

Delecta Limited

Corporate Governance Statement

30 June 2017

The Board of Directors of Delecta Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Delecta Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

Delecta Limited's corporate governance practices were in place throughout the financial year ended 30 June 2017 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1.	Lay a solid foundation for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

Structure and Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should comprise a majority of independent non-executive directors.
- The Chairperson should be a non-executive director.
- Directors should bring characteristics, which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

No formal program is in place for inducting new directors and providing directors with professional development opportunities due to the limited number of directors appointed and their long length of continued service.

The Australian Stock Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to warrant the establishment of a Nomination Committee.

The terms and conditions of the appointment and retirement of directors is set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Directors of Delecta Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of their unfettered judgement.

The following directors of Delecta Limited are considered to be independent:

<i>Name</i>	<i>Position</i>
H R Moser	Non-Executive Director
B Moore	Non-Executive Director (Chairman)

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

The term in office of each director in office at the date of this report is as follows:

<i>Name</i>	<i>Term in Office</i>
M Day	19 years
H R Moser	19 years
B Moore	14 years

Responsibilities of the Board

The Board is responsible for:

- Overseeing the Company, including its control and accountability systems.
- Appointing and removing the Managing Director and Company Secretary.
- Ratifying the appointment or removal of the Chief Financial Officer.
- Input into and approving the Group strategy, ensuring sufficient resources are available to implement the strategy and assessing managements performance against the strategy.
- Reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct and legal compliance.
- Approving and monitoring the progress of major capital expenditure, capital management, business acquisitions and disposals.
- Approving and monitoring financial and other reporting.

Code of Conduct and Trading Policy for Directors and Executives

The Company has introduced a Code of Conduct and a Trading Policy to guide the directors and key executives to the practices necessary to maintain confidence in the Company's integrity.

The principles of the Code of Conduct are:

- To act honestly, in good faith and in the best interest of the Company.
- Not use property, information or position, or opportunities arising from these, for personal gain or to compete with the Company.
- To keep confidential non-public information except where disclosure is authorised or legally mandated.
- To deal fairly with all Company's customers, suppliers, competitors and employees.
- Protect and ensure the proper and efficient use of the Company's assets for legitimate business purposes.
- To actively comply with and promote compliance with laws and regulations.
- Encourage the reporting of unlawful or unethical behaviour.

Directors, key management and employees are prohibited from trading in the Company's securities at any time if the person possesses Inside Information.

Directors and Key Management Personnel are, in addition to the general prohibition above, prohibited from trading in the Company's securities during the following blackout periods:

- The period commencing on the last day of the financial half year and ending 24 hours after the release of the Company's half year results; and
- The period commencing on the last day of the financial year and ending 24 hours after the release of the Company's full year results.

At any other time, any Director or Key Management Personnel wishing to trade in the Company's securities shall consult with, and obtain written clearance from, either the Chief Executive Officer or the Chief Financial Officer of the Company, and the Chairman of the Board (or one other non-executive member of the board in the case of the Chairman himself), prior to transacting.

This notification requirement is not mandatory for other employees, however, they are encouraged to adopt it.

The Company expects all employees to act appropriately at work and has introduced "Standards of Conduct" which provides guidelines aimed at attaining high ethical standards and appropriate corporate behaviour.

Audit Committee

The operation of a separate Audit Committee is considered to be impractical and of little benefit given that the Board consists of only three Directors, two of which are independent, and that the matters previously dealt with by an Audit Committee are better dealt with by the full Board.

Continuous Disclosure and Communication with Shareholders

The Chief Executive Officer is responsible, in consultation with the Board, for interpreting and monitoring the Company's compliance with the continuous disclosure requirements of the Australian Stock Exchange whilst the Company Secretary is responsible for all communications with Australian Stock Exchange.

Communication with shareholders is conducted through the following mechanisms:

- Announcements lodged with Australian Stock Exchange
- Australian Stock Exchange Quarterly Cashflow Reports
- Half Yearly and Preliminary Final Reports
- Annual Reports
- Annual general meetings

The Company's external auditors are requested to attend the Annual General Meeting and make themselves available take shareholders' questions and comments about the conduct of the audit and the preparation and content of the Audit Report.

Due the limited size and nature of the Company's operations it is not considered cost effective or feasible to maintain an investor relations program.

Diversity

The Company (and its subsidiaries) does not have a formal diversity policy in place. The Company is an equal opportunity employer and does not discriminate on the basis of gender, race, religion, nationality, age or sexual persuasion, and is focused on employing the best possible candidate for any available position.

The Board does not currently believe that the adoption of a formal gender diversity policy would be of benefit to the Company, its shareholders or employees, given the current small number of directors (3) and senior executives (2) employed by the group.

As the Company does not have a formal gender diversity policy there are no measurable objectives against which to measure progress and the information indicated in the guide to reporting on Principle 3 is not provided.

The consolidated entity currently has 24 full time employees of which 9 are women. None of the 3 board members and 2 senior executives are women and 1 of the 4 employees in the next level of management is a woman.

Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Chief Executive Officer and the executive team. The operation of a Remuneration Committee is not considered practical given the size and composition of the Board, and that the matters previously dealt with by a Remuneration Committee are considered to be better dealt with by the Board.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives.
- Attraction of quality management to the Company.
- Performance incentives which allow executives to share the rewards of the success of the Company.

Details on the amount of remuneration and all monetary and non-monetary components for each of the directors and executives are provided in the Directors' Report. In relation to the payments of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Delecta Limited and the performance of the individual during the period.

There were no loans made to directors or executives during the period and there are no amounts owing by directors and executives at the year end.

The performance of senior executives is reviewed annually, including in the current year.

Risk Management

The Board monitors and receives advice on areas of operational and financial risk and the control framework, which it reviews annually, and considers strategies for appropriate risk management arrangements. The operation of a separate Risk Committee is not considered practical given the size and composition of the Board

Specific areas of risk identified initially and which are regularly considered at Board Meetings include compliance with regulations covering the Company's operating activities, foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

The Board requires and receives 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 before it approves the Company's financial statements for a financial period.

The Company does not operate an internal audit function as it is not considered feasible given the size and nature of its operations.

The Company has no known material exposure to economic, environmental and social sustainability risks.