



**Affinity Energy and Health Limited
Corporate Governance Statement - 2018**



Corporate Governance Statement

The Board and management of Affinity Energy and Health Limited (“Affinity Energy and Health” or the “Company”) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. The Company believes that good corporate governance adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (“Recommendations”) in the reporting period. The Recommendations are guidelines designed to improve the efficiency, quality and integrity of the Company. They are not prescriptive, so that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement (“Statement”) sets out a description of the Company’s main corporate practices and provides details of the Company’s compliance with the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

The Company has adopted the following suite of corporate governance policies and procedures (together, the **Corporate Governance Policies**):

- Board Charter;
- Code of Conduct;
- Continuous Disclosure Policy;
- Audit and Risk Management Committee Charter;
- Remuneration and Nomination Committee Charter;
- Risk Management Policy;
- Performance Evaluation Policy;
- Securities Trading Policy;
- Diversity Policy; and
- Shareholder Communications Policy,

The Company’s Corporate Governance Policies are available on the Company’s website at <https://www.affinityenergyandhealth.com.au/>.

This Statement is current as at 28 September 2018 and has been approved by the Board of Directors of Affinity Energy and Health Limited.

Principle 1 – Lay solid foundations for management and oversight

Recommendation	Requirement	Comply Yes/No
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.	Yes
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 in its possession relevant to a decision on where or not to elect or re-elect a director.	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
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.	Yes

1.5	<p>A listed entity should:</p> <ul style="list-style-type: none"> (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 the 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: <ul style="list-style-type: none"> 1) 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 2) 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 the Act. 	Yes
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> (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. 	Yes
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> (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. 	Yes

Commentary

The Company has adopted a Board Charter that sets out the specific 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. A copy of the Company's Board Charter is available on the Company's website. The Corporate Governance Policies set out the functions and responsibilities of the Board of Affinity Energy and Health Limited, and are available on the Company's website.

The Company seeks to have a board comprising directors with an appropriate variety of skill, experience and expertise who are competent in dealing with current and emerging issues of the business and who can effectively review and challenge the performance of management and exercise independent judgement. A copy of the Company's Remuneration and Nomination Committee Charter is available on the Company's website.

The Company has guidelines for the appointment and selection of the Board in its Remuneration and Nomination Committee Charter. The Company's Remuneration and Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure appropriate checks are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director. 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 the Notice of meeting containing the resolution to elect or re-elect a Director. In the case of candidates standing for re-election, the candidate's experience and qualifications are also disclosed on the Company's website and in its annual reports.

The Company's Remuneration and Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. The Company has written agreements with each of its Directors and senior executives.

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

The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them. It is the Company's objective to have a minimum of 30% of the total workforce to be female by the year 2020.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organisation is as follows:

Gender	Total	Senior Executive	Board
Female	6	-	-
Male	21	-	5
%Female	22	-	-

A "senior executive" is a member of key management personnel (as defined in the Corporations Act), other than a Director

The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees, individual Directors and senior executives on an annual basis. It may do so with reliance on professional or expert advice and information. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. The process for these evaluations is set out in the Company's Remuneration and Nomination Committee Charter, which is available on the Company's website.

The evaluation of the performance of the Board and individual directors is also undertaken annually in accordance with the terms of their employment contracts. Performance reviews were undertaken in the reporting period.

Principle 2 – Structure the Board to add value

Recommendation	Requirement	Comply Yes/No
2.1	<p>The board of a listed entity should:</p> <p>(a) Have a nomination committee which:</p> <ol style="list-style-type: none"> 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, and disclose 3) The charter of the committee; 4) The members of the committee; and 5) 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; <p>OR</p> <p>(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.</p>	Yes
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.	No
2.3	<p>A listed entity should disclose:</p> <p>(a) The names of the directors considered by the board to be independent directors;</p> <p>(b) If a director has an interest, position, association or relationship of the type describe 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</p> <p>(c) The length of service of each director.</p>	Yes
2.4	A majority of the board of a listed entity should be independent directors.	No
2.5	The Chair of the board of a listed entity should be independent director and, in particular, should not be the same person as the CEO/Managing Director of the entity.	No
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.	Yes

Commentary

The Board believes the Company is not of sufficient size to justify having a Nomination Committee. The Company's Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.

In accordance with the Company's Board Charter, in the absence of a Nomination Committee, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure 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:

- regularly reviewing the composition of the Board against the Company's Board skills matrix to ensure the appropriate mix of skills, diversity and expertise is present to facilitate successful strategic direction;
- ensuring there is an appropriate Board succession plan in place, as well as overseeing management's succession planning including the Managing Director and his direct reports; and
- all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.

