

## Appendix 4G and 2018 Corporate Governance Statement

Please find attached the Appendix 4G and 2018 Corporate Governance Statement for VDM Group Limited in accordance with Listing Rules 4.7.3, 4.7.4, and 4.10.3.



Michael Fry  
CFO & Company Secretary

### BOARD & MANAGEMENT

Mr Luk Hiuming  
NON-EXECUTIVE CHAIRMAN

Dr Dongyi Hua  
EXECUTIVE DIRECTOR  
OF MINING

Mr Michael Fry  
NON-EXECUTIVE DIRECTOR  
CHIEF FINANCIAL OFFICER  
COMPANY SECRETARY

### REGISTERED OFFICE

Fortescue Centre  
Level 1, 30 Terrace Road  
East Perth, WA 6004

### POSTAL ADDRESS

PO Box 3347  
East Perth, WA 6892

### CONTACT DETAILS

Tel: (08) 9265 1100

### WEBSITE

[vdmgroup.com.au](http://vdmgroup.com.au)

### SHARE REGISTRY

Computershare Investor  
Services Pty Limited  
GPO Box 2975  
Melbourne, VIC 3001  
Tel: 1300 850 505

### ASX CODE

VMG

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

VDM Group Limited

ABN / ARBN:

ABN 95 109 829 334

Financial year ended:

30 June 2018

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: Corporate Governance

The Corporate Governance Statement is accurate and up to date as at 4 October 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 4 October 2018

Name of Director or Secretary authorising lodgement: Michael Fry, Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <u>Board Charter</u>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(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</p> <p>(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 that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <u>Diversity Policy</u></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; 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>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ 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> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>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.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
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.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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; 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>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
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>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
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.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <u>Market Disclosure Policy</u>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <u>www.vdmgroup.com.au/</u> and <u>Corporate Governance</u>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <u>Communications Policy</u>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
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.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
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> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; 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>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
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 a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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>	<p>[If the entity complies with paragraph (a):]  ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
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>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; 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>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>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.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

# 2018

## **CORPORATE GOVERNANCE STATEMENT**

**VDM GROUP LIMITED**



## Introduction

This Corporate Governance Statement outlines the key components of VDM Group's governance framework in place during the year ended 30 June 2018, by reference to the Australian Securities Exchange Corporate Governance Council Corporate Governance Principles and Recommendations, Third Edition (CGPR). The Board is conscious that best practice in the area of corporate governance is continuously evolving, and will therefore continue to place genuine efforts to comply with existing principals while implementing structures and practices that suit the Group's strategic objectives.

The information provided in this Corporate Governance Statement is current at 4 October 2018 and a checklist summarising the Groups compliance with the CGPR is included at the end of this Statement.

Various documents referred to in this Statement have been posted in the Corporate Governance section of the VDM website at [www.vdmgroup.com.au](http://www.vdmgroup.com.au).

## Foundations for Management and Oversight

The Company has established a Board Charter, which sets out the role, composition and responsibilities of the Board within the governance structure of VDM. The Board Charter sets out the following key responsibilities and functions of the Board:

- to develop, review and monitor VDM's long-term business strategies and provide strategic direction to senior executives
- to ensure policies and procedures are in place to safeguard VDM's assets and business and to enable VDM to act ethically and prudently
- to develop and promote a system of corporate governance which ensures VDM is properly managed and controlled
- to identify VDM's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance and that management is taking appropriate action to minimise those risks
- to review and approve VDM's financial statements
- to monitor management's performance and VDM's consolidated financial results on a regular basis
- to appoint, appraise and determine the remuneration and benefits of the chief executive officer (CEO)
- to delegate powers to the CEO as necessary to enable the day-to-day business of VDM to be carried on, and to regularly review those delegations
- to ensure that VDM has in place appropriate systems to comply with relevant legal and regulatory requirements that impact on its operations
- to determine the appropriate capital management for VDM including share and loan capital and dividend payments
- to determine and regularly review an appropriate remuneration policy for employees of VDM

The Board has developed and reviews a formal instrument of delegation to the CEO. The instrument contains all necessary powers to enable the CEO to conduct business of VDM on a day-to-day basis. The Board requires the CEO to report on the exercise of certain delegated powers, in particular sub-delegated authorities, to other senior executives.

