

## Corporate Governance Statement

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Novo Lítio Limited (**Novo Lítio** or the **Company**) is committed to high standards of corporate governance whereby the Board of Directors (**Board**) are accountable to stakeholders. The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of ethical behaviour and accountability. The Board has developed policies to ensure that an appropriate level of corporate governance is in place to promote integrity and responsible decision making. These policies are reviewed regularly by the Board to ensure they are relevant and meet the needs of stakeholders.

This Corporate Governance Statement (**Statement**) has been prepared on the basis of disclosure under the 'Corporate Governance Principles and Recommendations' (Third Edition) (**ASX Recommendations**) published by the ASX Corporate Governance Council. This Statement describes how Novo Lítio has addressed the eight corporate governance principles of the ASX Recommendations. Where the Company's corporate governance practices depart from an ASX Recommendations, the Company discloses the reason for adoption of its own practices on an 'if not, why not' basis. Given the size and stage of development of the Company and the cost of strict compliance with all ASX Recommendations, the Board has adopted a range of modified procedures and practices where it considers appropriate to enable it to meet the principles of good corporate governance.

As at the date of this Statement, set out below, the Company is substantially compliant with the ASX Recommendations.

Further information on the Company's corporate governance policies can be found on the Company's website at <https://www.novolitio.com/about-us/corporate-governance> including:

- Board Charter
- This Statement
- Code of Conduct
- Continuous Disclosure Policy
- Diversity Policy
- Environmental Policy
- Occupational Health and Safety Policy
- Risk Management Policy
- Securities Trading Policy
- Shareholder Communications Policy
- Anti-Corruption and Bribery Policy

This Statement is current as at 19 September 2018 and has been approved by the Board.

## ASX Corporate Governance Principles and Recommendations

### 1. Principle 1: Lay a solid foundation for management and oversight – companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated

#### 1.1 Recommendation 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 Company has adopted a Board Charter which discloses the respective roles and responsibilities of the Board and senior management and identifies those matters expressly reserved to the Board and those delegated to management.

Under the Board Charter, the Board is responsible for the overall operation and stewardship of the Company and its subsidiaries and, in particular, is responsible for:

- (a) setting the strategic direction of the Company, establishing goals to ensure that these strategic objectives are met and monitoring the performance of management against these goals and objectives;
- (b) ensuring there are adequate resources available to meet the Company's objectives;
- (c) appointing the Managing Director, evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- (d) evaluating the performance of the Board and its Directors on an annual basis;
- (e) determining remuneration levels of Directors;
- (f) approving and monitoring financial reporting and capital management;
- (g) approving and monitoring the progress of business objectives;
- (h) ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- (i) reviewing and ratifying systems of risk management and internal compliance, code of conduct and legal compliance;
- (j) ensuring that the Company has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- (k) ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company.

A copy of the Board Charter is available at <https://www.novolitio.com/about-us/corporate-governance>

## 1.2 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.

Appropriate background checks are carried out prior to the election of all directors and all material information relevant to Directors who stood, and are yet to stand, are contained in the Notices of Meeting.

As a matter of practice, the Company includes in its notices of meeting a brief biography of each Director who stands for election or re-election. The biography sets out the relevant qualifications and professional experience of the nominated Director for consideration by shareholders.

## 1.3 Recommendation 1.3

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

On appointment to the Board, all Directors enter into written service agreement with the Company either in the form of a letter of appointment for Non-Executive Directors or a written employment agreement for Executive Directors. The agreements require compliance with Company policies and terms of appointment, including compensation relevant to the office of Director.

Key terms of agreements are summarised in the Company's Remuneration Report within the Annual Report.

## 1.4 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 Secretary reports directly, and is accountable, to the Board through the Chairman in relation to all matters to do with the proper functioning of the Board. All Directors have unfettered access to the Company Secretary.

The Company Secretary advises and supports the Board members on general governance matters, implements adopted governance procedures.

The decision to appoint or remove the Company Secretary is made and approved by the Board.

## 1.5 Recommendation 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 or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - (i) 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
  - (ii) 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 has adopted a Diversity Policy a copy of which can be found on the Company's website: <https://www.novolitio.com/about-us/corporate-governance>

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Diversity Policy outlines requirements for the Board to develop objectives for achieving diversity, and to annually assess both the objectives and the progress in achieving those objectives. Given the current phase of the Company's life cycle, the Board has determined that it is not practicable to set measurable objectives for achieving gender diversity objectives. To assist in fostering diversity, the Company takes diversity of background into account (in addition to skills and experience in the specified field) when selecting new Directors, senior management and employees.