The Board strives to ensure that it is comprised of directors with a blend of skills, experience and attributes appropriate to the Company and its business. The principal criterion for the appointment of new directors is their ability to add value to the Company and its business. In light of this, it has not been deemed necessary to create a formal document setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Details of the Board of Directors, their appointment date, length of service, executive and independence status is as follows:

Director	Appointment date	Length of service (approx.)	Executive status	Independence status
Malcolm James	16 September 2014	4 years	Executive Chairman/Managing Director	Not independent
Peter Hatfull	18 January 2010	8.5 years	Executive Director	Not independent
Earl McConchie	18 August 2008	10 years	Executive Director	Not independent
R.V. Venkatesh	15 August 2017	1 year	Non-Executive Director	Not independent
Allan Tan	15 August 2017	1 year	Non-Executive Director	Independent

The details of their skills, experience and expertise have been included in the 2018 Directors Report. The number of Board meetings and attendance of the directors are set out in the 2018 Directors Report.

The Company's Board Charter requires that, where practical, the majority of the Board should be independent. The Board currently comprises a total of 5 directors, of whom 2 are considered to be independent. As such, independent directors are not currently an independent majority of the Board. Although the majority of the Board is not independent, the directors considers the current Board composition to be suitable in the present circumstances, with an appropriate range of qualifications and expertise, and directors who can understand and competently deal with current and emerging business issues as well as effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that all directors bring an independent judgement to bear on board decisions.

The Company's Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director. The Chair of the Company is not an independent Director and is the CEO/Managing Director. The Board does not have an independent Chair because it considers that Mr James is the best equipped person to progress the Company's future direction and that the current Board structure is best suited to enable the Company to deliver shareholder value. The Company may seek to appoint an independent Chair in the future.

In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, the Board) 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. The Company Secretary is responsible for facilitating inductions and professional development. New directors are provided with copies of all relevant documents and policies governing the Company's business, operations and management at the time of joining the Board. Directors are also encouraged to personally undertake appropriate training and refresher courses conducted by the Australian Institute of Company Directors.

Principle 3 – Act ethically and responsibly

Recommendation	Requirement	Comply Yes/No
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.	Yes

Commentary

As part of the Board's commitment to maintaining a proper system of corporate governance, the Company has adopted a Code of Conduct which applies equally to all Directors, officers, employees, contractors and consultants of the Company and its related entities. The Code of Conduct embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Code of Conduct is available on the Company's website.

Principle 4 – Safeguard integrity in corporate reporting

Recommendation	Requirement	Comply Yes/No
4.1	<p>The board of a listed entity should:</p> <p>(a) Have an audit committee which:</p> <ol style="list-style-type: none"> 1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) Is chaired by an independent director, who is not the chair of the board, and disclose; 3) The charter of the committee; 4) The relevant qualifications and experience of the members of the committee; and 5) 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; <p>or</p> <p>(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.</p>	Yes
4.2	<p>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.</p>	Yes
4.3	<p>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.</p>	Yes

Commentary

The Company has established an Audit and Risk Committee to verify and safeguard the integrity of the Company's financial and non-financial reporting. The Company has adopted an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director. A copy of the Audit and Risk Committee Charter is available on the Company's website. The members of the Audit and Risk Committee, the number of times the committee meets during each financial year, and the individual attendances of the members, is disclosed in the Annual Report.

Due to the Company's current size and the nature of its operations, the Company's Audit and Risk Committee does not meet all of the requirements for composition. Nevertheless, the Audit and Risk Committee carries out the following processes to 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 Audit and Risk Committee devotes time at annual meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and
- the Audit and Risk Committee is involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.

Specifically, the Audit and Risk Committee assists the Board to discharge its responsibilities for external reporting including assurance over the Company's integrated report, external and internal audit and internal control and risk management.

Each year before financial statements are approved, management provide a representation letter to both the Board and external auditors expressing an opinion as to whether the financial reports gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

An analysis of fees paid to the external auditor, including breakdown of any non-audit fees paid to the auditors, is provided in note 24 to the financial report. The external auditors provide an annual declaration of their independence to the Audit and Risk Committee. A representative from the external auditor attends the AGM and is able to answer any audit related questions.

Principle 5 – Make timely and balanced disclosure

Recommendation	Requirement	Comply Yes/No
5.1	A listed entity should: <ul style="list-style-type: none"> (a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) Disclose that code or a summary of it. 	Yes

The Company has adopted a Continuous Disclosure Policy which sets out the key obligations of all directors, officer and employees in relation to continuous disclosure as well as the Company's obligations under the ASX Listing Rules and the Corporations Act. The Company Secretary manages the Continuous Disclosure Policy. The Continuous Disclosure Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with disclosure requirements. The Continuous Disclosure Policy is available on the Company's website.