The responsibility for the operation and administration of the consolidated entity, in accordance with the direction of the Board, is delegated by the Board to the CEO and the executive team. The Board

ensures that this team is appropriately qualified and experienced to carry out their responsibilities and has in place procedures to assess the performance of the CEO and the executive team. In delegating this power, the Board must also be satisfied that the CEO and senior executives will exercise their powers reliably and competently, and in accordance with the requirements of the Board.

The matters and functions delegated by the Board to senior executives include:

- formulating with the Board, the vision, strategies, business plans and budgets of the Company and, to the extent approved by the Board, implementing these strategies, business plans and budgets;
- operating the Company's business within the parameters and having regard to the policies set by the Board from time to time, and keeping the Board informed of material developments in relation to that business;
- identifying material business risks, formulating strategies in conjunction with the Board or the Audit and Risk Management Committee to manage the risks, and monitoring effectiveness of the risk management process and reporting to the Board and Audit and Risk Management Committee;
- implementing and monitoring compliance with the policies, processes and codes of conduct approved by the Board; and
- providing strong leadership to, and effective management of, the Company.

A full copy of the Board Charter can be found at <http://www.vdmgroup.com.au/Board Charter>

As an ongoing effort to execute its responsibilities in a practical manner, the Board has established the following committees to streamline the discharge of its responsibilities:

- Audit and Risk Committee

Due to the decreased size of the company, VDM ceased to have a separate Nominations and Remuneration Committee during the 2015 financial year and the full Board performs the functions that were previously held by that committee.

Appointment of directors is made by the full Board. Group guidelines for the appointment of Directors can be found in the Group's website here: <http://www.vdmgroup.com.au/Guidelines for Appointment and Selection of Directors>

The responsibility for the appropriate pre appointment checks is the responsibility of the Board and the relevant disclosures made to the shareholders in line with the Groups shareholder communications policy which can be found on the Group's website here: <http://www.vdmgroup.com.au/Communications Policy>

Each new non-executive director is required to sign and return a letter of appointment which sets out the key terms of the director's appointment. The content of the letters of appointment for new non-executive directors is consistent with the ASX principles.

VDM has formal employment contracts with the CEO and Chief Financial Officer/Company Secretary which describe, amongst other things, their term of office, duties and accountabilities to the board, rights, and entitlements on termination.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. All Directors have unfettered access to the Company Secretary. In addition, Directors are entitled, in furtherance of their duties, to seek independent professional advice at the Company's expense.

## Performance Evaluation

Each year the Board endeavours to undertake, for the previous financial year, a self-assessment of its collective performance and the assistance provided to it by its various Board committees. A self-assessment evaluation of the board performance did not take place in the reporting period.

Senior executives are assessed against previously agreed key performance indicators by the CEO and the findings communicated to the independent directors. The performance of the CEO and Executive Directors are reviewed by the Board.

An evaluation of senior executives, the CEO, and Executive Director took place in accordance with above guidelines in the reporting period.

## Diversity

The Board recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. VDM believes its diverse workforce is the key to its continued growth, improved productivity and performance and as such has adopted a diversity policy that can be found on the group's website here: <http://www.vdmgroup.com.au/Diversity Policy>

The Company actively values and embraces the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. VDM is committed to fostering diversity at all levels.

Due to the reduced size of the organisation, implementation of specific measurable objectives has been suspended. Whilst the Board of the Company strongly endorses the concept of gender diversity, until the Company's human resource base has grown to a level where implementing specific measurable objectives will become more meaningful, the Company will, in accordance with its Diversity Policy, continue to recruit the best person for each role, regardless of gender, ethnicity, age, relationship status or any other irrelevant factor not applicable to the position.