At the date of this Statement women on the Board and in senior management positions was nil and the proportion of women in the Company's overall workforce was 25%.

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

The Board may undergo periodic formal and informal assessment processes. A formal process of Board review requires each Director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Responses to the questionnaires are confidential and provided directly to the Chairman. The Board then holds a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board. The Chairman may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chairman. Directors also regularly provide informal feedback to one another regarding individual performance.

A formal performance evaluation was carried out during the past year. The Board was satisfied that it fulfilled its role effectively.

#### 1.7 **Recommendation 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.

The Company does have in place a process for evaluation of its key executives. The Chairman with input from the other Directors evaluates performance with the Managing Director on a regular basis. The Managing Director evaluates performance of the other Executives on a regular basis. Such performance evaluations were undertaken during the reporting period.

**2. 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 Recommendation 2.1**

The board of a listed entity should:

a) have a nomination 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 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 Board does not have a separate nomination committee and does not believe it is necessary given the current Board comprises of only three Directors. Therefore, the Company is not in compliance with ASX Recommendation 2.1. The full Board considers the matters and issues that would otherwise be addressed by a nomination committee. The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained by establishing a separate nomination committee.

Under the Board Charter, candidacy for the Board is based on merit against objective criteria with a view to maintaining an appropriate balance of skills and experience. As a matter of practice, candidates for the office of Director are individually assessed by the Chairman and the Managing Director before appointment or nomination to ensure they possess the relevant skills, experience, personal attributes and capability to devote the necessary time and commitment to the role.

The Board intends to reconsider the requirement for, and benefits of, a separate nomination committee as the Company's operations grow and evolve.

## 2.2 Recommendation 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 Company does not currently have a skills or diversity matrix in relation to the Board members and is therefore not in compliance with ASX Recommendation 2.2. Given the size and scope of the Company's operations, the Board considers that its members have the appropriate and relevant mix of geological, legal, Government relations, equity market, financial and operational experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and operational perspective.

The Board may adopt such a matrix at a later time as the Company's operations grow and evolve.

## 2.3 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 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.

At the date of this Statement, the Company's Chairman, Mr John Fitzgerald, is considered by the Board (excluding Mr John Fitzgerald) to be independent as he is not an executive of the Company and is not a substantial shareholder in the Company. Mr John Fitzgerald was appointed Chairman on 23 December 2015.

The Company's two other Directors, Mr Justin Tremain (appointed 1 February 2018) and Dr Francis Wedin (appointed 23 December 2015) are not considered to be independent as both are executives of the Company.

## 2.4 Recommendation 2.4

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

At the date of this Statement, the Board did not comprise a majority of "independent directors" and therefore the Company is not in compliance with ASX Recommendation 2.4.

Currently one of three (33%) of the Board satisfied the criteria for independence.

However, given the size and scope of the Company's operations, the Board considers that it has the relevant experience in the exploration and mining industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and operational perspective.

The Board will consider the appointment of further independent Non-Executive Directors as suitably qualified candidates are identified and as the size and scale of the Company's operations determine.

#### 2.5 **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 Chairman is considered to be an independent director and the roles of Chairman and Managing Director are exercised by different persons.

#### 2.6 **Recommendation 2.6**

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

The Company does provide new Directors with all information and access needed to undertake the role and organises site visits for new Directors.

All Directors are experienced in exploration and mining company operations, albeit in different aspects (e.g. technical, operations, finance, legal and corporate governance etc), and most have extensive listed company experience. All of the current Directors are also involved, or been involved, in other listed companies. The Board seeks to ensure that all of its members understand the Company's operations, including where practical site visits. Directors also attend, on behalf of the Company and otherwise, technical and commercial seminars and industry conferences which enable them to maintain their understanding of industry matters and technical advancements.

### 3. Principle 3: Act ethically and responsibly - a listed entity should act ethically and responsibly

#### 3.1 Recommendation 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.

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation.

Accordingly, the Company has established a Code of Conduct which sets out the standards with which the Directors, officers, managers, employees and consultants of the Company are expected to comply in relation to the affairs of the Company's business and when dealing with each other, shareholders and the broader community.

