

# Corporate Governance Statement

DYESOL LIMITED - YEAR ENDED 30 JUNE 2016

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The Board of Directors is responsible for the overall corporate governance of Dyesol Limited and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to Shareholders. The Company believes that sound corporate governance adds value to stakeholders and promotes investor confidence.

This Corporate Governance Statement ("Statement") sets out a brief summary of Dyesol's main corporate governance policies and practices and provides details of the Company's compliance with the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. It should be read in conjunction with the following policies and procedures which have been adopted and are available for viewing on the Company's website:

- Statement of Matters Reserved to the Board;
- Corporate Code of Conduct;
- Continuous Disclosure Policy;
- Securities Trading Policy;
- Risk Management Policy;
- Audit and Risk Committee Charter;
- Remuneration Committee Charter;
- Shareholder Communications Strategy;
- Summary of Procedure for Selection of External Auditor and Rotation of Engagement Audit Partner;
- Corporate Social Responsibility; and
- Environmental Policy.

This Statement is current as at 26 August 2016 and has been approved by the Board of Directors of Dyesol Limited.

## THE BOARD OF DIRECTORS

The Board will comprise both executive and non-executive Directors. Presently there are four non-executive Directors and one Managing Director. The membership of the Board, its activities and composition is subject to yearly review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability and commitment to undertake Board duties and responsibilities.

## COMMITTEES OF THE BOARD

The Board has established the following committees:

### Audit and Risk Committee

The Audit and Risk Committee comprises two non-executive Board members. The primary responsibilities of this Committee are to:

- monitor the integrity of the financial statements of the Company;
- review and monitor the Company's internal financial control system; and
- fulfil the Board's responsibility for the oversight of risk management by regularly reviewing the effectiveness of the Company's risk management framework and ensuring the framework is aligned with the Company's business plan and technology development plan.

### Remuneration Committee

The Remuneration Committee comprises two Board members, two of whom are non-executive directors. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including share and benefit plans.

## ROLE OF THE BOARD

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the shareholders.

The Board strives to create shareholder value and ensure that shareholders' funds are prudently invested.

Other key responsibilities of the Board include:

- appointing, evaluating, rewarding and, if necessary, removing the Chairman, Managing Director and Senior Executives;
- development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- monitoring actual performance against budgeted and forecast performance and reviewing operating information to understand at all times the state of the health of the Company;
- overseeing the management of business risks, staff welfare, personnel equity, safety and occupational health, environmental issues and community development;
- being satisfied that the financial statements of the Company fairly and accurately set out the financial position and financial performance for the period under review;

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- being satisfied that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are established and functioning appropriately and further, approving and monitoring financial and other reporting;
- being assured that appropriate audit arrangements are in place;
- ensuring that the Company, its officers and staff act legally, ethically and responsibly on all matters, and assuring itself that a code of business ethics has been adopted and that the Company practice is consistent with that Code; and
- reporting to and advising shareholders.

## ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The Company acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (the "Recommendations") applicable to ASX-listed entities. The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the Recommendations in the reporting period. The Recommendations are not prescriptive, so that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it.

The schedule below provides details of the Company's compliance with the Recommendations or, where appropriate, indicates a departure from the Recommendations with an explanation.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation	Requirement	Comply Yes/ No
1.1	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	Yes
1.2	A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(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.</li> </ul>	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
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.	Yes
1.5	A listed entity should: <ul style="list-style-type: none"> <li>(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;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(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:               <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul> </li> </ul>	No
1.6	A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	Yes
1.7	A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	Yes

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## Commentary

### 1.1

The roles and responsibilities of the Board, and the matters expressly applicable to it, are disclosed in the Statement of Matters Reserved to the Board. The Board delegates responsibility for the day-to-day activities of the Company to the Managing Director and senior Company executives. The Operations Review contained in the 2016 Directors' Report sets out the roles and responsibilities of management and staff.

### 1.5

While the Company provides a workplace that is open to gender diversity, the Company currently does not have a formal policy or specific objectives for gender diversity. The Board does however recognise the benefits of a diverse workforce and the value of considering how the Company can best achieve those benefits at its current stage of development. The adoption of a formal diversity policy will continue to be assessed periodically as the Company's circumstances change.

### 1.6 and 1.7

Performance evaluations of individual directors and key executives were undertaken during the reporting period in accordance with the Company's policy.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation	Requirement	Comply Yes/ No
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.	No
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.	No
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.	Yes
2.4	A majority of the board of a listed entity should be independent directors.	Yes
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.	Yes
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.	Yes

## Commentary

### 2.1

At the present time, a separate nomination committee has not been established. The entire Board currently conducts the function of such a committee, the duties of which have been considered and adopted by the Board. If considered appropriate, the Board may invite persons with relevant industry and financial experience to assist in carrying out the functions of such a committee.

