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CORPORATE GOVERNANCE

Corporate Governance Statement



The Company has considered and set up a framework for embracing the ASX Corporate Governance Principles and Recommendations (3rd Edition) (“**Recommendations**”). The Company has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Company and the Board, the resources available to the Company and the activities of the Company. Where, after due consideration the Company’s corporate governance policies depart from the Recommendations, the Board has outlined the nature of, and reason for, the adoption of its own practice.

Further information about the Company’s corporate governance practices is available on the Company’s web site at www.valmec.com.au.

The Board sets out below its “if not why not” report in relation to those matters of corporate governance where the Company’s practices depart from the Recommendations. As the Company’s activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
	Recommendation	Valmec Limited Current Practice
1.1	A listed entity should disclose: <ul style="list-style-type: none"> (a) respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management 	Adopted. The Directors have adopted a Board Charter which outlines the role of the Board. Executive Service Agreements outline functions of the executive directors. Non-executive Director appointment letters outline the terms and conditions of non-executive director appointments. As the Company recruits additional management, the roles and responsibilities of these persons will be considered and documented.
1.2	A listed entity should: <ul style="list-style-type: none"> (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 	Adopted. The Company has a Remunerations and Nominations Committee which is responsible for assisting and overseeing the responsibilities in relation to nominating new Board Members and undertaking the appropriate checks before nominating a person for appointment to the Board. The re-election of Peter McMorrow at 2019 AGM Notice of meeting included the required information on his background and other material directorships, term and the Board’s consideration of him as an independent director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Adopted. All directors, including Non-Executives have a written agreement with the Company setting out the terms of their appointments.
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.	Adopted. The responsibilities of the Company Secretary are contained within the Board Structure Document.

<p>1.5</p>	<p>A listed entity should:</p> <p>(a) Have a diversity Policy which includes requirements for Board/Committee to set measurable objectives for achieving gender diversity and assess them and achieving them annually</p> <p>(b) disclose that policy</p> <p>(c) disclose at end of reporting period how objectives are being achieved via:</p> <p>(i) respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how senior exec is defined); or</p> <p>if entity is a “relevant employer” under the Workplace Gender Equality Act, the entities most recent “Gender Equality.</p>	<p>Part Adopted.</p> <p>The Company does have a diversity policy which is included on the Valmec Corporate Governance web page. The Company makes the following disclosures regarding the proportion of women employed in the organisation:</p> <ul style="list-style-type: none"> - Women on Board: 0% - Women in Senior Management: 0% - Women in whole organisation: 10% <p>The Diversity policy currently only has general objectives and not measurable objectives (e.g. the number of women/indigenous etc. on the board, in senior management).</p>
<p>1.6</p>	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Adopted.</p> <p>The Company has established a Directors and Board Performance Review Charter. The charter empowers the Remuneration and Nominations committee to regularly review the effectiveness and performance of the Board.</p> <p>A performance evaluation was undertaken during the reporting period by the Committee in accordance with the process.</p>
<p>1.7</p>	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Adopted.</p> <p>The Company has established a Senior Executives Performance Review charter. The charter empowers the Remuneration and Nominations committee to regularly review the effectiveness and performance of the senior executives. The Managing Director, under the delegated authority of the Board, determines the KPI’s of the senior executive members. The Managing Director, formally reviews the performance of senior executives annually.</p> <p>The performance evaluation of the senior executives is undertaken annually in the first quarter of each financial year and the Company confirms that this has been done in the reporting period in accordance with that process.</p>

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE	
Recommendation	Valmec Limited Current Practice
<p>2.1 The board of a listed entity should:</p> <p>(a) Have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director;</p> <p>and disclose:</p> <p>(i) the charter of the committee;</p> <p>(ii) the members of the committee; and</p> <p>(iii) as at the end of each reporting period, the number of times the committee met through the period and the individual attendances of the members at those meetings; or</p> <p>(b) If it does not have a nomination committee disclose that fact and the processes it employs to address board succession issue 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>	<p>Part Adopted.</p> <p>The Company has a Remuneration and Nomination Committee. During the year the Company had two members in the committee due to the size of the board;</p> <ul style="list-style-type: none"> - Peter McMorrow (Independent) - Stephen Zurhaar (Chair -not- independent) <p>The Remuneration and Nomination Committee Charter is on the company website – refer www.valmec.com.au .</p> <p>The Committee has met once in the year ended 30/6/20 with Stephen Zurhaar and Peter McMorrow attending meetings.</p>
<p>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.</p>	<p>Adopted.</p> <p>The Company has a skills matrix setting out the mix of skills and diversity that the board currently has and what the board would like to achieve. Further information on each director including their independence, education, experience and tenure is available in the Directors Report.</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors</p> <p>(b) if a director has an interest, position, association or relationship as described in Box 2.3 (Factors relevant to assessing independence) but the board is of the opinion that it doesn't compromise the independence of the director, nature of the interest, position, association or relationship and an explanation as to why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Adopted.</p> <p>(a) Peter McMorrow – Independent,</p> <p>(b) n/a</p> <p>(c) Appointment 1 November 2019</p>