The Code of Conduct sets out the Company's policies on various matters, including the following:

- compliance with applicable laws, rules and regulation;
- conflicts of interest;
- fair trading;
- dealings with the Company's assets and property;
- use and confidentiality of information;
- continuous disclosure and securities trading (also covered by discrete policies);
- health, safety and environment;
- employment practices; and
- gifts and entertainment.

The Code of Conduct also outlines the procedure for reporting any breaches of the Code of Conduct and the possible disciplinary action the Company may take in respect of any breaches.

In addition to their obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess.

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

A copy of the Code of Conduct is available at the Company's website:  
<https://www.novolitio.com/about-us/corporate-governance>

#### 4. Principle 4: Safeguard integrity in corporate reporting.

##### 4.1 Recommendation 4.1

The board of a listed entity should:

a) have an audit committee which:

- (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- (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 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 have an audit committee and is therefore not in compliance with ASX Recommendation 4.1. The Board considers that, given the current size and scope of the Company's operations and that only one Director holds a Non-executive position in the Company, efficiencies or other benefits would not be gained by establishing a separate audit committee at present.

The role of the audit committee is undertaken by the full Board.

The Board has charged the Company Secretary and Managing Director with preparing the annual and half yearly reports. These reports are subsequently audited by the Company's auditors, Ernst & Young.

All Company reports are reviewed by the Board before they are finalised and the Directors are given the opportunity to question and consider the veracity of the information in the reports. The Board is given the opportunity to meet with the Company auditor separately and prior to the final sign-off of the half yearly and final annual accounts.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

##### *External auditor*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. It is the auditor's policy to rotate engagement partners on listed companies at least every five years. The Auditor's engagement partner was last rotated in the 2015 financial year.

#### 4.2 **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.

As a matter of practise, the Company obtains declarations from its Managing Director and Company Secretary before its financial statements are approved substantially in the form referred to in ASX Recommendation 4.2.

#### 4.3 **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.

In accordance with the Company's Shareholder Communications Policy, the auditor's lead engagement partner (or his delegate) will be present at the Annual General Meeting to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

The Auditor's lead engagement partner attended the Company's 2017 Annual General Meeting. There were no questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report for year ended 30 June 2017.

**5. 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 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 Company is a “disclosing entity” pursuant to section 111AR of the Corporations Act and, as such, complies with the continuous disclosure requirements of Chapter 3 of the ASX Listing Rules and section 674 of the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company is required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its disclosure obligations under the Corporations Act and its obligations under the ASX Listing Rules. All relevant information provided to ASX will be posted on the Company’s website.

The Company has adopted a Continuous Disclosure Policy, the purpose of which is to:

- ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve and exceed best practice;
- provide shareholders and the market with timely, direct and equal access to information issued by the Company; and
- promote investor confidence in the integrity of the Company and its securities.

In the Company’s current stage of development, matters of crucial importance arise regularly. The Managing Director is responsible for determining which matters should be discussed with Board members who jointly will make a decision on the timely release of factual and balanced information concerning the Company’s activities. The Managing Director is responsible for drafting ASX releases which are then approved by the Board. The Board has designated the Company Secretary as the person responsible for coordinating disclosure of releases to the ASX as well as communicating with the ASX.

Presentations that are made to analysts or investors are posted on the Company’s website. If the presentations contain information that has not previously been announced to ASX that could have a material effect on the share price, the presentation is released to the ASX before the presentation is delivered.

A copy of the Continuous Disclosure Policy is available at the Company’s website: <https://www.novolithio.com/about-us/corporate-governance>

**6. 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 Recommendation 6.1**

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

Information on the Company's corporate governance, including copies of its various corporate governance policies and charters, is available at <https://www.novolitio.com/about-us/corporate-governance>

Information is conveyed to shareholders via the annual report, quarterly reports and other announcements which are delivered to the ASX and posted on the Company's website.

**6.2 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 Policy, the purpose of which is to facilitate the effective exercise of shareholders' rights by communicating effectively with shareholders, giving shareholders ready access to balanced and understandable information about the Company and its corporate strategies and making it easy for shareholders to participate in general meetings of the Company.

The Company communicates with shareholders:

- (a) Through releases to the market via the ASX;
- (b) Through the Company's website;
- (c) Through information provided directly to shareholders; and
- (d) At general meetings of the Company

A copy of the Company's Shareholder Communications Policy is available at <https://www.novolitio.com/about-us/corporate-governance>

**6.3 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.

In accordance with the Shareholder Communications Policy, the Company supports shareholder participation in general meetings and seeks to provide appropriate mechanisms for such participation. As a matter of practise, in its notices of meeting, the Company encourages those shareholders who cannot attend general meetings in person to appoint proxies on their behalf.

