

ASX Announcement

19 February 2020

Updated Corporate Governance Statement

The Directors of Kollakorn Corporation Limited (ASX: KKL) (the **Company**) wish to advise that the Corporate Governance Statement announced on 23 October 2019 has been amended and is attached hereto.

Section 2.3 has been amended to provide additional detail regarding the independence of each director. Section 4.2 has been amended to correct a typographical error.

On behalf of the Board of Kollakorn

A handwritten signature in blue ink, appearing to read 'T. Bloomfield', is written over a faint, light blue circular watermark or stamp.

Tom Bloomfield
Company Secretary

Corporate Governance Statement

This statement summarises the main corporate governance practices of Kollakorn Corporation Limited ("Kollakorn" or "Company"). Unless otherwise indicated, all practices were in place for the entire year ended 30 June 2019.

The Board of Directors of Kollakorn is responsible for the corporate governance of the Group. The Board is responsible for protecting the rights and interests of the shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the Company's resources, functions and assets. This process is achieved through the application of appropriate corporate governance policies and procedures given the size of the company and the scale of its operations. The Board guides and monitors the business and affairs of Kollakorn on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Kollakorn supports the principles of good corporate governance and best practice recommendations as set out in the 3rd edition of the ASX Corporate Governance and Recommendations' as issued by the ASX Corporate Governance Council ("ASX Principles"), unless it believes compliance with individual guidelines is not appropriate.

Kollakorn's Corporate Governance Statement is structured with reference to the ASX Principles, which are as follows:

- Principle 1 - Lay solid foundations for management and oversight
- Principle 2 - Structure the board to add value
- Principle 3 – Act ethically and responsibly
- Principle 4 - Safeguard integrity in corporate 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

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1. Roles and Responsibilities of the Board and Management

The skills, experience and expertise relevant to the position of director held by each director in office are included each year in the Company's Annual Report to shareholders.

The Board is accountable to the shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of corporate strategy and policy initiatives have been formally delegated by the Board to the Chief Executive Officer ("CEO").

Key responsibilities of the Board include:

- Approving the strategic direction and related objectives of the Company, and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Company;
- Reviewing the performance of the CEO;
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring that the Company meets its legal and statutory obligations; and
- Having regard to the size of the company and the nature of its operations, the full Board carries out the functions that would otherwise be delegated to a nominations committee.

1.2. Appointment of Directors

If the Board determines that there is a need to appoint another director, the Board will determine the appropriate skills, experience and qualifications required, having regard to those of the existing directors and implement a system of recruitment aimed at locating the most appropriate person to meet the Board's needs. In appointing directors, appropriate background checks will be conducted before the Company appoints a person or puts forward a candidate for election as a Director.

The Notice of Meeting will provide security holders with all material information relevant to a decision to elect or re-elect a Director.

1.3. Terms of Appointment

Each Director receives a formal letter of appointment setting out the key terms, conditions and responsibilities of their appointment.

1.4. Company Secretary

The Company Secretary is accountable to the Board, through the Chair, on all governance matters.

1.5. Diversity Policy

The Board is responsible for developing policies in relation to a corporate culture that supports diversity and the implementation of measurable diversity objectives.

The Company's strategies may include:

- Recruiting from a diverse range of candidates for all positions including senior executive roles and Board positions
- Ensuring succession planning considers diversity
- Mentoring and professional development programs
- Networking opportunities
- Pay equity to ensure equal pay for equal work across our workforce
- Mentoring and support networks for women who return from maternity leave
- Training and awareness programs to foster a corporate culture that embraces and values diversity

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

1.6. Performance Evaluation - Board

The Board, through the Chairman, has a process for evaluating the performance of the Board, its committees and individual directors.

The Board did not conduct a performance evaluation during the year and the most recent review of the Board and its Committees was conducted in 2014 with significant changes made to the Board at that time.

1.7. Performance Evaluation – Management

The Board will annually review the performance of the CEO having regard to performance measures set out at the commencement of each year. These will include financial measures, achievement of strategic objectives and other key performance indicators including compliance. The CEO, in turn, evaluates the performance of other key executives in a similar manner and reports as appropriate to the Board on such reviews.

