

# LaserBond Ltd Corporate Governance Statement

Unless disclosed otherwise, all the best practice recommendations of the ASX Corporate Governance Council have been applied by the company. Information reported is as at 30 June 2017 reporting period.

## **Principle 1: Lay Solid Foundations for Management and Oversight**

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

### *1.1 A listed entity should disclose*

- 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 group's Board is responsible for corporate governance of the group. The Board develops strategies for the group's business, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- a) Maintain and increase Shareholder value;
- b) Ensure a prudential and ethical basis for the group's conduct and activities; and
- c) To ensure compliance with the group's legal and statutory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- a) Developing initiatives for profit and asset growth;
- b) Reviewing the corporate, commercial and financial performance for the group on a regular basis;
- c) Acting on behalf of, and being accountable to, the Shareholders; and
- d) Identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The company in general meetings is responsible for the appointment of the external auditors of the group, and the board from time to time will review the scope, performance and fees of those external auditors

Roles and responsibilities of Senior Executives are agreed to by the Board and are based on Strategic plans, Financial Budgets, and the available skills and experience of Senior Executives.

The Board expects all senior executives to meet all targets as required by strategic plans, financial budgets, key performance indicators and formal job descriptions. Performance is evaluated annually at Performance Reviews.

### *1.2 A listed entity should*

- 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.*

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the group is committed to the following principles:

- a) The board is to comprise Directors with a blend of skills, experience and attributes appropriate for the group and its business; and
- b) The principal criterion for the appointment of new Directors is their ability to add value to the group

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

All executive directors and senior executives have written agreements in the form of Employment Agreements, Letter of Employment and / or Job Descriptions. Non-executive directors have provided their consent to act as directors with fixed fees and terms based on re-election by Shareholders at general meeting.

### *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 proper functioning of the board.*

The Company Secretary is accountable directly to the board through the chair, on all matters to do with proper functioning of the board.

### *1.5 A listed entity should*

- a) *Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- b) *Disclose that policy or a summary of it; and*
- c) *Disclose as at the end of each reporting period 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 the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.*

LaserBond Ltd is an equal employment opportunity employer that values and promotes diversity. Diversity encompasses age, gender, ethnicity, physical abilities, religious beliefs, language, political beliefs, sexual orientations, etc.

The group believes that by bringing together men and women from diverse backgrounds who contribute based on their skills, experiences and perspectives, we can deliver the best value and sustainability for LaserBond and its shareholders.

LaserBond's approach to ensuring diversity in the group is based on the following actions:

- a) Promotion of a culture of diversity amongst employees.
- b) Elimination of any barriers to achieving a diverse workplace.
- c) Ensuring all recruitment and selection processes are based on merit alone.
- d) Providing opportunities for development to all employees in order to enhance productivity and build teams with a balance of skills, experience and perspectives.
- e) Rewarding and remunerating fairly.
- f) Promotion of flexible work practices that balance each employee's personal situation or needs with the needs of the group.

The Board reviews these objectives and the performance against them annually. Individual divisions may also set measurable objectives relevant to their particular operating contexts.

One of the challenges for gender diversity stems from the fact that almost all LaserBond's entire workforce is employed in skilled metals engineering positions (including apprenticeships for those positions). Unfortunately, these positions rarely attract female applicants. The group will continue to encourage position applications from females to redress this situation, and diversity throughout the group (including gender diversity) will remain a focus.

The representation of female employees as at 30 June 2017 was as follows:

- a) Total workforce – 10% (5 of 50)
- b) Executive and senior management – 0% (0 of 4)
- c) Board – 0% (0 of 4)

#### 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, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

An annual performance evaluation of the board and all board members is historically undertaken on the anniversary of the first listing of the group. A formal performance evaluation of board members has not taken place during the reporting period due to time constraints with individual directors, particularly relative to agreed business strategies.

