



# Corporate Governance Statement

March 2016

Approved by the board of directors on May 23, 2016.

## Introduction

Digimatic Group Ltd. (the “Company”) and its Board has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance, which are in effect as of the 23 May 2016. The Board is committed to administering the Company’s policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company’s needs.

To the extent applicable, the Company has adopted the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (Recommendations).

In light of the Company’s size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company’s activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company’s main corporate governance policies and practices as at the date of this report are detailed below. The Company’s full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company’s website at [www.digimaticgroup.com](http://www.digimaticgroup.com).

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

### Recommendation 1.1

A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the chair and management; and includes a description of those matters expressly reserved to the Board and those delegated to management.

The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board’s composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board’s relationship with management, details of the

Board’s performance review and details of the Board’s disclosure policy. A copy of the Company’s Board Charter is available on the Company’s website

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities.

In general, the Board assumes (amongst others) the following responsibilities:

- (i) providing leadership and setting the strategic objectives of the Company;
- (ii) appointing and when necessary replacing the Executive Directors;
- (iii) approving the appointment and when necessary replacement, of other senior executives;
- (iv) undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director;
- (v) overseeing management’s implementation of the Company’s strategic objectives and its performance generally;
- (vi) approving operating budgets and major capital expenditure and investment;
- (vii) overseeing the integrity of the company’s accounting and corporate reporting systems including the external audit;
- (viii) overseeing the company’s process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company’s securities;
- (ix) ensuring that the Company has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate; and
- (x) monitoring the effectiveness of the Company’s governance practices.

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The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director which detail the terms of their appointment.

## Recommendation 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 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. The Board currently consists of the two Executive Directors (each of whom is a significant Shareholder) and two Non-Executive Directors (each of whom is independent). As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement.

The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board is confident that this process for selection, including undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, and review is stringent and full details of all Directors will be provided to Shareholders in the annual report and on the Company's website.

All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in Section 4 of the Prospectus or a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

## 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 has entered into Executive Service Agreements with Executive Directors and Letters of Appointment with each Non-Executive Director.

## 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 Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

## Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the Board:
  - (i) to set measurable objectives for achieving gender diversity; and
  - (ii) 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:
  - (i) 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
  - (ii) either:
    - (A) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
    - (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.

The Company has adopted a Diversity Policy. The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy. This policy outlines the Company's diversity objectives in relation to gender, age, cultural

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background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

The Diversity Policy provides a framework for the Company to achieve a list of measurable objectives that encompass gender equality. The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives. The Diversity Policy is available on the Corporate Governance Plan on the Company's website.

The Company does not discriminate on the basis of gender. The Company is not of a relevant size to consider setting measurable objectives for achieving gender diversity. As such the Board has not set any measurable objectives for achieving gender diversity.

Category	31 March 2016	
	Male	Female
Board of Directors	4	Nil
Senior Management	7	2
Company wide	14	13

The Senior Management refer to those persons having authority and responsibility for planning, directing, controlling the activities of the consolidated entity, directly or indirectly, of the consolidated entity.

## Recommendation 1.6

A listed entity should:

- have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and
- disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company is not of a relevant size to consider formation of a Nomination Committee. The responsibilities of the Nomination Committee are currently carried out by the Board and evaluating the performance of the Board, any committees and individual directors on an annual basis. The Board may do so with the aid of an independent advisor. The

process for this can be found in Schedule 5 of the Company's Corporate Governance Plan.

The Company has established the Nomination Committee Charter, which requires disclosure as to whether or not performance evaluations were conducted during the relevant reporting period.

During the year, a performance evaluation of the Executive Directors was undertaken by the Non-Executive Directors. The performance of the Board, its committees and the individual directors is assessed on an on-going basis by the Chairman of the Board.

## Recommendation 1.7

A listed entity should:

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

The responsibilities of the Nomination Committee are currently carried out by the Board, which includes periodically evaluating the performance of senior executives. The process is disclosed in Schedule 6 of the Corporate Governance Plan.

During March 2016, over a series of informal discussions and performance appraisals, the Executive Directors have reviewed each senior executive to ensure all the senior executives met their performance criteria.

## Principle 2: Structure the Board to add value

### Recommendation 2.1

The Board of a listed entity should:

- 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 disclose:
    - the charter of the committee;



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- (iv) the members of the committee; and
  - (v) 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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.

The Company does not comply with Principle 2.1. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board is confident that this process for selection, including undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, and review is stringent and full details of all Directors will be provided to Shareholders in the annual report and on the Company's website.

## Recommendation 2.2

A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company identifies the following as the main areas of skills required by the Board to successfully service the Company. The directors have been measured to these areas in the skills matrix:

	Number of Directors that meet the skill
Executive and Non-Executive experience	4
Industry experience and knowledge	4
Leadership	4
Corporate governance & Risk Management	4
Strategic thinking	4

Desired behavioural competencies	4
Geographic experience	4
Capital Markets experience	3
Subject matter expertise	
- accounting	3
- capital management	3
- corporate financing	3
- industry taxation	2
- risk management	4
- legal	2
- IT expertise	2

The Board Charter requires the disclosure of each Board member's qualifications and expertise as set out in the Company's Board skills matrix. Full details as to each Director and senior executive's relevant skills and experience are available in the Annual Report and the Company's Website.

## 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, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), 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

The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. Currently two members of the Board are considered independent being Mr Clive Tan Che Koon and Mr Zane Robert Lewis;

The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Report; and

The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is as follows:

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- Mr Lim Hui Jie appointed on 1 Jul 2015
- Mr Ivan Ong Shao Kuang appointed on 27 Jul 2015
- Mr Clive Tan Che Koon appointed on 1 Sep 2015
- Mr Zane Robert Lewis appointed on 16 Oct 2015

## Recommendation 2.4

A majority of the Board of a listed entity should be independent directors.