2.4	A majority of the Board of a listed entity should be independent directors.	Not Adopted. Only 20% of the Board (1 member, Peter McMorrow) is considered independent as per box 2.3 of the ASX Corporate Governance Principles and Recommendations.
2.5	The Chair of a 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.	Not Adopted. The Chairman Stephen Zurhaar is in a non-executive role, and is separate from the role of CEO/MD. However Mr Zurhaar is not considered to be an independent director upon reference to box 2.3 of ASX Corporate Governance Principles and Recommendations as he is a substantial security holder (holds greater than 5% of company security).
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.	Adopted. The induction of new directors is currently completed by the Company Secretary. All Directors have access to professional development opportunities to improve on their skills and knowledge to assist in their roles as directors.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
	Recommendation	Valmec Limited Current Practice
3.1	A listed entity should: <ul style="list-style-type: none"> (a) Have a code of conduct for its directors, senior executives and employees; and (b) disclose that code of conduct or a summary of it. 	Adopted. Copy of Code of Conduct published on the Company's website and available at www.valmec.com.au

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
	Recommendation	Valmec Limited Current Practice
4.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board; And disclose: <ul style="list-style-type: none"> (iii) the charter of the committee (iv) the relevant qualifications and experience of the member of the committee; and 	Part Adopted. The Company currently has a Risk and Audit Committee. The committee has only 2 members, due to the size of the board and all members are non-executives, with 1 member considered independent. The Committee is chaired by Mr Stephen Zurhaar is other member of the committee. He is a CPA with relevant experience from his finance and executive roles over the past 25 years. Mr Stephen Lazarakis is other member of the committee. The Audit and Risk Committee Charter is published on the Company website – refer www.valmec.com.au

	<p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the member at those meetings; or</p> <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>	The Risk and Audit Committee has met twice in the financial period ending 30 June 2020.
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.	Adopted.
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.	Adopted.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
	Recommendation	Valmec Limited Current Practice
5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Adopted.</p> <p>The Company has a Continuous Disclosure Policy which is published on the Company website. Refer www.valmec.com.au</p>

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS		
	Recommendation	Valmec Limited Current Practice
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Adopted. Refer to the Company’s Corporate Governance page on its website – www.valmec.com.au
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Adopted. The Company has a Shareholder Communication Policy which is published on its website – www.valmec.com.au
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.	Adopted. The Company encourages participation at General Meetings upon the dispatch of its Notice of Meeting and advises security holders that they may submit questions they would like to be asked at the meeting to the Board and to the Company’s auditors.
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.	Adopted.

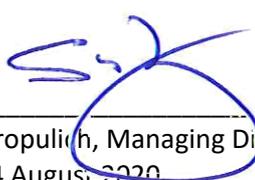
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
	Recommendation	Valmec Limited Current Practice
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, <p>And disclose:</p> <ul style="list-style-type: none"> (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.</p>	<p>Part Adopted.</p> <p>The Risk Committee is contained within the Audit and Risk Committee as detailed above in Audit Committee recommendation (4.1)</p>

<p>7.2</p>	<p>The board or a committee of the board should:</p> <p>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Adopted.</p> <p>The Board reviews risk on a regular basis, with an annual review as a minimum. The following policies and procedures form part of the Company’s Risk Management Framework:</p> <ul style="list-style-type: none"> ✔ Audit and Risk Committee Charter ✔ Strategy Planning Committee Charter ✔ Risk Management Policy ✔ Business Insurance Program ✔ Company Business Plan ✔ Procedures to review and approve strategic plans ✔ Controls to manage financial exposures and operational risks <p>The Company also has a Risk and Audit Committee that oversees the review of the Risk Management Framework on an Annual Basis.</p> <p>A review of all policies and procedures associated with Risk and Risk Management has been completed in December 2017.</p>
<p>7.3</p>	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have a structured formalised internal audit function, however historically the Board has reviewed the internal control systems and risk management policies on an annual basis.</p> <p>The Risk and Audit Committee has the responsibility to oversee the internal Control and Risk Management of the Company, as detailed in its charter.</p>
<p>7.4</p>	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Adopted.</p> <p>The Company has a sustainability policy. A copy of this policy can be found on the Company’s website – www.valmec.com.au</p>

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY	
Recommendation	Valmec Limited Current Practice
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Part Adopted.</p> <p>Company has a Nomination and Remuneration Committee. Refer information as provided under recommendation 2.1 for Remuneration and Nomination Committee.</p>
<p>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.</p>	<p>Adopted.</p> <p>The Company has a Remuneration Policy which separately addresses the remuneration of Executive Directors and Senior Managers, and Non-Executive Directors. A copy of the policy is available on the Company website – www.valmec.com.au</p>
<p>8.3 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>Adopted.</p> <p>The Company has a Remuneration Policy in place (as advised above) which covers the equity-based remuneration scheme. A copy of this policy is available on the Company website – www.valmec.com.au</p>

APPROVAL

This corporate governance statement was approved by resolution of the Valmec Limited Board:



 Steve Dropulich, Managing Director
 Date: 24 August 2020