

This Corporate Governance Statement of Environmental Clean Technologies Limited (the 'company') has been prepared in accordance with the 4th Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

This statement has been approved by the company's Board of Directors ('Board') and is current as at 30th June 2021 and has been posted to the corporate governance section of the company's website at <http://ectltd.com.au/about-us/corporate-governance/>.

The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, the company's website, or Annual Report, has been filed with the ASX on 28<sup>th</sup> September 2021.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

## Principle 1: Lay solid foundations for management and oversight

**A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.**

***Recommendation 1.1 - A listed entity should have and disclose a board charter setting out:***

- (a) the respective roles and responsibilities of its board and management; and***
- (b) those matters expressly reserved to the board and those delegated to management***

The company fully complies with this recommendation.

### Responsibilities of the Board

The Board is accountable to shareholders for the company's performance and governance. The Board provides strategic direction, guidance and oversight of executive management, facilitates accountability to the company's shareholders through defined roles and responsibilities for the Board and executive management. The Board is responsible for ensuring that there is a risk management framework in place for both financial and non-financial risks, reporting of key strategic and performance issues from management to the Board, and enabling the Board to challenge management and hold it to account whenever required. The Board ensures that there is a balance of power and appropriate authorisations to avoid any individual entity having sole authority.

The Board also oversees and approves accounting, audit and other corporate reporting systems, stakeholder communications, and approves the entity's statement of values and code of conduct to underpin the culture of the business.

The specific responsibilities of the Board are as follows:

- appointment of the senior executive manager, be that Managing Director, Chief Executive or equivalent;
- assessment of ECT's executive management performance, measured against clearly identified objectives;
- preservation of the integrity and credibility of ECT's businesses, including approval of the company's Code of Conduct and related Policies;
- prudent management of shareholders' funds;
- evaluation of opportunities for value-creating growth;
- involvement in the planning and review of the company's strategic direction;
- approval of short and long-term business plans;
- ensuring that there are effective environmental, health and safety procedures in place; and
- approval of half-year and annual reports.

The Board delegates many of its responsibilities to the Senior Executive Manager and/or the Executive Committee who are responsible to the Board for the day-to-day management of the company. The relationship between the Board and executive management is a partnership that is crucial to the company's long-term success. The separation of responsibilities between the Board and executive management is clearly understood and respected. Importantly for

ensuring the integrity of the financial statements the senior executive manager provides a management representation letter to the Board that certifies that the company's financial statements present a true and fair view of the results and the financial position of the company and are in accordance with relevant accounting standards.

In addition, the Board has received a statement from the Managing Director and Chief Financial Officer (CFO) as part of the Executive Committee that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material aspects in relation to financial reporting risks.

The Board Charter is available at <http://ectltd.com.au/about-us/corporate-governance/>.

***Recommendation 1.2 - A listed entity should:***

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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.***

The company fully complies with this recommendation.

The company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

Election or re-election information provided to security holders includes the candidates biography detailing their experience, skill and qualifications, other material directorships held, any material information from background checks arising, details of any interest, position or relationship that may influence (actual or perceived) their capacity to bring independent judgement to bear on Board issues or act in the best interests of the company, whether the Board would consider the candidate an independent director and where relevant, the term of office currently served.

***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

The company fully complies with this recommendation

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The terms of appointment include the requirement to comply with the company's key policies including policies dealing with anti-bribery, corruption, trading policies, confidentiality obligations and access to corporate information. Terms also include provision of indemnity and insurance arrangements, a requirement to notify the company of matters which could affect the director's independence, and a requirement to seek the company's approval before accepting any new role that could impact upon the time commitment expected of the director or give rise to a conflict of interest.

***Recommendation 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.***

The company fully complies with this recommendation.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The role of the company secretary includes advising the Board and committees on governance matters and monitoring that Board and committee policy and procedures are followed.