#### 1.7 A listed entity should

- a) *Have and disclose a process for periodically evaluating the performance of its senior executives; and*
- b) *Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

An annual performance evaluation of all employees, including senior executives, is undertaken formally at the end of each calendar year. A formal performance evaluation of the senior executives has not taken place during the reporting period due to time constraints with individual directors, particularly relative to agreed business strategies.

## **Principle 2: Structure the Board to Add Value**

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

#### 2.1 A listed entity should

- a) *Have a nomination committee which has at least three members, a majority of whom are independent directors and is chaired by an independent director; and*
- b) *Disclose the charter of the committee, the members of the committee and 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.*

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the board membership. An informal assessment process facilitated by the Chairman in consultation with the group's professional advisors has been committed to by the board.

#### 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.

The board is committed to comprising Directors with a blend of skills, experience and attributes appropriate for the group and its business. The skills, experience and expertise relevant to the position of each Director who is in office at the date of this annual report and their term of office are detailed in the Director's report.

#### 2.3 A listed entity should disclose

- a) *The names of the directors considered by the board to be independent directors;*
- b) *If a director has an interest, position, association or relationship that might cause doubts about the independence of a director but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- c) *The length of service of each director.*

Details of the board including their terms of office are set out in the Directors' Report under the heading "Directors"

The board assesses the independence of directors annually. For this process, the directors must provide all information relevant to this assessment. In order to assess the independence of each director, a director must be a non-executive and the board considers whether the director:

- a) is a substantial shareholder, or associated directly with a substantial shareholder.
- b) is or has been a principal of a material customer, supplier, subcontractor, professional adviser or consultant to the group, or has an indirect association with same.
- c) is free from any business or other relationship which could (or be perceived to) interfere with their independence.

Existing non-executive directors based on this assessment continue to be deemed independent.

#### 2.4 A majority of the board of a listed entity should be independent directors.

The Board comprises a balance of independent Directors with the overall number of Directors appropriate for the size and complexity of the business. Importantly, the composition provides two representatives on the Board who have specialised experience and knowledge of the business.

#### 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 chairperson, Mr. Allan Morton, during the 2017 fiscal year assisted in executive functions, particularly related to corporate development and marketing. He does not hold the position of Chief Executive Officer.

### **Principle 3: Act Ethically and Responsibly**

A listed entity should act ethically and responsibly.

#### **3.1 A listed entity should**

- a) *Have a code of conduct for its directors, senior executives and employees; and*
- b) *Disclose that code or a summary of it.*

It is the Board's responsibility to ensure an effective internal control framework exists. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board assumes the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity.

The Board seeks independent professional advice prior to making any business decisions that may affect the performance of the group or its securities. Also, subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the group's expense, may obtain independent professional advice on issues arising in the course of their duties.

All directors, senior executives and employees will:

- a) Act in the best interests of the entity;
- b) Act honestly and with high standards of personal integrity;
- c) Comply with the laws and regulations that apply to the entity and its operations;
- d) Not knowingly participate in any illegal or unethical activity;
- e) Not enter into any arrangement or participate in any activity that would conflict with the entity's best interests or that would be likely to negatively affect the entity's reputation;
- f) Not take advantage of the property or information of the entity or its customers for personal gain or to cause detriment to the entity or its customers; and
- g) Not take advantage of their position or the opportunities arising there from for personal gain.

### **Principle 4: Safeguard Integrity in Corporate Reporting**

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

#### **4.1 The board of a listed entity should**

- a) *Have an audit committee which has at least three members (all of whom are non-executive directors and a majority of whom are independent directors) and is chaired by an independent director who is not the chair of the board; and*
- b) *disclose the charter of the committee, the relevant qualifications and experience of the members of the committee and the number of times the committee met throughout the reporting period including the individual attendances of the members at those meetings.*

The Audit Committee members consist of two directors, (Allan Morton and Philip Suriano), and is chaired by the chair of the board due to his experience in relation to audits and committees.