A performance evaluation for the CEO took place during the year in accordance with the process outlined above.

2. STRUCTURE THE BOARD TO ADD VALUE

2.1. Nomination Committee

The Board has determined that a nominations committee is not appropriate at this stage. Board succession and Board balance is the responsibility of the Board itself.

2.2. Board Skills Matrix

The Directors consider the size and composition of the Board to be appropriate given the Company's status and the nature of its operations. It does however, nonetheless, undertake regular reviews and compliance practices to assist including, a periodic review either when a vacancy arises or if the Board considers it would benefit from an additional mix of skills and experience based on the strategic demands of the Company at that time.

The Company does not have a formal Board skills matrix setting out the mix of skills and diversity that the Board currently has.

2.3. Independent Directors

The Board regularly reviews the status of each director. The skills, experience and expertise of each director is contained with the Company's 2019 financial report. The status of each director is as follows:

Director		Appointed
R Tayeh	Independent	23-03-2009
N J Aston	Independent	15-07-2013
C F Hunting	Independent	10-02-2015

The Board believes that the best interests of the Company will be served if a majority of the Directors are independent, as defined in the ASX Principles.

Mr Tayeh's length of service is directly related to the fact that no other suitable candidate had been identified to undertake the role at this time, and the Boards need to utilise Mr Tayeh's corporate skills as the Company shifts its strategic focus. The Board has at no time dissuaded any person from either joining the Board or undertaking the role of Chairman and continues to discuss the make-up of the Board on a regular basis. The Board and Mr Tayeh acknowledge his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company.

In the Board's opinion, the relationships held by Mr Aston (Brentnalls NSW Pty Ltd) and Mr Hunting (Triangul8 Pty Ltd), which are detailed in the Annual Report, are not material enough such that it might interfere with their capacity to bring independent judgment to bear on issues before the Board and to act in the best interests of the Company.

The Company have engaged BCF Global Pty Ltd, Bio Carbon Fuels Pty Limited, Infitecs Pty Limited and AgBioEn Pty Ltd for the provision of services. Mr Hunting is associated with each of the aforementioned entities by virtue of being a director, secretary or shareholder. Mr Hunting and the other directors complied with all common law and statutory requirements relating to the fact of Mr Hunting's relationship with each of these entities. It is the opinion of the Board that the relationships are not material enough such that it might interfere with Mr Hunting's capacity to bring independent judgment to bear on issues before the Board and to act in the best interests of the Company.

2.4. Board Composition

The majority of the Board are independent Directors.

2.5. Independent Chair

The Chair of the Board is an independent Director and is not the same person as the CEO.

2.6. Director Induction and Professional Development

The Board, led by the Chair, is responsible for inducting new directors and ensuring ongoing development.

3. ACT ETHICALLY AND RESPONSIBLY

3.1. Code of Conduct

The Directors are expected to use their skills commensurate with their knowledge and experience to increase the value of the Company.

To meet this obligation Directors must act honestly and should:

- execute due care and diligence including confidentiality;
- not misuse information or their position for their own gain;
- avoid and fully disclose potential conflicts;
- ensure that the market is fully informed of all matters that require disclosure;
- be aware and abide by insider trading laws and strictly adhere to the Company's policies in this respect; and
- actively promote the reputation of the company.

In accordance with the Corporations Act and the Company's constitution, the Directors must keep the Board advised, on an ongoing basis, of any circumstance(s) that have the potential to conflict with those of the Company. Where the Board believes that a conflict exists, the Director concerned will not receive the relevant Board papers, will not be present at the meeting whilst the item is considered and will take no part in any decision.

Directors are to ensure that the financial statements are prepared in compliance with Australian Corporations Law and all relevant Australian and International Accounting Standards.

Directors must also be aware of environmental impacts of the company's business and ensure the health, safety and wellbeing of their employees.

4. SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1. Audit Committee

The Audit Committee, in accordance with its formal charter, monitors the independence, objectivity, effectiveness and scope of the external audit, and reviews the external auditor's findings and recommendations. The committee oversees management's approach in identifying key financial risk areas, and ensures programs are in place to manage identified risks. The committee also reviews the processes governing any non-audit work undertaken by the external auditor to ensure the independence of the external auditor is not affected by conflicts. The Audit Committee is comprised of Riad Tayeh (Chairman) and Mr Nick Aston (Member). Due to the small size of the Board, the Board believes it is not beneficial to have an Audit Committee comprising three members, as recommended by the ASX Corporate Governance Council. Both members are independent. The committee meets as required and, in conjunction with the external auditor, to ensure they are satisfied that the reporting systems in place provide an accurate representation of the Consolidated Entity's activities and position. Two meetings of the

Audit Committee were held in the financial year, and an additional meeting held post close of the full year audit, these meetings were attended by both members.

4.2. CEO Declaration

The Board's representations in relation to financial reports are supported by representations made by the CEO.

4.3. External Auditor attends AGM

The Auditor is required to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

5.1. Continuous Disclosure Obligations

It is the Company's policy that all shareholders and investors have equal access to material information. The Chairman, the CEO and the Company Secretary ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX. The Company maintains a website which is regularly updated to provide the wider community with all information that is released.

6. RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1. Company Website

Information about the Company and its corporate governance items are posted to the Company's website www.kollakorn.com

6.2. Communication with Investors

The aim of the Board is to ensure that shareholders are informed of all major developments affecting the Company. Information is communicated in the following manner:

- the Annual Report is distributed to all shareholders who have elected to receive a copy;
- the half-yearly report contains summarised financial information and a review of the operations of the Company during the relevant period;
- the ASX quarterly cash reports will contain summarised financial information for the relevant period;
- regular shareholder updates and other disclosures lodged with the ASX;
- notices and explanatory memorandum for all meetings of the Company shareholders; and
- the Company's website, www.kollakorn.com.

6.3. Investor Participation

The dates and locations of security holder meetings are lodged with ASX and shown on the Company website at www.kollakorn.com. Security holders will be invited to attend based on contact information held by the Company Registry.

6.4. Electronic Communications

The Company provide security holders with an electronic communication option.

7. RECOGNISE AND MANAGE RISK

7.1. Risk Committee

The Board has determined that a risk committee is not appropriate at this stage.

The Board, in consultation with the CEO and the Company's Auditors, determines the Consolidated Entity's risk profile and is responsible for overseeing and approving risk management strategy and policy. This includes:

- establishing and monitoring the Consolidated Entity's strategies, goals and objectives;
- identifying and measuring risks that have the potential to impact upon the achievement of those strategies, goals and objectives;
- formulating risk management strategies to manage the identified risks; and
- monitoring and improving the effectiveness of risks and internal compliance controls.

7.2. Risk Management Framework

Each year, the CEO and the Chief Financial officer certify to the Board in writing that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

7.3. Internal Audit Function

Due to the size and operations of the Company, it is not deemed appropriate to have an internal audit function.

7.4. Economic, Environmental and Social Sustainability Risks

The Company does not consider, given the nature of its business, that it has any specific extraordinary exposure to economic, environmental and social sustainability risks.

The Company has policies on responsible business practices and ethical behaviour, including conflict of interest and share trading policies, to maintain confidence in the Company's integrity and ensure legal compliance.

8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1. Remuneration Committee

The Board has a separate Remuneration Committee which ensures the implementation and effectiveness of the Company's Remuneration policies.

8.2. Remuneration Policies

Non-Executive Directors

Fees including statutory superannuation paid to non-executive directors will be at or around the market average for a Company such as Kollakorn and are disclosed each year in the Company's annual report. Directors are not entitled to retirement benefits.

Senior Executives

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company. Further information regarding remuneration policies can be found in the Remuneration Report included in the Directors' Report at the end of each financial year.

8.3. Equity Based Remuneration Schemes

The Company does not have an equity-based remuneration scheme and this recommendation is therefore not applicable.