***Recommendation 1.5 - A listed entity should:***

- (a) have and disclose a diversity policy;***
- (b) through its board or committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and***
- (c) disclose in relation to each reporting period:***
  - (1) the measurable objectives set for that period to achieve gender diversity;***
  - (2) the entity's progress towards achieving those objectives; and***



(3) *either:*

- (a) *the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined “senior executive” for these purposes); or*
- (b) *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.*

The company does not yet comply with this recommendation.

The directors note the ASX Corporate Governance Council Recommendation for companies to establish a policy concerning diversity and setting measurable objectives for gender diversity in the composition of its board, senior executives and workforce generally.

Empowering and promoting social and economic inclusion, irrespective of diversity is an important aspect of good people management and ECT’s guiding principle is that “all staff are paid market rates based upon their skillset, regardless of sex, age, disability, race, ethnicity, origin, or other status”. ECT intends to transition towards measurable objectives that facilitate the transition to a more diverse workforce.

**Recommendation 1.6 - A listed entity should:**

- (a) *have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and*
- (b) *disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

The company fully complies with this recommendation.

The Board’s policy is to review its performance annually, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board). The use of an external facilitator may be utilised periodically to assist in the review process. The process includes collective Board discussions and individual interviews conducted by the directors. The review of the Chairman’s role is conducted by the non-executive directors.

A performance review was conducted during the period.

**Recommendation 1.7 - A listed entity should:**

- (a) *have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and*
- (b) *disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.*

The company fully complies with this recommendation.

The Board conducts an annual performance assessment of the executive management against agreed performance measures determined at the start of the year. In assessing the performance of each senior executive, the review includes consideration of the senior executive’s function, individual targets, group targets, and the overall performance of the company.

A performance review was conducted during the period.

## Principle 2: Structure the board to be effective and add value

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

**Recommendation 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.

The company does not yet comply with this recommendation.

ECT has four directors on the Board, which are not considered to be independent. The Board does not maintain a formal Nomination Committee as it is considered that the current size does not warrant the formal establishment of a separate committee. The Board deals with matters that would be performed by such a committee, such as the identification of skills and competencies required for the Board and related committees, as well as nomination, selection and performance evaluation of non-executive directors. The Board does not actively manage succession planning, but leverages existing networks to identify appropriate candidates when a Board vacancy occurs, or when a vacancy is forecast. Attributes of candidates put forward will be considered for 'best-fit' to the needs of the Board, which are assessed at the time of the vacancy, regardless of sex, age, disability, race, ethnicity, origin, or other status.

**Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.**

The company fully complies with this recommendation.

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, HR, policy development, engineering, project development, intellectual property development and protection, capital markets, international business and customer relationship management. External consultants may be brought in with specialist knowledge to address areas where there is an attribute deficiency in the Board.

Skills Matrix	Glenn Fozard	Jason Marinko	James Blackburn	Tim Wise
Leadership	•	•	•	•
Governance	•	•	•	•
Strategy	•	•	•	•
Finance	•	•	•	
Risk	•	•	•	•
HR	•	•	•	
Policy Development	•	•	•	
Engineering				
Project Development			•	
Intellectual Property Development and Protection				•
Capital Markets	•	•	•	•
International Business	•	•	•	•
Customer Relationship Management	•	•	•	•
Legal				

**Recommendation 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 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 or relationship in question and an explanation of why the board is of that opinion; and*
- (c) *the length of service of each director.*

The company fully complies with this recommendation.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
Glenn Fozard	17 July 2013	7 years, 11 months	Not independent
*Tim Wise	3 September 2021	N/A	Not Independent
James Blackburn	11 September 2019	1 year, 9 months	Not independent
*Jason Marinko	3 September 2021	N/A	Not independent

\*After the Reporting Period, Ashley Moore and Neil O'Keefe were replaced by Jason Marinko and Tim Wise as directors of the company. Jason and Tim are not independent.

An independent director is one who is not aligned with the interests of management or a substantial holder and can, and will, bring an independent judgment to bear on issues before the Board. They shall be free of any interest, position or relationship that might influence or reasonably be perceived to influence in a material respect their capacity to bring an independent judgment to issues before the Board and will act in the best interests of the company as a whole rather than in the interest of any individual security holder or other party.