Mechanisms for encouraging and facilitating shareholder participation will be reviewed regularly to encourage the highest level of shareholder participation.

#### 6.4 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.

The Company considers that communicating with shareholders by electronic means is an efficient way to distribute information in a timely and convenient manner.

In accordance with the Shareholder Communication Policy, the Company has, as a matter of practise, provided new shareholders with the option to receive communications from the Company electronically and the Company encourages them to do so. Existing shareholders are also encouraged to request communications electronically.

The Company provides a hard copy of the annual report to only those shareholders who have specifically elected to receive a printed hard copy.

**7. 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 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 processes it employs for overseeing the entity's risk management framework.

The Company does not have a separate risk management committee and is therefore not in compliance with ASX Recommendation 7.1. The Board considers that, given the current size and scope of the Company's operations, efficiencies or other benefits would not be gained by establishing a separate risk management committee at present.

The role of the risk management committee is undertaken by the full Board.

The Board has adopted a Risk Management Policy that sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Managing Director.

The Managing Director has established and maintains a comprehensive risk register and reports at each Board meeting on the key risks identified for the Company's operations and mitigating action being taken to minimise those risks. As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate risk management committee.

**7.2 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

b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board has responsibility for the monitoring of risk management and a risk register maintained by the Managing Director summarising the material risks and whether those risks are managed effectively is regularly provided to the Board where it is reviewed and updated. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficiently complexity to justify the implementation of a more formal system for identifying, assessing, monitoring and managing risk in the Company.

### 7.3 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 and therefore is not in compliance with ASX Recommendation 7.3. This function is undertaken by the full Board.

The Company has adopted internal controls procedures including:

- a) identification of key risks in a risk register;
- b) managing activities within budgets and operational plans;
- c) approval of all invoices in accordance with a Board approved expenditure limit authorisation matrix;
- d) regular visits to the Company's exploration project areas to review the geological practices including the environmental and safety aspects of the Company's operations.
- e) Continuous internal monitoring of the Company's licences and permits to ensure timely renewal of licences and permits.
- f) Appraisal procedures and due diligence requirements, both geological and legal, for potential acquisitions, divestments and or joint ventures.
- g) Reliance on auditor reviews and senior management declarations.

The Board considers that an internal audit function is not currently necessary given the current size and scope of the Company's operations.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of adopting an internal audit function.

#### 7.4 Recommendation 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's material exposures to economic, environmental and social sustainability risks and mitigating factors are as follows:

- Equity capital markets risk | the Company is currently not generating any cash flow and is reliant upon the shareholders and equity capital markets to fund the Company's activities. The Company maintains close control on its finances and communicates frequently to its shareholders and the equity capital market as to the Company's strategy to manage this risk
- Environmental risk | the Company is currently exposed to few environmental risks due to the exploration stage of its activities. However, the Company has an Environmental Policy which is available at <https://www.novolitio.com/about-us/corporate-governance>
- Social sustainability risk | at the present stage of its activities the Company is exposed to few social sustainability risks

**8. Principle 8: Remunerate fairly and responsibly - companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear**

**8.1 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 Company has not established a separate remuneration committee and therefore is not in compliance with ASX Recommendation 8.1.

The role of the remuneration committee is undertaken by the full Board. The Board considers that, given its current size, efficiencies or other benefits would not be gained by establishing a separate remuneration committee.

The maximum aggregate remuneration payable to Non-Executive Directors is \$250,000 and was approved by the shareholders at the 2016 Annual General Meeting in accordance with the Company's Constitution.

The Company sets out the remuneration paid or provided to Directors and key management personnel annually in the Remuneration Report contained within the Company's Annual Report for each financial year.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

**8.2 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's policies and practices regarding the remuneration of Executive and Non-Executive Directors and other senior executives is set out in the Remuneration Report contained in the Company's Annual Report for each financial year.

### 8.3 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.

Directors and senior executives are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under an equity-based remuneration scheme. The Company's Securities Trading Policy sets out the requirement for Directors, employees and consultants of the Company when dealing in the Company's securities.

The Securities Trading Policy is available at <https://www.novolitio.com/about-us/corporate-governance>