

Corporate Governance Statement 2018

Imdex Limited

ASX Governance Principles and ASX Recommendations

The Australian Securities Exchange Corporate Governance Council sets out best practice recommendations, including corporate governance practices and suggested disclosures (**ASX Recommendations**). ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Recommendations and to give reasons for not following them.

Unless otherwise indicated the ASX Recommendations including corporate governance practices and suggested disclosures, have been adopted by Imdex Limited (**Imdex or Company**) for the full year ended 30 June 2018. In addition, the Company has a Corporate Governance section on its website: www.imdexlimited.com (under the “About Us” heading) which includes the relevant documentation suggested by the ASX Recommendations.

The Imdex Group’s Corporate Governance Statement (**Statement**) for the financial year ending 30 June 2018 is dated as at 30 June 2018 and was approved by the Board of Imdex Limited (**Board**) on 17 August 2018. The extent to which Imdex has complied with the ASX Recommendations during the year ended 30 June 2018, and the main corporate governance practices in place are set out below.

Principle 1: Lay solid foundations for management and oversight

(i) Roles and Responsibilities of Board and Management

The Board has implemented a Board Charter that formalises the functions and responsibilities of the Board. Matters specifically reserved to the board are set out in the charter. The charter is published on the Company’s website.

The Board delegates day to day management of the business and operations of the Company to the Senior Management team according to the Company’s Delegation of Authority Policy and Guidelines. The corporate governance policies, charters and procedures have been updated during this financial year to reflect changes in the law and developments in Imdex’s corporate governance structure and practices.

(ii) Procedure for the selection and appointment of new Directors to the Board

The Company has published on its website, procedures for the selection and appointment of new Directors to the Board. The Company also has terms and conditions which govern the appointment of Non Executive Directors. These are subject to the Company’s Constitution and the Corporations Act 2001, and cover: appointment, retirement, corporate governance, remuneration, Board meetings, and Board Committees.

The Board does not impose on Directors an arbitrary time limit on their tenure. Under the Company’s Constitution and the ASX Listing Rules however, each Director must retire by rotation within a three year period following their appointment. In such cases, the Director’s nomination for re-election should be based on performance and the needs of the Company.

All Directors are subject to a written agreement which sets out the terms of their appointment.

(iii) 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.

(iv) Diversity

The Company has adopted a Diversity Policy to guide the Company's employees and Board in developing and achieving its diversity objectives. The policy is published on the Company's website.

The Company values diversity among its workforce and seeks to employ, retain and develop employees for the long term, assisting in their development and the development of the culture and values of the Company. This is done by promoting the value of different perspectives, ideas and benefits brought by engaging employees from all available talent.

The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels. The Company strives to:

- develop and maintain a diverse and skilled workforce through transparent recruitment processes;
- promote an inclusive workplace culture that values and utilises the contributions of all employees' backgrounds, experiences and perspective through improved awareness of the benefits of workforce diversity; and
- facilitate diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company; and
- set measureable objectives to encourage diversity within the Company.

At 30 June 2018:

- of the Board positions, four (80%) were held by males, and one (20%) was held by a female.
- of 9 senior executive* positions, 8 (89%) were held by males, and one (11%) was held by a female.
- of 532 full time employees, 407 (77%) were male and 107 (23%) were female.

*Senior executives are defined as being persons reporting to the Managing Director.

(v) Evaluating Performance

Board performance is measured primarily by means of monitoring Group profitability and share price performance in the market. However, the Board also has responsibility for overseeing management in instilling the Company's values and ensuring the remuneration framework is aligned with the Company's purpose, values and strategic objectives, and risk appetite. Individual Director performance is also measured by way of monitoring meeting attendance and individual contributions made at these meetings.

Annually: (a) the Chairperson meets with each non-executive director separately to discuss individual contribution to the Board, overall board dynamics and opportunities for improvement; and (b) all Board members meet to undertake a group collective review and discussion such that every member is given the opportunity to provide feedback to the Chairperson and each other member.