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

**Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.**

The company does not yet comply with this recommendation.

There are currently four members on the company's Board. Having regard to the company's response to Recommendation 2.3 above, the majority of the Board are not independent. The Board considers that the company is reliant upon the business relationships and interests that it has with the non-independent directors, and their expertise, in order to achieve its objectives at this time. Until such time as the company is of a size that warrants the appointment of additional non-executive and independent directors, the Board is of the view that the absence of a majority of independent directors is not an impediment to its operations, shareholders or other stakeholders.

**Recommendation 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.**

The company does not yet fully comply with this recommendation.

On 30<sup>th</sup> June 2021, Glenn Fozard was the Executive Chairman of the company, and was not independent. After the Reporting Period, Glenn Fozard was replaced by Jason Marinko as Chairman (non-executive). Glenn became Managing Director of the company.

The Board recognises the importance that the Chair should be independent but is of the current view that it is not in the best interests of the company or shareholders for this matter to be addressed at a time where the focus of the Board is on delivering key business outcomes that lead to revenue generation for the business. Once these matters are dealt with, the company will revisit the move to appoint an independent non-executive director to be Chair.

**Recommendation 2.6 - A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.**

The company does not yet fully comply with this recommendation.

The company does not have in place a formal induction program or professional development program for directors.

New directors undertake an induction program coordinated by the Company Secretary that briefs and informs the director on all relevant aspects of the company's operations and background.

### **Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

**A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.**

***Recommendation 3.1 - A listed entity should articulate and disclose its values.***

The company fully complies with this recommendation.

As a listed entity, the company instils and continually reinforces a culture across the organisation of acting lawfully, ethically and responsibly. The company's values represent the guiding principles and norms which define the type of company it aspires to be and what it requires from its directors, senior executives and employees to achieve that aspiration. In formulating its values, the entity considers the behaviours that are needed to build long term sustainable value for security holders and the need to preserve and protect its reputation with key stakeholders such as customers, employees, suppliers, creditors and regulators.

The company's values are included as part of its code of conduct, which is available on the company's website. They are approved by the Board and the senior executive team are charged with the responsibility of embedding them across the organisation.

***Recommendation 3.2 - A listed entity should:***

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and***
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.***

The company fully complies with this recommendation

The company maintains a code of conduct for its directors, senior executives and employees. In summary, the code requires that each person act honestly, in good faith and in the best interests of the company; exercise a duty of care; use the powers of office in the best interests of the company and not for personal gain; declare any conflict of interest; safeguard company's assets and information; and not undertake any action that may jeopardise the reputation of company.

The Board is required to be informed of any material breaches of its code of conduct as it is closely related, and cross referenced to the company's corporate culture. All employees are trained on their obligations under the code of conduct.

The company's code of conduct can be found on ECT's website: <http://ectltd.com.au/about-us/corporate-governance>.

***Recommendation 3.3 - A listed entity should:***

- (a) have and disclose a whistleblower policy; and***
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.***

The company fully complies with this recommendation.

The company maintains a whistleblower policy in accordance with the Corporations Act. The Board acknowledges that a transparent whistleblower policy is essential to good risk management and corporate governance and that it is an important tool for facilitating the safe and secure reporting of any wrongdoing. The policy promotes compliance with law, deters wrongdoing, protects the discloser, and promotes an ethical culture.

The Policy requires that the Board or Audit and Risk Committee be notified of any incidents reported under this Policy; how the Board will investigate disclosures made; how the Board will support and protect the whistleblower; instructions for how a disclosure may be made confidentially and, where applicable, anonymously; the process for keeping a discloser informed; how the Board will ensure fair treatment of all parties involved; and the timeframes for handling and investigating disclosures.

All employees are encouraged to speak up about any unlawful, unethical or irresponsible behaviour noted under the Policy. The Policy is linked to the company's statement of values and culture and provides examples of the types of concerns that may be reported and how, and to whom, reports should be made. All employees are provided with



training as to the operation of the policy.