### 2.2

The Board strives to ensure that it is comprised of directors with a blend of skills, experience and attributes appropriate to the Company and its business. The principal criterion for the appointment of new directors is their ability to add value to the Company and its business. In light of this, it has not been deemed necessary to create a formal document setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. The Board will periodically give consideration to the establishment of such a matrix.

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## 2.3

The Board consists of the non-executive Chairman, the Managing Director, and three non-executive directors. Details of their skills, experience and expertise and the period of office held by each have been included in the 2016 Directors' Report. The number of Board and Committee meetings held and the attendance of the directors at those meetings are also set out in the 2016 Directors' Report.

The Board has reviewed the position and associations of each of the five directors in office and has determined that each of the four non-executive directors, including the Chairman, are currently independent directors. In making this determination, regard was given to the independence criteria set out in the Recommendations, and other facts, information and circumstances that the Board considered relevant.

Mr Neal holds shares in the Company. However, the Board does not consider the holding to be of a size such that it might influence, or reasonably be perceived to influence, in a material respect his capacity to bring independent judgement to bear on issues before the Board.

Ms McDonald and Dr McIntyre are nominees of the Company's major shareholder. It is the unanimous view of the Directors that this representation has not and does not influence the independence of their directorships and has not affected their independence to act in the best interests of the Company and all of its security holders.

Mr Thompson has been engaged to provide additional services to the Company through a consulting arrangement over his period of tenure as a Director, which has been more than ten years. He was regarded as an executive director in 2012 and engaged through a business services agreement during that period. In addition, he has an interest in 2.33 million shares (0.7% of the Company's present issued capital). Nevertheless, the Board still considers him to be an "independent director" as these factors are not believed to be of such materiality as to impair his independent judgement on Board matters.

## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation	Requirement	Comply Yes/ No
3.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	Yes

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation	Requirement	Comply Yes/ No
4.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which:                             <ul style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board, and disclose:                                     <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(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</li> </ul> </li> </ul> </li> <li>(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.</li> </ul>	No
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.	Yes
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.	Yes

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## Commentary

### 4.1

The Company has an established Audit and Risk Committee, which has a formal charter outlining the Committee's function, composition, authority, responsibilities and reporting, but is not structured in accordance with Recommendation 4.1. The Committee does not comprise of at least three non-executive directors. Given the present circumstances of the Company, the Board believes the Committee in its current format of three members, two of whom are independent non-executive directors, is able to bring the transparency, focus and independent judgement needed to oversee the corporate reporting process. The Committee works closely with the Company's external auditor in fulfilling its role.

The charter of the Committee is available for viewing on the Company's website. The relevant qualifications and experience of the members of the Committee, together with the Committee's meeting and attendance record for the reporting period, are set out in the 2016 Directors' Report.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation	Requirement	Comply Yes/ No
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.	Yes

## PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation	Requirement	Comply Yes/ No
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
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.	Yes

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation	Requirement	Comply Yes/ No
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.	No
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 (b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes

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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.	Yes
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.	Yes

## Commentary

### 7.1

The Company has an established Audit and Risk Committee, which has a formal charter outlining the Committee's function, composition, authority, responsibilities and reporting, but is not structured in accordance with Recommendation 7.1. See the commentary under Recommendation 4.1 above for further details concerning the Committee's structure and function.

### 7.2

During the reporting period, the Company's risk management framework was reviewed to ensure its continuing suitability.

### 7.3

The Company does not presently have a formal internal audit function. Over time the Company continually monitors and improves internal control procedures. One of the Audit and Risk Committee's responsibilities is to review the Company's internal financial control system and risk management systems as well as the effectiveness of any applicable internal audit activity that may be undertaken.

### 7.4

The Board does not consider the Company has any material exposure to economic, environmental or social sustainability risks at the present time.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation	Requirement	Comply Yes/ No
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
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.	Yes
8.3	A listed entity which has an equity-based remuneration scheme should: (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

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## **Commentary**

### **8.1**

The Company has an established Remuneration Committee, which has a formal charter outlining the Committee's function, composition, authority, responsibilities and reporting. The charter is available for viewing on the Company's website. The members of the Committee, together with the Committee's meeting and attendance record for the reporting period, are set out in the 2016 Directors' Report.

### **8.2**

The Company's 2016 Remuneration Report discloses the policies and practices adopted for the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

### **8.3**

The Company's Performance Rights Plan does not presently contain restrictions on participants entering into transactions designed to limit the economic risk of participating in the Plan. However, the Plan's rules allow the Board discretion when making offers to employees to place restrictions on the disposal of, granting of a security interest over, or otherwise dealing with, shares held by the Plan's trustee once Rights have vested. The Board has determined that all future offers made under the Plan will contain such restrictions.