The Board considers that only two out of the four Directors are independent Directors in accordance with the ASX Corporate Governance Council's definition of independence:

Mr. Clive Tan Koon  
(Independent Non-Executive Chairman)

Mr. Zane Robert Lewis  
(Independent Non-Executive Director)

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent Non-Executive Directors.

The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

## 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.

Mr. Clive Tan currently holds the position of Non-Executive Chairman which does comply with the ASX Corporate Governance Council's recommendations.

The Board considers the importance of a division of responsibility and independence at the head of the Company, the existing Board is chaired by Mr Tan who is also a Non-Executive Director. The Board considers that he is able to bring quality and independent judgement to all relevant issues, and the Company benefits from his long standing experience of its operations and business relationships.

On the other hand, Mr Lim, the Chief Executive Officer and the Executive Director, has been the major force behind the establishment of Digimatic Group Ltd. and its current growth and direction.

## Recommendation 2.6

A listed entity should have a program for inducing new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.

The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Remuneration Committee is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

## Principle 3: Act ethically and responsibly

### Recommendation 3.1

A listed entity should:

- have a code of conduct for its directors, senior executives and employees; and
- disclose that code or a summary of it.

The Board is committed to the establishment and maintenance of appropriate ethical standards.

The Corporate Code of Conduct applies to the Company's directors, senior executives and employees. The Company's Corporate Code of Conduct is available in the Corporate Governance plan which is on the Company's website.

## Principle 4: Safeguard integrity in financial reporting

### Recommendation 4.1

The Board of a listed entity should:

- 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



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- (ii) is chaired by an independent director, who is not the chair of the Board,

and disclose:

- (iii) the charter of the committee;
  - (iv) the relevant qualifications and experience of the members of the committee; and
  - (v) 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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of audit committee to satisfy this recommendation. The Board believes that the individuals on the Board can make, and do make, quality and informed judgements in the best interests of the Company on all relevant issues.

The Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function. The Board from time to time will review the scope, performance and fees of the external auditors and the rotation of the audit engagement partner.

## 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 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 ensure that before they approve the entity's financial statements for a financial period, the Executive Chairman and CFO have declared 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.

## Recommendation 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 must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

## Principle 5: Make timely and balanced disclosure

### Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure-Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.

The Board Charter and Schedule 7 of the Corporate Governance Plan which is available at the Company's website.



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## Principle 6: Respect the rights of security holders

### Recommendation 6.1

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

The Company has a comprehensive website found at [www.digimaticgroup.com](http://www.digimaticgroup.com), where there are links to directors, corporate governance, plans and policies. Also included are links to all financial reports, announcements, notice of meetings and presentations and any external media commentary made on the Company

### Recommendation 6.2

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

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders. The Shareholder Communications Strategy can be found in the Corporate Governance plan under schedule 11 which is available at the Company's website.

### Recommendation 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 Shareholder Communication Strategy, which can be found in schedule 11 of the Corporate Governance Plan which is available on the Company's website.

### Recommendation 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.

Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.

## Principle 7: Recognise and manage risk

### Recommendation 7.1

The Board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, and disclose:
    - (iii) the charter of the committee;
    - (iv) the members of the committee; and
    - (v) 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 process it employs for overseeing the entity's risk management framework.

The Board has not established a separate Risk Management Committee. However, the Board has assumed the role of a separate Risk Management Committee and it is ultimately responsible for risk oversight and risk management. Discussions on the recognition and management of risks were also considered by the Board.

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### Recommendation 7.2

The Board or a committee of the Board should:

- (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to

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ensure that they remain within 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 process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan, which can be found on the Company's website, is entitled 'Disclosure - Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.

The Board Charter requires in relation to the reporting period relevant to that Committee, to disclose the number of times that Committee met throughout the period, and the individual attendances of the members at those Committee meetings. The Board has not established a separate Risk Management Committee and hence no meeting was being conducted in the reporting period.

## 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 risk management and internal control processes.

The Company does not currently have an internal audit function. Given the size of the Company, no internal audit function is currently considered necessary. The Company's Management periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement these systems are developed. The Board also considers external reviews of specific areas and monitors the implementation of system improvements.

## Recommendation 7.4

A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Board details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

## Principle 8: Remunerate fairly and responsibly

### Recommendation 8.1

The Board of a listed entity should:

- (a) have a remuneration committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director, and disclose:
    - (iii) the charter of the committee;
    - (iv) the members of the committee; and
    - (v) 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 Board as a whole performs the function of the Remuneration 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.

The Board may obtain external advice from independent consultants in determining the Company's



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remuneration practices, including remuneration levels, where considered appropriate.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent Non-Executive Directors to satisfy this recommendation.

## 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 and ensure that the different roles and responsibilities of Non-Executive Directors compared to Executive Directors and other senior executives are reflected in the level and composition of their remuneration.

The Board outlines the Company's policies and practices regarding the remuneration of non-executive, executive and other senior directors.

The remuneration of any Executive Director will be decided by the Board following the recommendation of the Remuneration Committee, without the affected Executive Director participating in that decision-making process.

The Articles provide that the Non-Executive Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum pursuant to a resolution passed at a general meeting of the Company.

In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director (e.g. non-cash performance incentives such as options).

Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Board reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity

as well as the relevant Directors' time, commitment and responsibility.

The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

## 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 currently have an equity based remuneration scheme.

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Executive Directors). The policy generally provides that the written acknowledgement of the Non-Executive Chairman (or the Board in the case of the Non-Executive Chairman) must be obtained prior to trading.