

## **CORPORATE GOVERNANCE POLICY**

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

To the extent applicable, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3<sup>rd</sup> Edition as published by the 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.

This statement has been approved by the Board, and the information provided remains current as at 18 September 2017. The Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website at [www.bodaustralia.com](http://www.bodaustralia.com)

### **Board of Directors**

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities.

In general, the Board assumes (amongst others) the following responsibilities:

- (a) Setting objectives, goals and strategic direction with a view to maximising investor value;
- (b) Oversight of control and accounting systems;
- (c) Monitoring investment policies;
- (d) Approving and monitoring progress of major capital expenditure, capital management, acquisitions and divestments;
- (e) Preparing annual operating and capital expenditure budgets for Bod Australia;
- (f) Considering financial statements and reports for publication;
- (g) Monitoring financial performance;
- (h) Reviewing, ratifying and monitoring systems of risk management, internal compliance and control, codes of conduct, and external compliance;
- (i) Monitoring financial and other reporting;
- (j) Monitoring the implementation of business standards and codes of ethical behaviour;
- (k) Monitoring and approving financial benefits to related parties;
- (l) Determining the independence of non-executive directors;
- (m) Determining the process of evaluation of the performance of the board, its committees and directors;
- (n) Monitoring and evaluating the desirable competencies of the directors, including the range and experience of the directors;
- (o) Considering board succession planning issues; and
- (p) Appointing, reviewing and monitoring the independence of the external auditors.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director which detail the terms of their appointment.

## **Composition of the Board**

The Board consists of the following members:

- Simon O'Loughlin – Independent, Non-Executive Chairman (appointed 5 August 2016);
- Jo Patterson – Executive Director and Chief Executive Officer (Co-Founder);
- Simon Taylor – Independent, Non-Executive Director (appointed 5 August 2016)
- Mickey Perret – Non-Executive Director (appointed 7 August 2017)

The Chairman's responsibilities include leadership of the Board and the efficient organisation and conduct of the functioning of the Board.

There is a clear division of responsibilities between the Chairman and the CEO. The Board has delegated to the CEO the authority to manage the day-to-day affairs of the Company. The Board ensures that the CEO is appropriately qualified and experienced to discharge his responsibilities.

Election of Board members is substantially the province of the Shareholders in general meeting. The Board currently consists of one executive and two non-executive directors (each of whom is independent).

The Company has in place an external supplier to undertake appropriate checks on any potential director appointments (if required by the board in addition to their internal checking).

All directors, whether appointed throughout the year as an additional director or to fill a casual vacancy or who are due for election under the Listing Rules, are disclosed in the Notice of AGM, with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. All directors have written contracts with the Company setting out the terms of their appointment. Details of the Directors' skills, experience, expertise, special responsibilities and attendance at Board meetings are set out in the Directors' Report.

## **Diversity Policy**

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company is in the process of developing a diversity policy. This policy will outline the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It will include requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

## **Performance Assessment**

Due to the size of the Company and the Board, a continual self-assessment is undertaken in relation to the collective performance of its Board, Committees and the individual performance of its Directors and Chairman.

Given the size and the nature of the Company's operations, the performance of each executive is monitored on an ongoing basis by the non-executive Directors. Formal performance reviews are not proposed to take place but a self-assessment of performance will be undertaken at least on an annual basis.

## **Nomination Committee**

Recommendation 2.1 is that the Board should establish a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a nomination committee at this time. The Board as a whole considers the following factors when selecting new directors and when recommending directors to shareholders for appointment or re-election:

- The aim of having a majority of independent directors on the Board and of having an independent non-executive chairman;
- That between them, the directors have the appropriate skill base and range of expertise, experience and diversity to discharge the Board's mandate;
- That each individual director has sufficient time to meet his/her commitments as a director of the Company;
- The duration of each existing director's tenure, noting the retirement provisions of the Constitution as set out below; and

- Whether the size of the Board is appropriate to facilitate effective discussions and efficient decision-making.

New candidates to join the Board are expected to be sought through referrals or, where appropriate, through the engagement of independent consultants to identify possible new candidates for the Board.

### **Board Skills Matrix**

In line with Recommendation 2.2, the Board has developed a Board skills matrix, to simplify the process for identifying any 'gaps' in the Board's skills, expertise and experience. The Board monitors the skills, expertise and experience that are relevant to the Company and assess those requirements against the collective attributes of the Directors. The Board skills matrix will be reviewed by the Directors on annual basis.

### **Independence**

The Board will assess the independence of each Director on an annual basis. For this purpose an independent Director is a Non-executive Director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of unfettered and independent judgment. In making this assessment, the Board considers the following factors that may cause doubts about the independence of a Director:

1. Is a substantial shareholder of the Company, is an officer of, or is otherwise associated with a substantial shareholder;
2. Within the last three years, has been employed in an executive capacity by the Company;
3. Within the last three years, is, or has been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
4. Is a material supplier to, or customer of, the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
5. Has a material contractual relationship with the Company, other than as a Director.

A Director may be assessed by the Board to be independent even though one or more of the relationships referred to above exists. The Board reserves its right to make such an assessment and discloses it in its Annual Report.

Each of Simon O'Loughlin and Simon Taylor has been assessed as independent Directors. In reaching that determination, the Board has taken into account (in addition to the matters set out above):

1. The specific disclosures made by each independent Director as referred to above;
2. That no independent Director has ever been employed by the Company;
3. Simon O'Loughlin is a partner of O'Loughlin Lawyers, who have provided corporate advice to the Company as part of the application for the Company to list its securities on the Australian Securities Exchange in the past year. Mr O'Loughlin has no involvement in the provision of the corporate services to the Company by O'Loughlin Lawyers and as such the Board consider to him to be independent. Simon Taylor is not, nor has been associated with a supplier, professional adviser, consultant to or customer of the Company which is material under accounting standards; and
4. That no independent Director personally carries on any role for the Company otherwise than as a Director of the Company.