The proportion of women at the end of the financial year:

- employees at VDM: 33% (2017: 33%)
- in senior executive positions: 20% (2017: 20%)
- on the Board: 0% (2017: 0%)

For purpose of Diversity reporting, the Company defines "senior executives" as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

## Board Structure

Due to the reduced size of the organisation, the responsibilities and functions of the Nomination and Remuneration Committee are performed by the full board, which includes matters relating to the appointment and remuneration of directors, the CEO and other senior executives and employees of VDM.



The responsibilities of the Nomination and Remuneration Committee carried out by the board include:

- review the size and composition of the Board
- review the range of skills available on the Board and appropriate balance of skills for future Board membership
- review and consider succession planning for the CEO, the chairperson and other directors and key executives
- develop criteria and procedures for the identification of candidates for appointment as directors, with the criteria including a consideration of the candidate's:
  - skills, experience, expertise and personal qualities
  - capability to devote the necessary time and commitment to the role
  - potential conflicts of interest and independence
- apply the criteria and procedures to identify prospective candidates for appointment as a director
- decide whether any directors who should not continue in office, having regard to the results of a formal performance appraisal of directors and/or consideration of the appropriate composition of the Board
- nominate external experts (where appropriate) to advise on the matters listed above
- review the time required from a non-executive director and whether directors are meeting this requirement
- evaluate management's recommendations on the appointment of key executives
- develop a plan for identifying, assessing and enhancing director competencies
- ensure that there is an appropriate induction program for new directors and reviewing its effectiveness.

A full copy of the Nomination and Remuneration Committee Charter can be found at:

<http://www.vdmgroup.com.au/Nominations and Remuneration>

#### ***Assessment of Directors Independence***

The Board is comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgment and review and constructively challenge the performance of management.

The Board Charter states that an independent director:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by VDM, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to VDM or an employee materially associated with the service provided;
- is not a material supplier or customer of VDM or an officer of or otherwise associated directly or indirectly with a material supplier or customer, has no material contractual relationship with VDM other than as a director of the Company;
- has not served on the Board for a period, which could or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to, materially interfere with the directors' ability to act in the best interests of the Company.

The independent directors of the Company are:

- Mr M Fry (Chairperson of the Audit and Risk Committee) – Appointed to the Board 3 June 2011

The board considers that Mr Fry’s independence as a director has not been compromised by his six years of service as a director nor his recent appointment as Acting Chief Financial Officer and Company Secretary. Mr Fry’s appointment as Acting Chief Financial Officer and Company Secretary is only expected to be temporary, filling a void following the departure of Mr Pdraig O’Donoghue. VDM’s strategic direction and board composition have undergone significant changes over that time period and Mr Fry continues to bring an independent judgement to bear on issues before the board and to act in the best interests of VDM and its shareholders.

The directors who are not independent are:

- Mr Luk Hiuming (Non-executive Board Chairman) – Appointed to the Board 21 March 2014
- Dr Hua Dongyi (Executive Director of Mining) – Appointed to the Board 28 August 2013

The following table summarises the number of directors with the noted skills, attributes and experience who were serving on the Board at 30 June 2018.

**Board Experience, Skills and Attributes Matrix**

Experience, skills and attributes	Board	Audit & Risk Committee
<b><i>Experience</i></b>		
Corporate leadership	3	3
Construction industry experience	1	1
Mining industry experience	3	3
International trading experience	1	1
Other board experience	3	3
<b><i>Knowledge and skills</i></b>		
Strategy	3	3
Governance	3	3
Risk and compliance	3	3
<b><i>Tertiary qualifications</i></b>		
Economics, law, commerce and/or business	1	1
Accounting	1	1
Engineering	1	1

Due to the small size of the organisation, VDM does not have formal induction or professional development programmes for directors.

The number of meetings of directors (including meetings of committees of directors) held during the 2018 financial year, and the number of meetings attended by each director serving on the board at 30 June 2018, were as follows:

	Board of Directors' meetings	Audit & Risk Committee meetings
<b>Number of meetings held:</b>	4	2
<b>Number of meetings attended:</b>		
Mr Luk	4	2
Dr Hua	2	1
Mr Fry	4	2

## Ethics

VDM has a Code of Conduct ("Code") which is endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in VDM's integrity.