Whilst not in accordance with the best practice recommendation, the group is of the view that such an approach is appropriate given the size of the existing board. Further, the Board does not consider that the group is of sufficient size to justify the appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive.

The functions of the Committee are to review and make recommendations to the Board in respect of:

- a) The adequacy of accounting control systems, and application of administrative, operating and accounting policies.
- b) The financial statements complying with appropriate accounting standards and presenting a true and fair view of the financial position and performance.
- c) The appropriateness of accounting judgments or choices exercised in preparing the financial statements.
- d) The review and approval of half-yearly and annual financial reports before release to the market.
- e) The appointment or removal of the external auditor.
- f) The rotation of the audit engagement partner.
- g) The scope and adequacy of the external audit.
- h) The independence and performance of the external auditor.
- i) The approval of the payment of external auditor's fees.
- j) Proposals for the external auditor to provide non-audit services, and ensuring no compromise of their independence.

The audit committee has met twice during the reporting period, with 100% attendance of members, in conjunction with the preparation of the financial reports.

#### **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 board has received the appropriate declarations from its CEO and CFO related to this reporting period.

#### **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.**

The Board ensures a representative of its external auditor is available prior to announcing the date of each AGM.

## **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.

*5.1 A listed entity should have a written policy for complying with its continuous disclosure obligations under the listing rules and disclose that policy or a summary of it.*

Both the Chief Executive Officer (or equivalent) and Company Secretary (or equivalent) are responsible in ensuring that all disclosure requirements and full compliance is met, after review and approval of information to be disclosed by each board member.

## **Principle 6: Respect the Rights of Security Holders**

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

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

The Company's website includes detailed information about itself and an investor's relation link providing information pertinent to investors.

*6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The board aims to ensure that shareholders are informed of all major developments affecting the group's state of affairs by issuing announcements to ASX, thereby complying with its continuous disclosure obligations. These announcements are made subsequent to any pertinent information being made aware to the board or the Company. All announcements are reviewed and approved by each board member to ensure the information is disclosed accurately.

*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.*

The Board recommends and requests the participation of all shareholders at general meetings by formal, written notice of meetings. Where a shareholder is unable to attend a general meeting to exercise their right to ask questions about, or make comments on, the management of the entity the board encourages these shareholders to provide these questions to the Chief Executive Officer or Company Secretary in advance of the meeting to allow these questions and comments to be reviewed and added to the Chairman's (or other directors) address at the general meeting.

*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.*

The Company provides an email address of [corporate@laserbond.com.au](mailto:corporate@laserbond.com.au) for all shareholders to communicate directly. Shareholders may also direct our registry to provide materials via email.

## **Principle 7: Recognise and Manage Risk**

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

*7.1 A listed entity should have a committee or committees to oversee risk which has at least three members, a majority of whom are independent directors and is chaired by an independent director. The listed entity shall disclose the charter of the committee, the members of the committee and as at the end of each reporting period the number of times the committee met throughout the period, including the individual attendances at those meetings.*

The Risk Committee members consist of two directors (Allan Morton and Wayne Hooper), and is chaired by the chair of the board due to his experience in relation to risk management and committees.

Whilst not in accordance with the best practice recommendation, the group is of the view that such an approach is appropriate given the size of the existing board. Further, the Board does not consider that the group is of sufficient size to justify the appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive.

The functions of the Committee are to review and make recommendations to the Board in respect of:

- a) The design and implementation of a structured risk management framework that provides management and the Board with comfort risks are being identified and managed effectively.
- b) The monitoring and evaluation of the risk management framework, and its effectiveness on minimizing risk that may adversely impact on the business objectives or strategies.
- c) Ensuring the management of risk is integrated into the development of strategic and business plans, and the achievement of the Company's vision and values.
- d) The Corporate Governance Statement in the Annual Report
- e) The compliance with legal, regulatory and statutory obligations.

