during each reporting period.</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>PARTIALLY YES</p>	<p>(a) The role of a nomination committee is carried out by the full Board. The full Board is 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 each reporting period.</p>

Recommendations (4 th Edition)	Comply	Explanation
Principle 2: Structure the board to be effective and add value		
<p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none"> 3) the charter of the committee; 4) the members of the committee; and 5) 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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	PARTIALLY YES	(a) The role of a nomination committee is carried out by the full Board. The Board will consider the formation of a separate nomination committee, as deemed necessary, as the Company's operations evolve.
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.</p>	PARTIALLY YES	<p>The Company has a Board skills matrix, which sets out the mix of skills that the Board currently has or is looking to achieve in its membership.</p> <p>Full details as to each Director's and senior executive's relevant skills and experience are available on the Company's website.</p>

Recommendations (4 th 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 or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position 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 of whom 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 CEO 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 activities.</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 for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.</p>	YES	<p>The Company 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 (4 th Edition)	Comply	Explanation
Principle 3: Instil a culture of acting lawfully, ethically and responsibly		
<p>Recommendation 3.1</p> <p>A listed entity should articulate and disclose its values.</p>	YES	The Company's values are articulated and disclosed on its website.
<p>Recommendation 3.2</p> <p>A listed entity should:</p> <p>(a) have and disclose a code of conduct for its directors, senior executives and employees; and</p> <p>(b) ensure that the board or a committee of the board is informed of any material breaches of that code.</p>	YES	<p>(a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees. The Company's Corporate Code of Conduct (which forms part of the Corporate Governance Framework) is available on the Company's website.</p> <p>(b) The Risk Committee monitors compliance with the Corporate Code of Conduct and informs the Board of any material breaches.</p>
<p>Recommendation 3.3</p> <p>A listed entity should:</p> <p>(a) have and disclose a whistleblower policy; and</p> <p>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.</p>	YES	<p>(a) The Company has a Whistleblower Policy which is available on its website.</p> <p>(b) The Risk Committee monitors reports made under the Whistleblower Policy and informs the Board of any material incidents.</p>
<p>Recommendation 3.4</p> <p>A listed entity should:</p> <p>(a) have and disclose an anti-bribery and corruption policy; and</p> <p>(b) ensure that the board or a committee of the board is informed of any material breaches of that policy.</p>	YES	<p>(a) The Company has an Anti-Bribery and Corruption Policy which is available on its website.</p> <p>(b) The Risk Committee monitors compliance with the Anti-Bribery and Corruption Policy and informs the Board of any material breaches.</p>

Recommendations (4 th Edition)	Comply	Explanation
Principle 4: Safeguard the integrity of corporate reports		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) is chaired by an independent director, who is not the chair of the board, <p>and disclose:</p> <ol style="list-style-type: none"> 3) the charter of the committee; 4) the relevant qualifications and experience of the members of the committee; and 5) 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>(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 corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>PARTIALLY YES</p>	<p>(a) The Company has an Audit Committee. The Company's Corporate Governance Framework contains an Audit Committee Charter..</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 (4 th 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, in their opinion, 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 should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	YES	All corporate reports released to the market are audited or reviewed by an external auditor.
<p>Principle 5: Make timely and balanced disclosure</p>		
<p>Recommendation 5.1</p> <p>A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.</p>	YES	<p>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>The Company's Continuous Disclosure Policy is available on the Company website.</p>
<p>Recommendation 5.2</p> <p>A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.</p>	YES	All material market announcements are reviewed and approved by the Board prior to release.
<p>Recommendation 5.3</p> <p>A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.</p>	YES	All investor presentations are released on the ASX Market Announcements Platform prior to disseminating to investors/analysts.

Principle 6: Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

YES

Information about the Company and its governance is available on the Company's website.

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

YES

The Company has adopted a Shareholder Communication 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.

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

YES

The Company maintains a website that provides comprehensive operational information and invites shareholder 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.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

YES

The Company's forum for proposing substantive resolutions is the Annual General Meeting, at which resolutions are decided by a poll open to all shareholders, not by a show of hands of those present.

Recommendation 6.5

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

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.

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:
- 1) has at least three members, a majority of whom are independent directors; and
 - 2) is chaired by an independent director,
- and disclose:
- 3) the charter of the committee;
 - 4) the members of the committee; and
 - 5) 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 processes it employs for overseeing the entity's risk management framework.

PARTIALLY YES

- (a) The Company has a Risk Committee.

The Risk Committee consists of four Directors, two of which are non-executive and one of which is independent. The Chair is not independent.

The Risk Committee Charter and Risk Management Policy are available on the Company's website.

The members of the Risk Committee, the number of times the committee meets during each financial year, and the individual attendances of the meetings are disclosed in the Annual Report.

Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and
- (b) disclose in relation to each reporting period, whether such a review has taken place.

YES

- (b) 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 and that the entity is operating with due regard to the risk appetite set by the Board.

- (c) The Company discloses whether such a review has taken place in the Annual Report.

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or

PARTIALLY YES

- (a) The Company does not have an internal audit function.

- (b) The Audit Committee Charter requires that the Audit Committee monitors the need for an internal audit function.

(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 governance, risk management and internal control processes.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

YES

The Risk Management Policy requires the Board to assist management in determining whether the Company has any material exposure to environmental or social risks and, if it does, how it intends to manage those risks.

The Company discloses this information in its Annual Report and on the ASX website as part of its continuous disclosure obligations.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

- 1) has at least three members, a majority of whom are independent directors; and
- 2) is chaired by an independent director

and disclose:

- 3) the charter of the committee;
- 4) the members of the committee; and
- 5) 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

(a) The Company has a Remuneration Committee. The Company's Corporate Governance Framework contains a Remuneration Committee Charter.

The Remuneration Committee consists of three Directors, all of which are non-executive, with two of these independent.

The chair of the Remuneration Committee is an independent Director.

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

The members of the Remuneration Committee, 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>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.</p>	<p>YES</p>	<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>
<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>(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.</p> <p>The Company's Securities Trading Policy is available on the Company's website.</p>