

This Corporate Governance Statement of Environmental Clean Technologies Limited (the 'company') has been prepared in accordance with the 3<sup>rd</sup> Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations'). The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained on our website at [www.ectltd.com.au](http://www.ectltd.com.au).

This statement has been approved by the company's Board of Directors ('Board') and is current as at 30 June 2018.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

## **Principle 1: Lay solid foundations for management and oversight**

### ***Recommendation 1.1 - A listed entity should disclose: (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 provides strategic direction, guidance and oversight of executive management, facilitates accountability to the company's shareholders through defined roles and responsibilities for the Board and executive management, and ensures that there is a balance of power and appropriate authorisations to avoid any individual having sole authority. The specific responsibilities of the Board are as follows:

- appointment of the senior executive manager be that Managing Director, Chief Executive or equivalent;
- assessment of ECT's executive management performance, measured against clearly identified objectives;
- preservation of the integrity and credibility of ECT's businesses;
- prudent management of shareholders' funds;
- evaluation of opportunities for value-creating growth;
- involvement in the planning and review of the company's strategic direction;
- approval of short and long-term business plans;
- ensuring that there are effective environmental, health and safety procedures in place; and
- approval of half-year and annual reports.

The Board delegates many of its responsibilities to the Senior Executive Manager and/or the Executive Committee who are responsible to the Board for the day-to-day management of the company. The relationship between the Board and executive management is a partnership that is crucial to the company's long-term success. The separation of responsibilities between the Board and executive management is clearly understood and respected. Importantly for ensuring the integrity of the financial statements the senior executive manager provides a management representation letter to the Board that certifies that the company's financial statements present a true and fair view of the results and the financial position of the company and are in accordance with relevant accounting standards.

In addition, the Board has received a statement from the Chief Operating Officer and Chief Financial Officer (CFO) as part of the Executive Committee that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material aspects in relation to financial reporting risks.

### ***Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.***

The company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

### ***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

***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.***

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

***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 the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) 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 (2) 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.***

The directors note the ASX Corporate Governance Council Recommendation for companies to establish a policy concerning diversity. The company does not comply with this recommendation nor does it expect to in the near term. The establishment of policies regarding the structure and make-up of the company's workforce prior to establishing the commerciality of the company's technology is considered by the directors to be premature, although diversity is considered in all recruitment decisions. The company does not, at this stage, have any female directors.

***Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

The Board's policy is to review its performance annually, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board). The use of an external facilitator may be utilised periodically to assist in the review process. The process includes collective Board discussions and individual interviews conducted by the directors. The review of the Chairman's role is conducted by the non-executive directors.

***Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

The Board conducts an annual performance assessment of the executive management against agreed performance measures determined at the start of the year. In assessing the performance of each senior executive, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the company. A performance review was conducted during the period.

## **Principle 2: Structure the board to add value**

***Recommendation 2.1 - The board of a listed entity should (a) have a nomination 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 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, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.***

The Board maintains a combined Nomination and Remuneration Committee, whose members during the financial year, were as follows:

<b>Director's name</b>	<b>Executive status</b>	<b>Independence status</b>
Barry Richards (Chair)	Non-executive Director	Independent
Glenn Fozard	Executive Chairman	Not-independent

The Committee members are not all independent, but the Chair is independent. There are currently 3 directors, two of whom are non-executive directors. Each non-executive director sits on either the nomination committee or the audit committee.

The Charter of the Committee is available at the company's website - <http://www.ectltd.com.au/about-us/corporate-governance/>.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 2.2 - A listed entity should have and disclose 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.***

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, HR, policy development, engineering, project development, intellectual property development and protection, capital markets, international business and customer relationship management. External consultants may be brought in with specialist knowledge to address areas where there is an attribute deficiency in the Board.

<b>Skills Matrix</b>	<b>Glenn Fozard</b>	<b>David Smith</b>	<b>Barry Richards</b>
Leadership	•	•	•
Governance	•	•	•
Strategy	•	•	•
Finance	•		
Risk	•	•	•
HR	•		•
Policy Development	•	•	•
Engineering			•
Project Development			•
Intellectual Property Development and Protection		•	•
Capital Markets	•		
International Business	•	•	•
Customer Relationship Management	•	•	•
Legal		•	

***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 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 (c) the length of service of each director.***

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

<b>Director's name</b>	<b>Appointment date</b>	<b>Length of service at reporting date</b>	<b>Independence status</b>
Glenn Fozard	17 July 2013	4 years, 11 months	Not-independent
David Smith	1 Feb 2015	3 years, 4 months	Independent
Barry Richards	5 June 2015	3 years, 1 month	Independent

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

***Recommendation 2.5 - 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.***

Glenn Fozard is Chair of the Board and is an Executive, making him not independent. James Blackburn is the COO, and as such holds the position of senior executive manager and head of the executive committee.

***Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.***

New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the company's operations and background.

### **Principle 3: Act ethically and responsibly**

**Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.**

The company maintains a code of conduct for its directors, executive management and employees. In summary, the code requires that each person act honestly, in good faith and in the best interests of the company; exercise a duty of care; use the powers of office in the best interests of the company and not for personal gain; declare any conflict of interest; safeguard company's assets and information and not undertake any action that may jeopardise the reputation of the company.

That code is available on the company's website.

### **Principle 4: Safeguard integrity in corporate reporting**

***Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (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, and disclose: (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 (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.***

The Board maintains a combined Audit and Risk Committee, the members of which are:

<b>Director's Name</b>	<b>Executive Status</b>	<b>Independence Status</b>
David Smith (Chair)	Non-Executive Director	Independent
James Blackburn	Executive	Not-Independent
Martin Hill	Executive, Company Secretary	Not-independent

At 30 June 2018, the majority of committee members were not independent, and the Chair was independent. There are currently 3 directors, two of whom are non-executive directors. Each non-executive director sits on either the nomination committee or the audit committee.

Details of the qualifications and experience of the Chair of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The Charter of the Committee is available at the company's website - <http://www.ectltd.com.au/about-us/corporate-governance/>.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 4.2 - 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.**

For the financial year ended 30 June 2018 company's COO and CFO provided the Board with the required declaration.

**Recommendation 4.3 - 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.**

The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

#### **Principle 5: Make timely and balanced disclosure**

**Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.**

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the Executive Chairman in relation to matters brought to their attention for potential announcement. Generally, the Executive Chairman is ultimately responsible for decisions relating to the making of market announcements. The Board is required to authorise announcements of significance to the company. No member of the company shall disclose market sensitive information freely to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

#### **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.**

The company maintains information in relation to governance documents, directors and executive management, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

#### **Recommendations 6.2 and 6.3**

**A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).**

**A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).**

For investors to gain a greater understanding of the company's business and activities, the company emails all company announcements and newsletters to shareholders (where details are available to the company) to ensure improved communication.

The company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiries via email which are responded to.

**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.**

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Security Transfer Registrars at [www.securitytransfer.com.au](http://www.securitytransfer.com.au).

#### **Principle 7: Recognise and manage risk**

#### **Recommendations 7.1 & 7.2**

**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 (7.1).**

**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 (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).**

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Recommendation 4.1 above. The majority of the committee is not independent, and the Chair is independent.

The charter of the Audit and Risk Committee and the company's risk appetite statement can be found on the company's website- <http://www.ecltld.com.au/about-us/corporate-governance/>.

The Audit and Risk Committee reviews the company's risk management framework periodically, and at least annually, to ensure that it remains suitable to the company's operations and objectives and that the company is operating within the risk parameters set by the Board. As a consequence of the last review undertaken for the year ended 30 June 2018, there were no significant recommendations made.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' 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 (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.**

The management of risk is important in the creation of shareholder value and is a priority for the Board and management. The company has a framework in place to safeguard the company's assets and interests and ensure that business risks are identified and properly managed. This includes procedures and limits to manage financial risk associated with exposures to foreign currencies and financial instruments. To assist in discharging this responsibility the Board has in place a control framework, which includes the following:

- an annual budget approved by the directors;
- regular reporting to the Board on a number of key areas including safety, health, insurance and legal matters;
- adoption of clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested; and
- a comprehensive insurance program, including risk assessment analysis and plans to mitigate identifiable or foreseeable risks.

The function is operated completely independently of the external audit.

**Recommendation 7.4 - 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.**

Any such risks will be disclosed in the company's Annual Report. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

## **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.***

The Board maintains a combined Nomination and Remuneration Committee. The members of the Committee are detailed in Recommendation 2.1 above including an explanation as to why the committee does not have three members.

Details of the qualifications and experience of the members of the Committee is detailed in the Directors' report.

The Remuneration Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees. The committee's charter sets out the roles and responsibilities, composition and structure of the Committee and is available on the company's website - <http://www.ecltld.com.au/about-us/corporate-governance/>.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***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.***

Non-executive directors are remunerated by way of cash fees and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors. Executive directors and other executive management are remunerated using fixed remuneration. Fees and salaries are set at levels reflecting market rates. Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.