

Corporate governance statement

This document discloses the extent to which Clean TeQ Holdings Limited ACN 127 457 916 (**Company**) has followed the recommendations set by the ASX Corporate Governance Council in the third edition of its Corporate Governance Principles and Recommendations (**ASX Recommendations**) during the relevant part of the reporting period.

This document is current as at 30 June 2017 and has been approved by the board of the Company.

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	Yes to all	<p>The Company has adopted a Board Charter.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Board, its Chairman and Company Secretary, details of the Board's relationship with management and the matters delegated to management.</p> <p>A copy of the Company's Board Charter is available on the Company's website http://www.cleanteq.com/company/corporate-governance/</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</p>	Yes to all	<p>(a) The Company has detailed guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.</p> <p>(b) All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.</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>	Yes	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>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>	Yes	The Company Secretary is accountable directly to the Board, through the chair.

<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board:</p> <p style="padding-left: 20px;">(i) to set measurable objectives for achieving gender diversity; and</p> <p style="padding-left: 20px;">(ii) to assess annually both the objectives and the entity’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p style="padding-left: 20px;">(i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity’s diversity policy and its progress towards achieving them; and</p> <p style="padding-left: 20px;">(ii) either:</p> <p style="padding-left: 40px;">(A) 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</p> <p style="padding-left: 40px;">(B) the entity’s “Gender Equality Indicators”, as defined in the Workplace Gender Equality Act 2012.</p>	<p>(a) Yes</p> <p>(b) Yes</p> <p>(c) Refer comments at right</p>	<p>The Company has established a diversity policy which covers factors such as gender, race, ethnicity, disability, age, sexual orientation, gender identity, marital or family status, religious or cultural background. The diversity policy includes a requirement for the Company to establish measurable objectives for achieving gender diversity within the organisation. The Board will receive an annual report from management on the progress against the objectives.</p> <p>The Company’s Diversity Policy is disclosed on its website http://www.cleanteq.com/company/corporate-governance/</p> <p>The Diversity Policy states that the Company will report, where appropriate, in each annual report, the measurable objectives for achieving gender diversity set by the Board.</p> <p>The proportion of women on the board, women in senior executive positions and women employees in the whole organisation as at reporting date was as follows:</p> <table border="1" data-bbox="1368 751 2018 943"> <thead> <tr> <th>Gender</th> <th>Board</th> <th>Senior executive positions</th> <th>Whole organisation</th> </tr> </thead> <tbody> <tr> <td>No of women</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td>% women</td> <td>0%</td> <td>0%</td> <td>0%</td> </tr> </tbody> </table> <p>A “Senior executive” is a member of the Company’s Key Management Personnel, as defined by the Corporations Act.</p>	Gender	Board	Senior executive positions	Whole organisation	No of women	0	0	1	% women	0%	0%	0%
Gender	Board	Senior executive positions	Whole organisation											
No of women	0	0	1											
% women	0%	0%	0%											
<p>Recommendation 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>Yes to all</p>	<p>(a) The Nomination and Remuneration Committee is responsible for evaluating the performance of the Board and individual Directors on an annual basis. It may do so with the aid of an independent adviser.</p> <p>(b) A performance evaluation was undertaken during the reporting period by the Committee in accordance with the process.</p>												

<p>Recommendation 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>Yes to all</p>	<p>(a) The Nomination and Remuneration Committee is responsible for periodically evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives.</p> <p>(b) Performance evaluations were undertaken during the reporting period by the Committee in accordance with the process.</p>
<p>PRINCIPLES AND RECOMMENDATIONS</p>	<p>COMPLY (YES/NO)</p>	<p>EXPLANATION</p>
<p><i>Principle 2: Structure the board to add value</i></p>		
<p>Recommendation 2.1</p> <p>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, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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> <p>(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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Yes to all</p>	<p>(a) The Company has established a Nomination and Remuneration Committee, which has responsibility for nomination matters.</p> <p>(b) A copy of the Committee’s Charter is available on the Company’s website http://www.cleanteq.com/company/corporate-governance/</p> <p>(c) The Members of the Committee are:</p> <p>a. Roger Harley (Chair), Independent Director;</p> <p>b. Ian Knight, Independent Director;</p> <p>c. Eric Finlayson, Independent Director.</p> <p>(d) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director’s Report contained in the Company’s Annual Report for the reporting period.</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Yes</p>	<p>The Board skill matrix is as follows.</p> <ul style="list-style-type: none"> - Technical expertise in the fields of water treatment and resource recovery; - Industry expertise and experience in areas where the Company’s technologies may be used; - International experience; - Financial literacy;