The Chairperson provides regular and ongoing feedback to each individual director in regard to their performance and the Board members are encouraged to provide each other with feedback on an informal and ongoing basis and to maintain an open and transparent dialogue with respect to all communications.

During the reporting period the performance of the Board was evaluated in accordance with this process.

The performance of senior executives is measured against prescribed criteria as set by the Remuneration Committee. These criteria are set annually and individual performance is assessed annually. A review of senior executives' performance was conducted in the reporting period.

Principle 2: Structure the Board to be effective and add value

Imdex’s Board structure is consistent with Principle 2 of the ASX Recommendations, with the exception that it does not have a separate nomination committee for the reasons detailed below.

(i) Board Nomination

During the year ending 30 June 2018 the Board did not have a formalised nomination committee. However, the functions of such a committee were completed by the Remuneration Committee. Going forward the Remuneration Committee will be named the Remuneration and Nomination Committee.

(ii) Board Skills Matrix

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company.

The following table sets out the mix of skills and experience the Board considers necessary or desirable and the extent to which they are represented on the current Board and its Committees.

| Skills and Experience | Number of Directors with that skill (out of 5) |
|---|---|
| Leadership – organisational, including senior executive leadership experience | 5 |
| Financial acumen – senior experience in finance, including in financial accounting and reporting | 5 |
| Governance - experience with governance in the listed sector | 5 |
| Human resources – senior experience in people management and human resources policy | 5 |
| Industry – experience in the mining, equipment, technology and services industry | 5 |
| Digital Technology/Innovation - experience in transforming business models and processes including in relation to technology and digital platforms | 1 |
| Strategy – experience in developing and implementing strategic business plans | 5 |

In view of the above Skills Matrix, in the future when there is a Board vacancy, Digital Technology and Innovation will be one of the key areas the Company will prioritise in the search for a new Board appointment.

The Company is addressing some emerging risk areas by adding to the expertise within management. For example, a new Chief Information and Transformation Officer and Information Security Manager were appointed in FY18 as the company progresses its digital transformation project and works to strengthening its cybersecurity framework.

(iii) Board Structure

The Board consists of a Non-Executive Chairman, three Non-Executive Directors and one Executive Director. Of the five Board members at 30 June 2018, four are considered independent.

In accordance with the Company’s Constitution the minimum number of Directors is three. There is no maximum number, although it would be expected that the optimal number of Directors would be five or six.

The names of the Directors of the Company in office at the date of this Statement are set out in the Directors’ Report and further details concerning the skills, experience, expertise and term of office of each Director is set out in the Director’s Profiles in the first section of the 2018 Annual Financial Report (Annual Report).

(iv) Board Independence

Directors are expected to bring independent judgement to the decision making of the Board. To facilitate this, each Director has the right to seek independent legal advice at the Group’s expense with the prior approval of the Chairman, which may not be unreasonably withheld.

In assessing Director independence, materiality has been determined from both a quantitative and qualitative perspective. An amount of over 5% of turnover is considered material. Similarly, a transaction of any amount, or a relationship, is deemed material if knowledge of it impacts, or may impact, the Shareholders’ understanding of the Director’s performance. The Board has conducted a review of each Director’s independence and reports as follows:

| Director | Length of Service as at 30 June 2018 | Assessment | Existence of any matters contained in ASX Recommendation 2.1 affecting Independence |
|---|--------------------------------------|-----------------|---|
| Mr A Wooles, Non-Executive Chairman | 2 year | Independent | Nil |
| Mr B W Ridgeway, Managing Director | 18 years | Not Independent | Managing Director |
| Mr K A Dundo, Non Executive Director | 14.5 years | Independent | Nil |
| Ms S Layman, Non Executive Director (appointed 6 February 2017) | 18 months | Independent | Nil |
| Mr I Gustavino Non Executive Director | 3 years | Independent | Nil |

(v) Induction and Training

The Company has a program for inducting new Directors which includes providing all new Directors with an induction pack which ensures that they understand the Company’s financial position, strategies, operations, culture, values and risk management policies. It also sets out the respective rights, duties, responsibilities and roles of the Board and senior executives and the Board committees. Additionally, all new Directors are encouraged to meet with other Directors, senior executives and senior managers to gain insight into relevant operational and corporate matters.