The Whistleblower Policy is periodically reviewed, and a copy is available on the company website:  
<http://ectltd.com.au/about-us/corporate-governance>.

**Recommendation 3.4 - A listed entity should:**

- (a) have and disclose an anti-bribery and corruption policy; and**
- (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.**

The company fully complies with this recommendation.

The company has adopted the following policies to improve the broader operating environment and culture, in order to combat corruption and consider actual and perceived internal and external risks to the organisation, applicable regulatory frameworks, and how the policies can be embedded and conveyed across the organisation and its directors, officers, staff and contractors:

- Code of Conduct
- Gifts, Benefits, Bribery and Hospitality Policy
- Offer of Gifts, Benefits and Hospitality Declaration Form
- Gifts, Benefits and Hospitality Register
- Disciplinary Action Procedure.

The Gifts, Benefits and Hospitality Policy details that the giving of bribes, other improper payments such as secret commissions, benefits to public officials, and offering or accepting of gifts, entertainment or hospitality can be illegal or otherwise damage the reputation of the company. The Gifts, Benefits and Hospitality Register documents corruption over the Financial Year. The Company Secretary maintains a Gifts, Benefits and Hospitality Register, ensuring records are subject to regular scrutiny including annual review by the Audit and Risk Committee.

ECT's Disciplinary Action Procedure provides a structured corrective action process to improve and prevent a recurrence of undesirable employee behaviour and performance issues.

## Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

**Recommendation 4.1 - The board of a listed entity should:**

**(a) have an audit committee<sup>1</sup> which:**

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
- (2) is chaired by an independent director, who is not the chair of the board,**

**and disclose:**

- (3) the charter of the committee;**
- (4) the relevant qualifications and experience of the members of the committee; and**
- (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**

**(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.**

The company does not yet comply in full with this recommendation.

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<sup>1</sup> (LR12.7) A listed entity included in the S&P All Ordinaries Index at the beginning of its financial year is required under listing rule 12.7 to have an audit committee for the duration of that financial year. If it is included in the S&P/ASX 300 Index at the beginning of its financial year, it must comply with the structure and disclosure requirements in paragraph (a) of this recommendation. If it has been included in that index for the first time less than 3 months before the beginning of that financial year, it must take steps so that it complies with those requirements within 3 months of the beginning of the financial year.



The Board maintains a combined Audit and Risk Committee, the members of which are:

Name	Director	Executive Status	Independence Status
*Ashley Moore	N/A	Committee Chair	Not independent
Glenn Fozard	Managing Director (MD)	Committee Member	Not independent
Martin Hill	N/A (CFO)	Committee Member	Not independent
Adam Giles	N/A (Company Secretary)	Committee Member	Not independent

\*As at Reporting Date, Ashley Moore and Neil O’Keefe were directors of the company. Both Ashley and Neil were replaced as directors by Jason Marinko & Tim Wise on 3<sup>rd</sup> September 2021. Neil stepped down from the Audit and Risk Committee at this time and Ashley remained as Committee Chair.

On 30 June 2021, the Committee Members were not independent.

The Board is of the opinion that the members of the committee have the accounting and financial expertise and sufficient understanding of the industry in which the company operates to be able to discharge the committee’s mandate effectively.

The Audit and Risk committee meet the external auditor before the annual audit and prior to the release of the half year and annual report, and assess the adequacy of the external audit process, the outcome and the auditors’ continued independence.

The CFO and CEO (now MD) meet with external auditors to discuss the adequacy of the company’s internal controls and systems used to provide assurance over the integrity of corporate reporting and, where applicable, implement recommendations for improvement deemed necessary. External accounting, compliance and tax specialists may also be engaged to advise on the company’s reporting processes, internal controls and compliance obligations.

Details of the qualifications and experience of the members of the Committee is detailed in the ‘Information of directors’ section of the Directors’ report. The number of Committee meetings held and attended by each member is disclosed in the ‘Meetings of directors’ section of the Directors’ Report.