		<ul style="list-style-type: none"> - Familiarity with legal areas relevant to the Company's activities; - Capital markets experience; - Investor relationship experience; - Negotiation and transaction structuring skills; - Governance knowledge and competency; - Behavioural and ethical attributes appropriate to the Board of an ASX-listed company
<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, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), 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</p> <p>(c) the length of service of each director.</p>	Yes to all	<p>(a) As at the date of this report, the Board comprises nine Directors, four of which, Michael Spreadborough, Roger Harley, Ian Knight and Eric Finlayson are considered by the Board to be independent directors.</p> <p>(b) N/A.</p> <p>(c) The Directors' lengths of service are:</p> <ul style="list-style-type: none"> • Sam Riggall – 4 years • Peter Voigt – 10 years • Roger Harley – 7 years • Ian Knight – 4 years • Eric Finlayson – 2 years • Michael Spreadborough (7 months) • Robert Friedland (10 months) • Jiang Zhaobai (2 months) • Li Bingham (2 months)
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	Yes, from 1 July 2017	<p>The Board Charter requires that, ideally, the majority of the Board be independent.</p> <p>Four of the nine Directors are independent; therefore, a majority of the Board of the Company is considered not independent. The Board considers that each of Michael Spreadborough, Roger Harley, Ian Knight and Eric Finlayson are independent directors for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The appointment of director Stefanie Loader effective 1 July 2017 together with the resignation of non-independent director, Mr Peter Voigt now ensures that a majority of the Board is considered independent.</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>	No	<p>The role of Chairman and Managing Director are exercised by the different people. The role of Chairman is exercised by Co-Chairmen Robert Friedland and Jiang Zhaobai. The role of Managing Director is exercised by Sam Riggall. Whilst the Board acknowledges that this arrangement diverges from the ASX Corporate Governance Principles and Recommendations, the Board is firmly of the view that it has sufficient procedures in place to safeguard independence and ensure that the best interests of shareholders are paramount. Further, the Board believes that the skills and experience that Mr Friedland, Mr Zhaobai and Mr Riggall bring to the Company are extensive, add to the broad mix of skills required, and are sufficient to fulfil the roles of Chairman and Managing Director.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</p>	Yes	<p>The Company has in place an appropriate induction program.</p>
<p>PRINCIPLES AND RECOMMENDATIONS</p>	<p>COMPLY (YES/NO)</p>	<p>EXPLANATION</p>
<p>Principle 3: Act ethically and responsibly</p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	Yes	<p>(a) The Company has a Code of Conduct for directors, senior executives and employees.</p> <p>(b) The Code of Conduct is available on the Company's website http://www.cleanteq.com/company/corporate-governance/</p>
<p>PRINCIPLES AND RECOMMENDATIONS</p>	<p>COMPLY (YES/NO)</p>	<p>EXPLANATION</p>
<p>Principle 4: Safeguard integrity in financial reporting</p>		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the</p>	Yes	<p>(a) The Company has established an Audit Committee.</p> <p>(b) A copy of the Committee's Charter is available on the Company's website http://www.cleanteq.com/company/corporate-governance/</p> <p>(c) The Members of the Committee are:</p>