Principle 6 – Respect the rights of security holders

Recommendation	Requirement	Comply Yes/No
6.1	A listed entity should provide information about itself and its governance to investors via a website.	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meeting so security holders.	Yes
6.4	A listed entity should give security holders to option to receive communicating from and send communications to, the entity and its security registry electronically.	Yes

Commentary

Information about the Company and its governance is available in the Corporate Governance Policies which can be found on the Company's website.

The Company has adopted a Shareholder Communications Policy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website.

The Board is committed to open and accessible communications with holders of the Company's shares. In accordance with continuous disclosure obligations under the ASX Listing Rules, all disclosure are made in a timely manner and posted on the Company's website.

Shareholders are forwarded the Company's Annual Report, if requested, and documents relating to each General Meeting, being the Notice of Meeting, any Explanatory Memorandum and a Proxy Form, and shareholders are invited to attend these meetings. The Company's external auditors are also required to be present at annual shareholder meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

The Shareholder Communication Policy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Principle 7 – Recognise and manage risk

Recommendation	Requirement	Comply Yes/No
7.1	<p>The board of a listed entity should:</p> <p>(a) Have a committee or committees to oversee risk, each of which;</p> <ol style="list-style-type: none"> 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, and disclose; 3) The charter of the committee 4) The members of the committee; and 5) 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; <p>or</p> <p>(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.</p>	Yes
7.2	<p>The board or a committee of the board should;</p> <p>(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) Disclose, in relation to each reporting period, whether such review has taken place.</p>	Yes
7.3	<p>A listed entity should disclose:</p> <p>(a) If it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	Yes
7.4	<p>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.</p>	Yes

Commentary

The Company has an Audit and Risk Committee. The Company has adopted an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director. A copy of the Audit and Risk Committee Charter is available on the Company's website. The members of the Audit and Risk Committee, the number of times the committee meets during each financial year, and the individual attendances of the members, will be disclosed in the Annual Report.

Due to the Company's current size and the nature of its operations, the Company's Audit and Risk Committee does not meet all of the requirements for composition. Nevertheless, the Audit and Risk Committee devotes time at quarterly meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the Company's risk management framework and associated internal compliance and control procedures.

The Audit and Risk Committee is ultimately responsible for establishing and reviewing the Company's policies on risk profile, oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control in accordance with the Company's Corporate Governance Policies, including processes to update the Board. In addition, the Board considers strategic and major operational risks as part of its regular meeting agenda.

The Company's risk management program is implemented under the direction of the Managing Director to ensure matters affecting goals, objectives and performance of the Company and the safety of its stakeholders are identified and assessed by an operational risk management framework in accordance with industry accepted standards.

The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound. A review was undertaken in the reporting period.

The Company will 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 will disclose this information in its Annual Report and on its website and ASX as part of its continuous disclosure obligations. The Board does not believe the Company has any material exposure to economic, environmental and social sustainability risks at the present time.

Principle 8 – Remunerate fairly and responsibly

Recommendation	Requirement	Comply Yes/No
8.1	<p>The board of a listed entity should:</p> <p>(a) Have a remuneration committee which'</p> <ol style="list-style-type: none"> 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, and disclose 3) The charter of the committee; 4) The members of the committee; and 5) 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; <p>or</p> <p>(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.</p>	Yes
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.	Yes
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	N/A

Commentary

The Company does not have a Remuneration Committee. The Company's Remuneration Committee Charter provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, with the majority being independent Directors where possible, and which must be chaired by an independent Director.

The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive:

- the Board devotes time at Board meetings to assess the level and composition of remuneration for Directors and senior executives; and
- the Board will oversee the evaluation of the remuneration of the Company's senior executives annually. The evaluation will be based on specific criteria. The Board will disclose each financial year, whether or not the relevant annual performance evaluations have been conducted.

The Company's Remuneration Committee Charter requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executive to be disclosed in the Company's Annual Report. The Company's remuneration policy is structured for the purpose of motivating executive directors and senior management to pursue the long-term growth and success of the Company. The Remuneration Committee (or, in its absence, the Board) sets the level and structure of remuneration to executive directors and senior executives for the purpose of balancing the Company's competing interest of attracting and retaining executive directors and senior management and not paying excessive remuneration.

During the financial year ending 30 June 2018, the Company did not have an equity-based remuneration scheme. Therefore, 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, was not required for that reporting period.