Directors are offered ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge.

Principle 3: Act ethically and responsibly and instil the desired culture

(i) Code of Conduct

Both the Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company's Code of Conduct (Code) provides all of its employees with an ethical and legal framework for their decisions and actions in relation to the conduct of their employment by establishing the minimum standard of conduct expected.

The Code provides guidance to employees on carrying out their duties and includes:

- acting ethically, honestly and with integrity;
- ensuring work is carried out efficiently, economically and effectively; and
- following the policies of the Company and encouraging fellow employees to exercise similar qualities of personal and professional integrity as those outlined in the Code.

The Code provides clear directions on conducting business internationally, interacting with governments, communities, and general workplace behaviour having regard to the best practice corporate governance models and is available on the Company's website under the "Corporate Governance" section.

Principle 4: Safeguard integrity in corporate reporting and produce corporate reports of high quality and integrity

(i) The Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (ARC Committee) consists of three independent Non Executive Directors and operates under a formal charter approved by the Board. The charter is published on the Company's website.

The ARC Committee is chaired by an independent Chairperson who is not the Chairman of the Board.

The role of the ARC Committee is to advise on the establishment and maintenance of a framework of internal control, risk management protocols, appropriate ethical standards for the management of the Company and to approve the annual internal audit plan. It also gives the Board assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies for inclusion in Financial Statements.

The members of the ARC Committee during the year and at the date of this Statement were:

- Ms S Layman;
- Mr K Dundo; and
- Mr A Wooles

The experience and qualifications of each member and details of meeting attendance are set out in the Directors' Profiles in the first section of the Annual Report. The Company Secretary acts as secretary of the ARC Committee.

The external auditors, the Managing Director and the Chief Financial Officer are invited to the ARC Committee meetings at the discretion of its members. Details of meetings held by the ARC Committee during the year are set out in the Directors' Report.

(ii) Statement by the Managing Director and Chief Financial Officer

The Managing Director and the Chief Financial Officer have signed a declaration to the Board attesting to the fact that the Annual Report presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

(iii) External Auditors

The Board reviews the performance, skills, cost and other matters when assessing the appointment of external auditors. This review is generally undertaken at the completion of the preparation of the Annual Report and involves discussions with the

auditors and the Group's senior management. Information concerning the selection and appointment of external auditors is published on the Company's website.

The external auditors are required to attend the Annual General Meeting of the Company and be available to answer questions from Shareholders.

(iv) Directors' report and other corporate reports

The board validates that the information provided is 'accurate, balanced and understandable' using a mix of internal controls, management review and sign-off, internal audit and in some areas independent assurance.

Principle 5: Make timely and balanced disclosure

(i) Continuous disclosure policies and procedures

The Company has a Continuous Disclosure Policy in place to ensure that it complies with the disclosure requirements of the ASX Listing Rules. The policy is published on the Company's website.

The policy sets out who is responsible for determining whether information is of a type or nature that requires disclosure, the Board's role in reviewing the information disclosed to ASX and the procedures for ensuring that the information is released to ASX.

All information disclosed to the ASX is published on the Company's website as soon as practicable.

Principle 6: Respect the rights of Shareholders

(i) Shareholders Communications Policy

The Company has established a Shareholder Communications Policy which is published on the Company's website.

