



**Blackwood Corporation Limited
Corporate Governance Compliance Statement**

ASX Best Practice Recommendations

The table below identifies the ASX Corporate Governance Principles and Recommendations (**Principles**) and whether or not the Company has complied with the recommendations during the reporting period:

	Recommendation	Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓	
1.2	Disclose the process for evaluating the performance of senior executives	✓	
1.3	Provide the information indicated in the Guide to reporting on Principle 1	✓	
2.1	A majority of the board should be independent directors	✗	Note 1
2.2	The chair should be an independent director	✗	Note 2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	✓	
2.4	The board should establish a nomination committee	✗	Note 3
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	✓	
2.6	Provide information indicated in the Guide to reporting on Principle 2	✓	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	✓	
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy	✓	
3.3	Provide information indicated in the Guide to reporting on Principle 3	✓	
4.1	Establish an audit committee	✓	
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> • consist only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members 	✗	Note 4
4.3	The audit committee to have a formal charter	✓	
4.4	Provide the information indicated in the Guide to reporting on Principle 4	✓	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies	✓	
5.2	Provide the information indicated in the Guide to reporting on Principle 5	✓	
6.1	Design communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	✓	
6.2	Provide the information indicated in the Guide to reporting on Principle 6	✓	

	Recommendation	Complied	Note
7.1	Establish policies for oversight and management of material business risks and disclose a summary of those policies	✓	
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	
7.3	Disclose whether assurance has been received from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
7.4	Provide information indicated in the Guide to reporting on Principle 7	✓	
8.1	Establish a remuneration committee	✓	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	
8.3	Provide the information indicated in the Guide to reporting on Principle 8	✓	Note 3

Note 1: During the reporting period the majority of directors did not satisfy the test of independence set out in Box 2.1 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations (**Independence Test**).

- Messrs Simpson, Randall and McPherson do not satisfy the Independence Test as they are officers, or otherwise associated directly with, substantial shareholders of the Company as defined in section 9 of the *Corporations Act 2001*.
- Mr Bolitho has been previously employed in an executive capacity by the Company and there has not been a period of at least 3 years between ceasing such employment and serving on the board as a non-executive director.

The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history, and directors' experience and knowledge of the Company's assets. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint additional independent directors as it deems appropriate.

Note 2: As noted above, Mr Bolitho does not satisfy the Independence Test as he has been previously employed in an executive capacity by the Company and there has not been a period of at least 3 years between ceasing such employment and serving on the board as a non-executive director..

Note 3: The Principles recommend that companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and that companies should have a structure to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

(a) Recommendation 2.4 – Nomination Committee

Recommendation 2.4 of the Principles states that the board should establish a nomination committee that should be structured so that it:

- consists of a majority of independent directors;

- is chaired by an independent director; and
- has at least three members.

The Board does not have a separate nomination committee. The Board, as a whole, serves as a nomination committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate nomination committee.

The responsibility for the selection of potential directors lies with the full Board of the Company. A separate nomination committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the nomination committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

(b) Recommendation 8.1 – Remuneration Committee

Recommendation 8.1 of the Principles states that the board should establish a remuneration committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The Company has established a Remuneration Committee (**Committee**) which operates in accordance with a written charter. The current members of the Committee are Mr Barry Bolitho (Committee chair) and Mr Andrew Simpson with other Board members and the Chief Executive Officer participating from time to time by invitation.

Due the current structure of the Board, membership of the Committee does not meet all of the recommended guidelines for composition of a remuneration committee. The Committee does not have at least 3 non-executive members, due to the size of the Board, and not all of the members of the Committee satisfy the Independence Test. Mr Simpson does not satisfy the Independence Test as he is a director of a substantial shareholder of the Company as defined in section 9 of the Corporations Act 2001. Mr Bolitho does not satisfy the Independence Test as he has been previously employed in an executive capacity by the Company and there has not been a period of at least 3 years between ceasing such employment and serving on the board as a non-executive director. The Board (in the absence of Messrs Simpson and Bolitho, separately) consider both Messrs Simpson and Bolitho are capable of and demonstrates that they consistently makes decisions and takes actions which are designed to be in the best interests of the Company.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by a committee of 2 non-executive members reporting to the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the composition of the Committee to ensure compliance with the Principles where possible.

Note 4: The Principles recommend that companies should have a structure to independently verify and safeguard the integrity of their financial reporting. Recommendation 4.1 of the Principles states that the board should establish an audit committee.

Recommendation 4.2 of the Principles states that the audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members.

The Company has established an Audit and Risk Management Committee (**Committee**) which operates in accordance with a written charter. The current members of the Committee are Mr Andrew Simpson (Committee chair) and Mr Barry Bolitho with other Board members and the Chief Financial Officer participating from time to time by invitation.

Due the current structure of the Board, membership of the Committee does not meet all of the recommended guidelines for composition of an audit committee. The Committee does not have at least 3 non-executive members, due to the size of the Board, and not all of the members of the Committee satisfy the Independence Test. Mr Simpson does not satisfy the Independence Test as he is a director of a substantial shareholder of the Company as defined in section 9 of the Corporations Act 2001. Mr Bolitho does not satisfy the Independence Test as he has been previously employed in an executive capacity by the Company and there has not been a period of at least 3 years between ceasing such employment and serving on the board as a non-executive director. The Board (in the absence of Messrs Simpson and Bolitho, separately) consider both Messrs Simpson and Bolitho are capable of and demonstrates that they consistently makes decisions and takes actions which are designed to be in the best interests of the Company.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by a committee of 2 non-executive members reporting to the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the composition of the Committee to ensure compliance with the Principles where possible.