The Charter of the Committee is available at the company’s website - <http://www.ecltld.com.au/about-us/corporate-governance/>.

***Recommendation 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.***

The company fully complies with this recommendation.

For the financial year ended 30 June 2021 and the half-year ended 31 December 2020, the company’s CEO (now MD) and CFO provided the Board with the required declarations.

***Recommendation 4.3 - A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.***

The company fully complies with this recommendation.

The Audit and Risk Committee is responsible for all corporate reports released to the market. The committee is required to satisfy itself that a report is materially accurate, balanced and provides investors with appropriate information to make informed decisions before it is released to the market.



## Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

### *Recommendation 5.1*

*A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.*

The company fully complies with this recommendation.

The company maintains a Continuous Disclosure Policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The Company Secretary is required to consult with the Executive Chairman in relation to matters brought to their attention for potential release to the ASX. Generally, the full Board is ultimately responsible for decisions relating to the making of market announcements. The Board is required to authorise announcements of significance to the company. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

*Recommendation 5.2 - A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.*

The company fully complies with this recommendation.

Proposed ASX announcements are circulated to the Board prior to market release. A majority of The Board is then required to authorise the release to the ASX. No member of the company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

*Recommendation 5.3 - A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.*

The company fully complies with this recommendation.

## Principle 6: Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

*Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.*

The company fully complies with this recommendation.

The company maintains information in relation to governance documents, directors and executive management, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

*Recommendation 6.2 - A listed entity should have an investor relations program that facilitates effective two-way communication with investors.*

The company does yet comply in full with this recommendation.

The company does not have a formal investor relations program. The Board and Company Secretary engage with investors at the AGM and respond to shareholder enquiry on an ad hoc basis. Material communications are dispatched to investors either via email, surface mail, and/or via market announcement.

*Recommendation 6.3 - A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.*

The company does yet comply in full with this recommendation.

The company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to.



**Recommendation 6.4 - A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.**

The company fully complies with this recommendation.

ECT's constitution (12.2) provides for a show of hands during the meeting to decide a resolution, but allows for a poll (12.14) when requested by the Chair.

Based on proxies already received and shares held at the meeting, the chairman can call a poll should:

- The show of hands is not conclusive in favour of a particular resolution;
- The show of hands carries a number of votes that might not be conclusively in favour of a particular resolution, despite their being a show of hands conclusively in favour of a resolution;
- Shareholders holding at least 5% of the vote call for a poll.

**Recommendation 6.5 - A listed entity should give security holders the option to receive communications from, and send communications to, the company and its security registry electronically.**

The company fully complies with this recommendation.

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Automic Registry Services at [www.automic.com.au](http://www.automic.com.au).

## Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

### Recommendation 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.*

The company does not currently comply with this recommendation.

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Recommendation 4.1 above. None of the current members Committee members are independent, and the current Chair is not independent.

Details of the number of times the committee met and the individual attendances of the members at those meeting is disclosed within the Directors' Report of the company.

The charter and risk appetite statement of the Audit and Risk Committee can be found on the company's website-  
<http://www.ecltld.com.au/about-us/corporate-governance/>.

***Recommendation 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 that the entity is operating with due regard to the risk appetite set by the board; and***
- (b) disclose, in relation to each reporting period, whether such a review has taken place.***

The company fully complies with this recommendation.

The Audit and Risk Committee reviews the company's risk management framework periodically, and at least annually, to ensure that it remains suitable to the company's operations and objectives and that the company is operating within the risk parameters set by the Board. The committee ensures that the framework takes into account emerging risks, and including digital disruptions, cyber-security, privacy and data breaches, sustainability and emerging climate change.

As a consequence of the last review undertaken for the year ended 30 June 2021, there were no significant recommendations made.

***Recommendation 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 governance, risk management and internal control processes.***

The company does not fully comply with this recommendation.

The company does not have a dedicated internal audit function.