The aim of the policy is to ensure that Shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to Shareholders through:

- the Annual Report which is made available to all Shareholders. The Board ensures that the Annual Report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the Half-Yearly Report which contains summarised financial information and a review of the operations of the Group during the period. The Half-Year Financial Report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities & Investments Commission and the Australian Securities Exchange. The Half-Year Financial Report is made available to all Shareholders;
- regular reports released through the ASX and the media including Quarterly Shareholder newsletters;
- the Board encourages full participation by Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the Shareholders as single resolutions. The Shareholders are responsible for voting on the re-appointment of Non Executive Directors; and
- the Company's website also contains detailed information concerning the Company and each of its operating business units.

All Shareholders have the option of receiving communications electronically and can contact the Company by email at: imdex@imdexlimited.com or its security registry, Computershare, directly at: www.computershare.com.au. Further information concerning the Company and the full text of the various announcements and reports referred to above are available on the Company's website: www.imdexlimited.com.

Principle 7: Recognise and manage risk

(i) Audit, Risk and Compliance Committee

As set out above, the Board has an Audit, Risk and Compliance Committee (ARC Committee) to oversee risk, which consists of three independent Non Executive Directors and operates under a formal charter approved by the Board. The charter is published on the Company's website.

The ARC Committee is chaired by an independent Chairperson who is not the Chairman of the Board.

The members of the ARC Committee during the year and at the date of this Statement were:

- Ms S Layman;
- Mr K Dundo; and
- Mr A Wooles

The experience and qualifications of each member and details of meeting attendance are set out in the Directors' Profiles in the first section of the Annual Report. The Company Secretary acts as secretary of the ARC Committee.

(ii) Risk oversight and management policies

The Board has sought to minimise the business' risks by focusing on the Company's core business. The Board is responsible for ensuring that the Company's risk management systems are adequate and operating effectively.

The committee reviews the risk management framework on an annual basis and after undergoing a review in this reporting period covered by Appendix 4G does not believe it has any material exposure to economic, environmental and social sustainability risks.

The Company has established a Risk Management Policy which is published on the Company's website.

In addition to receiving Internal Audit Reports, the ARC Committee also receives regular reports from the External Audit function.

(iii) Internal Audit

The Group has an internal audit function that reports directly to the ARC Committee. The internal audit function is outsourced to internal audit consultants who provide independent and objective evaluation in regard to the Company's risk management, internal controls and governance processes. The annual work plan of the internal audit function is approved annually by the ARC Committee.

Principle 8: Remunerate fairly and responsibly

(i) Remuneration Committee

The Remuneration Committee consists of three Non Executive Directors and assists the Board in determining executive remuneration policy, determining the remuneration of Executive Directors and reviewing and approving the remuneration of senior management. The Remuneration Committee operates under a written charter that is published on the Company's website.

The members of the committee during the year and at the date of this Statement were:

- Mr A Wooles;
- Mr K Dundo; and
- Mr I Gustavino.

The experience and qualifications of each member and details of meeting attendance are set out in the Directors' Profiles in the first section of the Annual Report. The Company Secretary acts as secretary of the Remuneration Committee.

(ii) Company's remuneration policies

The Company has in place a Remuneration Policy which sets out the Company's remuneration practices. The policy is published on the Company's website.

Details on the remuneration of Directors and Executives as well as the Company's remuneration policies are set out in the Remuneration Report that is contained in the Directors' Report.

(iii) Structure of Non Executive Director's remuneration

The terms and conditions governing the remuneration of Non Executive Directors are set out in their appointment letter. All Non Executive Directors are remunerated by way of fixed cash fees. Non Executive Directors are not provided with retirement benefits other than statutory superannuation. The maximum total remuneration payable to Non Executive Directors was approved by Shareholders at the 2015 Annual General Meeting and is currently \$700,000. From time to time additional benefits may be agreed with Directors with due regard to market conditions.

(iv) Equity-based remuneration scheme

The Company has a Security Trading Policy which imposes trading restrictions when dealing with Imdex securities, specifically limiting key management and employees of the Company or persons who have access to inside information relating directly or indirectly to the Company, from trading in the Company's securities. The policy can be found on the Company's website.