The risk committee has met once during the reporting period.

*7.2 The board or a committee of the board should*

- a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- b) Disclose, in relation to each reporting period, whether such a review has taken place.*

The risk committee determines the group's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The committee's collective experience will enable accurate identification of the principal risks that may affect the group's business. Key operational risks and their management are recurring items for consideration at Board meetings. A risk review has taken place during this reporting period.

**7.3** *A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs.*

The Company has no formal internal audit function due to both the size of the board and the business. However the risk committee's role includes the requirement to ensure a systematic, disciplined approach to evaluating and continually improving the effectiveness of its risk management and internal control processes.

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

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

## **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.

**8.1** *The board of a listed entity should have a remuneration committee, which has at least three members, a majority of whom are independent directors and is chaired by an independent director. The listed entity will also disclose the charter of the committee, the members of the committee and as at the end of each reporting period the number of times the committee met throughout the period, including the original attendances at those meetings.*

The remuneration committee members consist of two directors, (Allan Morton and Philip Suriano), and is chaired by the chair of the board due to his experience in relation to remuneration and committees.

Whilst not in accordance with the best practice recommendation, the group is of the view that such an approach is appropriate given the size of the existing board. Further, the Board does not consider that the group is of sufficient size to justify the appointment of additional Directors, and to do so for the sole purpose of satisfying this requirement would be cost prohibitive.

The functions of the Committee are to review and make recommendations to the Board in respect of:

- a) Remuneration of the Executive Directors, within the terms of the employment contract, annually to the board.
- b) The Executive Director's recommendations regarding remuneration for staff, ensuring alignment with market trends.
- c) The Executive Director's performance and key performance indicators for the determination of bonus components.
- d) Any incentive plans or ex-gratia payments to the Executive Directors or other employees.
- e) Any grievances or complaints about remuneration.
- f) Gender diversity issues identified.
- g) The alignment of remuneration and incentive policies, practices and performance indicators with the board's vision, values and overall business objectives.

The remuneration committee has met once during the reporting period.

**8.2** *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive director and the remuneration of executive directors and other senior executives.*

Currently the non-executive Directors do not receive performance-based bonuses, however the non-executive directors may be eligible for additional remuneration as share based payments, reviewed annually by the Board and subject to approval by shareholders at a general meeting. The Board's review encompasses the reasonableness of non-executive director remuneration, future financial forecasts, share price position and target, and company strategy as discussed and agreed at Board level. They will not be entitled to retirement allowances.

The group's constitution provides that the remuneration of non-executive Directors will be no more than the aggregate fixed sum determined by a general meeting. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$150,000 per annum.

Remuneration of executive directors and other senior executives is reviewed and determined by the remuneration committee. When establishing and reviewing the remuneration of Directors and Senior Management the group will apply the broad principles of a fair and equitable standard of remuneration commensurate with the qualifications and experience each member brings to the group. Remuneration committee members that have a direct or vested interest in the establishment and review of remuneration will not be included in the process.

**8.3** *A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme. The listed entity shall also disclose that policy.*

The Company has two equity-based remuneration schemes:

- a) A tax-exempt employee share plan - this is to recognise our employee efforts by awarding up to \$1,000 tax free shares. An employee becomes entitled to take part in the scheme after three years of full-time employment. The shares are issued at the closing price on the ASX on the day any issue is formally approved by the board. No employee is permitted to enter into any agreement which limits their economic risk on shares issued through this scheme.
- b) Non-Executive Director Remuneration – the non-executive directors are paid quarterly fixed fees, reviewed annually. Further if a non-executive director holds their Board position for the full twelve months of the each reporting period they may be eligible for non-cash benefits of a fixed quantity of LaserBond shares reviewed annually by the Board and based on approval by shareholders at a general meeting. The Board's review encompasses the reasonableness of non-executive director remuneration, future financial forecasts, share price position and target, and company strategy as discussed and agreed at Board level.