The objective of the Code is to:

- provide a benchmark for professional behaviour throughout the Group
- support VDM's business reputation and corporate image within the community
- make employees aware of the consequences if they breach the Code.

In summary, the Code requires that at all times VDM personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and VDM's policies.

The Code contains statements of commitments to employees, clients, shareholders, governments and communities. In addition, the Code deals with compliance with and respect for the law, fair dealing, equal opportunity and anti-discrimination, occupational health and safety, disclosure of VDM's information and securities dealing, conflicts of interest, gifts, prizes and entertainment, improper use or theft of property or assets.

The Code of Conduct is available on the Group's website here: <http://www.vdmgroup.com.au/Code of Conduct>

## Integrity in Corporate Reporting

The Audit and Risk Committee's primary responsibilities are to assist the Board in:

- fulfilling its overview of the audit process
- overseeing financial reporting
- fulfilling its overview of the systems of internal control which the Board and management have established
- its processes of risk management and in monitoring compliance with corporate policies, the code of conduct and corporate governance and risk management policies generally.

The charter of the Audit and Risk Committee provides for at least three directors to comprise the

committee, but recognises that this may not be practicable at all times given its size and composition. The chairperson of the committee is appointed by the Board. The committee chairperson is an independent non-executive director. The chief financial officer and any other individual may attend meetings at the invitation of the chairperson of the committee, but are not members of the committee.

The current Audit and Risk Committee comprises:

- Mr M Fry, Chairperson (Non-executive Director, independent)
- Dr D Hua (Executive Director of Mining)
- Mr H Luk (Non-executive Board Chairman)

Due to size and composition of the board, the committee does not have a majority of independent directors nor are all non-executives. The qualifications and experience of the committee members are disclosed in VDM's 2018 Annual Report and summarised above in the Board Experience, Skills and Attributes Matrix.

The charter of the Audit and Risk Committee sets out the committee's purpose, membership role, responsibilities and functions relating to financial reporting, auditors and risk, as well as committee administrative procedures.

Under section 295A of the Corporations Act, the CEO and the Chief Financial Officer are each required to provide a written statement to the Board that the Group's annual financial report presents a true and fair view, in all material respects, of the Group's financial condition and operational results and that it is in accordance with the relevant accounting standards. Recommendation 4.2 extends this requirement such that it applies to financial statements for any financial period and that the CEO and the Chief Financial Officer function must also confirm that this statement is founded on a sound system of risk management and internal compliance which implements the policies adopted by the board and that the Group's risk management and internal compliance and control system is operating effectively in all material respects. The Board confirms that it has received written statements to this effect from the CEO and the Chief Financial Officer for the 30 June 2018 annual financial report.

The charter of the Audit and Risk Committee is available on VDM's website here:

[http://www.vdmgroup.com.au/Audit and Risk Committee Charter](http://www.vdmgroup.com.au/Audit%20and%20Risk%20Committee%20Charter)

## Disclosure

The Group has a market disclosure policy which can be found on the Group's website here:

[http://www.vdmgroup.com.au/Market Disclosure Policy](http://www.vdmgroup.com.au/Market%20Disclosure%20Policy)

The purpose of the Market Disclosure Policy is to establish procedures for:

- identifying material price-sensitive information
- reporting such information to the reporting officer for review
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules
- ensuring VDM, the Board, and key senior management do not contravene the Corporations Act or ASX Listing Rules.

The rules set out in the policy are designed to ensure that announcements made by the Company are:

- made in a timely manner
- factual
- do not omit material information
- are expressed in concise and clear language that allows shareholders and the market to assess the impact of the information when making investment decisions.

This policy applies to directors, executive officers and members of senior management who are most likely to be in possession of, or become aware of, the relevant information. All staff have been made aware of the existence of the policy so that they can assist with reporting of potentially sensitive information to the appropriate persons within VDM.