Recommendation 2.4 is that majority of the Board should be independent. The Company has equal numbers of independent and non-independent Directors. As the Chairman has a casting vote at Board meetings, the majority of the Board could be considered to be independent.

The Board believes that its current composition is appropriate to deliver on the Company's stated objectives. The size and scope of the Company's activities does not justify the cost of appointing further independent Directors at this stage of its development.

When a new Director joins the Board they are provided with information about the Company including the Constitution, Board and Committee Charters and Policies.

## **Code of Conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct (“Code”) to be followed by all employees (including temporary employees and contractors) and officers.

The key aspects of this Code are to:

- (a) Act with honesty, integrity and fairness in the best interests of the Company;
- (b) Act in accordance with all applicable laws, regulations, policies and procedures;
- (c) Have responsibility and accountability for individuals for report and investigating reports of unethical practices; and
- (d) Other matters including but not limited to ethical conduct, business conduct, confidentiality, privacy, security of information, and conflicts of interest.

## **Audit and Risk Committee**

Recommendation 4.1 is that the Board should establish an audit committee of at least three members. As the Board consists of four directors in total, the Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee at this time. The Board, in adopting the responsibilities ordinarily assigned to the audit committee, will have responsibility for 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 Company’s risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function.

While considering external reporting, the Board:

- Assesses whether financial statements are consistent with Directors’ knowledge and adequate for shareholders’ needs;
- Assesses the management processes supporting external reporting; and
- Reviews risk management and internal control systems.

The Board’s policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender for external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors’ Report and the notes to the financial statements. The external auditors provide an annual declaration of their independence to the Board.

## **Integrity in Corporate Reporting**

The Company has appointed the Company Secretary as the person responsible for communication with the Australian Securities Exchange (ASX) and is also responsible for overseeing and co-ordinating information disclosure to the ASX. The Company Secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The CEO and CFO are required to provide a written declaration to the Board in relation to the release of any financial statements by the Company that, in their view the:

- Company’s financial reports are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- Company’s risk management and internal compliance and control system is operating effectively in all material respects;
- Company’s financial statements and notes thereto comply with the accounting standards; and

- Company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at the appropriate reporting date and of its performance for the financial year ended on that date.

In accordance with Recommendation 4.3, the external auditor will be requested to attend the annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Continuous Disclosure Policy**

The Board has established a Disclosure and Communication Policy, which is available on the Company's website. Amongst other items it details: the Company's continuous disclosure obligations, disclosure roles, responsibilities and internal procedures, as well as market and shareholder communications.

### **Website Information**

The Company discloses information about itself including its: Corporate Governance Statement, Corporate Governance Policies, past announcements, investor updates and other relevant information on the Company website. Shareholders and other interested parties may also subscribe for email alerts using the Company's website.

### **Investor Relations**

The Board aims to keep shareholders informed of all major developments affecting the Company's activities and its state of affairs through announcements to the ASX and releases to the media. The Company's commitment to respect the rights of shareholders is set out in the Communications Policy, which is available on the Company's website.

### **Shareholder Meetings**

Shareholders may elect to receive electronic notifications when the Annual Report is available on the Company's website, and may electronically lodge proxy instructions for items of business to be considered at general meetings.

The Board encourages full participation of shareholders at the annual general meeting. Shareholders who are unable to attend general meetings are encouraged to lodge proxy appointments in advance of the meeting.

### **Risk Assessment and Management**

Recommendation 7.1 is that the Board should establish a Committee to oversee risk. Due to the size and scale of the Company's current operations, the Board concluded that it was more efficient for risk management to be managed by the full Board.

Therefore the Board will be responsible for identifying material business risks and implementing procedures to manage those risks. The Board has formalised its processes for documenting the Company's risk profile in a risk management matrix which will be reviewed by the Board at least annually. The risk management matrix identifies areas of risk for the Company and records any remedial action the Company has taken in the management of those risks.

The Company recognises the importance of a comprehensive yet commercially workable risk management framework. The Risk Management Policy is currently being developed by the Board and will be designed to assist the Company in managing the level of risk within acceptable parameters for the Company, rather than eliminating risk as such.

The Risk Management Policy will assist the Board to achieve the Company's objectives through thorough and competent strategic decision making and the conduct of efficient, effective and robust business processes that allow the Company to take opportunities when they arise while meeting required standards on accountability, compliance and transparency.

### **Internal Audit**

The Company does not have an internal audit function. The Board considers the policies and procedures currently implemented are sufficient for a Company of its size and complexity.

### **Material Exposure to Risk**

Recommendation 7.4 is that the Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so, how it manages those risks. The Company believes that the following operational risks are inherent in the industry in which the Company operates, having regard to the Company's circumstances (including financial resources, prospects and size):

- Competition risk;
- Operating experience and reliance on key personnel;
- Intellectual property risk;
- Shortage of funding risk;
- Reputation risk;
- Liability risk;
- Regulatory risk;
- Product risk;
- Early stage risk; and
- Release of escrow.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Company, and are not necessarily an exhaustive list.

### **Remuneration Committee**

Due to the size and nature of the Company's activities, the Company has decided that a remuneration committee is not required at this time with the remuneration of any Executive Director being decided by the Board, without the affected Executive Director participating in that decision-making process.

The Constitution of the Company provides that the Non-Executive Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Listing Rules).

In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other amounts 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 travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Board reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's 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.