The management of risk is important in the creation of shareholder value and is a priority for the Board and management. The company has a framework in place to safeguard the company's assets and interests and ensure that business risks are identified and properly managed. This includes procedures and limits to manage financial risk associated with exposures to foreign currencies and financial instruments. To assist in discharging this responsibility the Board has in place a control framework, which includes the following:

- an annual budget, approved by the directors;
- regular reporting to the Board on a number of key areas including safety, health, insurance and legal matters;
- adoption of clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested; and
- a comprehensive insurance program, including risk assessment analysis and plans to mitigate identifiable or foreseeable risks.

This function is operated completely independently of the external audit.

***Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.***

The company fully complies with this recommendation.

The Board acknowledges that stakeholders are requesting greater transparency relating to environmental and social risks faced as it can impact long-term value of the company. The Board constantly monitors, via the Audit and Risk Committee, any emerging risks that may impact on the performance or reputation of its businesses. Stakeholder perceptions are vitally important to the success of the group, and the company actively engages with various societal groups such as those representing consumers, suppliers, government, shareholders, indigenous community leaders, and media to gauge where the company could have risk exposures, could improve communications, pivot certain strategies, and how the company compares to its peers.

ECT's Board has resolved to adopt the World Economic Forum Environmental, Social and Governance (ESG) framework and instructed management to set up an impact measurement plan for each sustainability area which includes, but is not limited to, governance, anti-corruption practices, ethical behaviour, human rights, carbon emissions, land use, ecological sensitivity, workplace health & safety, diversity and inclusion, pay equality and community giving.

Based on the interactions the company has had in monitoring risk, the Board does not currently believe that are currently any emerging material environmental or social risk faced by its businesses. The company will continue to



ensure the market is informed as to any material risks that may arise in accordance with the requirements of the ASX Listing Rules.

Refer also to the company's Annual Report for disclosures relating to the company's material business risks (including those that could adversely affect the company's prospects for future financial years) and how these risks are managed. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

## Principle 8: Remunerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

**Recommendation 8.1 - The board of a listed entity should:**

**(a) have a remuneration committee<sup>2</sup> 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.**

The company does not yet fully comply with this recommendation.

The company does not maintain a Remuneration Committee as it is considered that the current size of the Board does not warrant the formal establishment of a separate committee. The Board therefore performs the function of such a committee which includes setting the company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board, MD and Company Secretary. The Board may obtain external advice from independent consultants in determining the company's remuneration practices, including remuneration levels, where considered appropriate.

The members of the Board and the skills they bring to the company are detailed in Recommendations 2.2 and 2.3. Details of the qualifications and experience of the members of the Board are also contained in the Directors' report.

The full Board oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees regardless of sex, age, disability, race, ethnicity, origin, or other status.

**Recommendation 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.**

The company fully complies with this recommendation.

Non-executive directors are remunerated by way of cash fees and superannuation contributions and shares in lieu of fees, which aligns the long-term interests of the company's shareholders and its non-executive directors. The level of remuneration reflects the anticipated time commitments and responsibilities of the position.

Executive directors and other executive management are remunerated using fixed remuneration if they are an employee, or an hourly rate if they are a contractor, plus shares in lieu of fees. All purchases of shares in the company are subject to the company's share trading policy and legal prohibitions.

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<sup>2</sup> (LR12.8) An entity included in the S&P/ASX 300 Index at the beginning of the financial year must have a remuneration committee comprised solely of non-executive directors for the entire year.



Fees, salaries and hourly rates are set at levels reflecting market rates. ECT's guiding principle is that all staff are paid market rates based upon their skillset, regardless of sex, age, disability, race, ethnicity, origin, or other status. Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

***Recommendation 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.***

The company does not have an equity-based remuneration scheme.

***Recommendation 9.1 - A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.***

This is not relevant to ECT.

***Recommendation 9.2 - A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.***

This is not relevant to ECT.

***Recommendation 9.3 - A listed entity established outside Australia, and an externally managed 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.***

This is not relevant to ECT.