## Shareholder Engagement

VDM is committed to ensuring that shareholders are kept fully and regularly informed of information and major developments concerning the Company. To achieve this, the Group has a developed and implemented a Shareholder communications policy designed to provide an effective framework to manage two way communication with its shareholders. A copy of the Policy can be found on the Group's website here: <http://www.vdmgroup.com.au/Communications Policy>

The external auditors attend and are available to answer queries on the preparation and content of the independent Audit Report, the accounting policies adopted by the Company in relation to the preparation of accounts and the independence of the Auditor in relation to the conduct of the audit at the Company's annual general meetings.

The Communications Policy is based on compliance with VDM's disclosure obligations and aims at all times to achieve best practice. The Communications Policy commits VDM to facilitating shareholder participation in the member meetings and to dealing promptly with shareholder enquiries. VDM believes that communicating with shareholders by electronic means is an efficient way of distributing information in a timely and convenient manner and encourages its shareholders to adopt this approach.

A significant deployment of this policy is the Group's website, where the Group provides shareholders with both information required at a statutory compliance level including its corporate governance, as well as news updates and general company information.

The Group's website address is [www.vdmgroup.com.au](http://www.vdmgroup.com.au), and shareholders can communicate electronically with the company by emailing: [enquiries@vdmgroup.com.au](mailto:enquiries@vdmgroup.com.au) or via the following section of the VDM website: <http://www.vdmgroup.com.au/contact.html>

## Risk Management

Risk management is regarded as an integral part of the Company's strategic planning, business planning and project execution processes. The focus of risk management is the identification and treatment of risks with the objective to add maximum sustainable value to the activities of the organisation.

The Board of VDM group is ultimately responsible for VDM's risk management and internal control framework however to streamline the process the Board has delegated some of its responsibilities to the Audit and Risk Committee

The current Audit and Risk Committee comprises:

- Mr M Fry, Chairperson (Non-executive Director, independent)
- Dr D Hua (Executive Director of Mining)
- Mr H Luk (Non-executive Director)

Due to size of the board and the qualifications of the directors, the committee does not have a majority of independent directors. The qualifications and experience of the committee members are included in VDM's 2018 Annual Report.

To assist in the direction of the committee and ensure the development of organisational capabilities in risk management for internal control purposes, the Board of VDM has adopted a Risk Management Policy. A copy of the Policy is available on the Group's website here:

<http://www.vdmgroup.com.au/Risk Management Policy>

The Board requires management to design and implement the risk management and internal control system to manage VDM's material business risks and report to it on whether those risks are being managed effectively.

The Risk Management Policy sets out the following rules and responsibilities:

- the Board shall regularly review the effectiveness of the risk management and internal control framework
- the Board will review and discuss strategic risks and opportunities arising from changes in VDM's business environment regularly and on an as-needs basis
- the responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to report back to the Board through the Audit and Risk Committee on the efficiency and effectiveness of risk management.

The Board undertook a review of the Group's risk management framework during the 2018 financial year and satisfied itself that it continues to be sound. Scheduled board meetings are held approximately every 2 to 3 months and the meeting agendas and board reporting framework provide information necessary for the board to effectively monitor both opportunities and threats and be informed of key individual risk matters. Management is required to report to the board on those risks which could have a material impact on the Company's business.

VDM has material exposure to economic risks including exchange rates, and the economic growth of certain sectors of the Australia economy because of their effect on the Group's target markets and customers. VDM manages these risks through implementation of business strategies aimed at improving the competitive advantages of the Group's products and services. The Board has formed a view that the Company does not currently have any material exposure to environmental and social sustainability risks.

Due to the size of the Company and its current level of activity and operations, the Company does not have a formal internal audit function. Periodically, reviews of the Company's financial systems, documents and processes are undertaken and any recommendation for improvement are reported to the Board as part of the Company's risk management processes.