<p>board, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) 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> <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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>a. Ian Knight (Chair), Independent Director;</p> <p>b. Eric Finlayson, Independent Director;</p> <p>c. Roger Harley, Independent Director.</p> <p>(d) The qualifications and experience of the Members of the Committee are disclosed in the Director's Report contained in the Company's Annual Report for the reporting period.</p> <p>(e) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director's Report contained in the Company's Annual Report for the reporting period.</p>
<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 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>	<p>Yes</p>	<p>The Board complies with the Recommendations. Both the Managing Director and CFO provide this declaration.</p>
<p>Recommendation 4.3</p> <p>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.</p>	<p>Yes</p>	<p>The Company complies with the Recommendations.</p>
<p>PRINCIPLES AND RECOMMENDATIONS</p>	<p>COMPLY (YES/NO)</p>	<p>EXPLANATION</p>
<p><i>Principle 5: Make timely and balanced disclosure</i></p>		
<p>Recommendation 5.1</p> <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>Yes</p>	<p>(a) The Company has a written policy for complying with its continuous disclosure obligations under the Listing Rules. This is contained in the Company's Market Disclosure Protocol.</p> <p>(b) This Market Disclosure Protocol is available on the Company's website http://www.cleanteq.com/company/corporate-governance/</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
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 is available on the Company's website at http://www.cleanteq.com/investors/ Information about the Company's governance is available on the Company's website at http://www.cleanteq.com/company/corporate-governance/
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	The Company communicates with shareholders through the Company's share registry, ASX platform, shareholder meetings, the Company's website, a subscription email distribution list and social media. The Company provides a facility for written communications by shareholders through the Company's website and through personnel based at the Company's office.
Recommendation 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	This is outlined in the Company's Notice of Meetings that are dispatched to all shareholders.
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.	Yes	The Company's share registry provides this option to the Company's shareholders
PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 7: Recognise and manage risk		
Recommendation 7.1 The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <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, 	Yes	<ul style="list-style-type: none"> (a) The Company has established an Audit Committee, which is responsible for overseeing risk. (b) A copy of the Committee's Charter is available on the Company's website http://www.cleanteq.com/company/corporate-governance/

<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 process it employs for overseeing the entity's risk management framework.</p>		<p>(c) The Members of the Committee are:</p> <ul style="list-style-type: none"> a. Ian Knight (Chair), Independent Director; b. Eric Finlayson, Independent Director; c. Roger Harley, Independent Director. <p>(d) The qualifications and experience of the Members of the Committee are disclosed in the Director's Report contained in the Company's Annual Report for the reporting period.</p> <p>(e) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director's Report contained in the Company's Annual Report for the reporting period.</p>
<p>Recommendation 7.2</p> <p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place. 	<p>Yes to all</p>	<p>The Audit Committee has reviewed the entity's risk management framework during the reporting period.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (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. 	<p>Yes</p>	<p>Due to the current size of the Company, and taking into account cost/benefit considerations, the Board does not currently consider it necessary to have an internal audit function.</p> <p>The Audit Committee Charter requires the Committee to oversee the evaluation and continual improvement of the effectiveness of the Company's risk management and internal control processes. The Committee will achieve this objective by closely monitoring these areas and will require management to review and report on risk and internal control areas. The Committee will consider the use of external resources to assist as required.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Yes</p>	<p>The Company currently does not have any material exposure to economic, environmental and social sustainability risk. As and when the Company has any material exposure to economic, environmental and social sustainability risk, it will disclose any such exposure and how it manages or intends to manage those risks.</p>

PRINCIPLES AND RECOMMENDATIONS	COMPLY (YES/NO)	EXPLANATION
Principle 8: Remunerate fairly and responsibly		
<p>Recommendation 8.1</p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration 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, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(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> <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>	Yes to all	<p>(a) The Company has established a Nomination and Remuneration Committee, which has responsibility for remuneration matters.</p> <p>(b) A copy of the Committee's Charter is available on the Company's website http://www.cleanteq.com/company/corporate-governance/</p> <p>(c) The Members of the Committee are:</p> <p>a. Roger Harley (Chair), Independent Director;</p> <p>b. Ian Knight, Independent Director;</p> <p>c. Eric Finlayson, Independent Director.</p> <p>(d) The number of times the committee met throughout the period and the individual attendances of the members at those meetings is disclosed in the Director's Report contained in the Company's Annual Report for the reporting period.</p>
<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>	Yes	<p>The Company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives are disclosed in the Remuneration Report contained in its Annual Report as lodged with the ASX and issued to shareholders.</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>	Yes	<p>(a) The Company has an Equity Based Remuneration Scheme. Included in the Company's Share Trading Policy are details of how a participant may limit their economic exposure.</p> <p>(b) a summary of this is detailed in the Company's Share Trading Policy which is available on the Company's website at http://www.cleanteq.com/company/corporate-governance/.</p>