## Remuneration

### **Nomination and Remuneration committee**

Due to the reduced size of the organisation, the responsibilities and functions of the Nomination and Remuneration Committee are performed by the full board, which includes matters relating to the appointment and remuneration of directors, the CEO and other senior executives and employees of VDM.

The responsibilities of the Nomination and Remuneration Committee carried out by the board include:

- determine remuneration policies and remuneration of directors
- determine remuneration and incentive policies and packages of key executives
- determine VDM's recruitment, retention and termination policies and procedures for senior management
- determine and review incentive plans and require that equity-based incentive plans involving the issue of new securities to executives, other than directors, be approved by shareholders where required, prior to implementation
- ensure that equity-based incentive plans prohibit hedging of unvested options or performance rights
- determine and review superannuation arrangements of VDM
- determine and review professional indemnity and liability insurance for directors and senior management.

Each member of the executive team signs a formal employment contract at the time of their appointment covering a range of matters including duties, rights, responsibilities and entitlements on termination. The current remuneration of the directors and selected senior executives is published in the 2018 Annual Report, Directors' Report. The Directors' Report also describes the Company's remuneration principles and policies.

The non-executive directors of the Company are entitled to a fee that is determined by the Nominations and Remuneration Committee. The fee may include superannuation contributions. Additional fees are periodically payable for participation on Board committees. Non-executive directors do not participate in equity plans of the Company and do not receive retirement benefits other than statutory entitlements.

The Nominations and Remuneration Committee Charter sets out the committee's purpose, membership (including procedures for attendance by non-members), role, and administrative procedures. The Nominations and Remuneration Committee Charter is available on the Company's website here:

[http://www.vdmgroup.com.au/Nominations and Remuneration Charter](http://www.vdmgroup.com.au/Nominations%20and%20Remuneration%20Charter)

Although VDM does not have an equity-based remuneration scheme, during the 2016 reporting period the Board approved a once-off grant of options for the CEO and the Executive Director of Mining as part of their remuneration packages. Details and purpose of their options are disclosed in the 2018 Annual Report, Remuneration Report.

The following table provides a checklist summarising the Groups compliance with the CGPR.

Corporate Governance Council recommendation		Comply Yes/No/Partly	Reference Page
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 Yes	2,3,&4
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 whether or not to elect or re-elect a director.	Yes Yes	3 3
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	3
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	4
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: (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 that Act.	Yes Yes No Yes Not applicable	4 4 4 4
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.	Yes Yes	4 4
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.	Yes Yes	4 4
2.1	The board of a listed entity should: (a) have a nomination committee which: (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	No Not applicable Not applicable Yes Not applicable	4&5 5



Corporate Governance Council recommendation		Comply Yes/No/Partly	Reference Page
	(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; 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.	Not applicable  Yes	  4&5
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.	Yes	6
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.	Yes  Yes  Yes	6  6  6
2.4	A majority of the board of a listed entity should be independent directors.	No	6
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.	No	6
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.	No	6
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  Yes	7  7
4.1	The board of a listed entity should: (a) have an audit committee which: (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; 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.	Yes No Yes Yes Yes Not applicable	7&8 8 8 8 8 7
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.	Yes	8

Corporate Governance Council recommendation		Comply Yes/No/Partly	Reference Page
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.	Yes	9
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.	Yes Yes	9 9
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	9
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	9
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.	Yes	9
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.	Yes	9
7.1	The board of a listed entity should:		
	(a) have a committee or committees to oversee risk, each of which:	Yes	9&10
	(1) has at least three members, a majority of whom are independent directors; and	No	10
	(2) is chaired by an independent director, and disclose:	Yes	10
	(3) the charter of the committee;	Yes	10
	(4) the members of the committee; and	Yes	10
(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; or	Yes	7	
(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.	Not applicable		
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.	Yes Yes	10 10
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.	Not applicable Yes	 10
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.	Yes	10
8.1	The board of a listed entity should:		
	(a) have a remuneration committee which:	No	11
	(1) has at least three members, a majority of whom are independent directors; and	Not applicable	11
	(2) is chaired by an independent director, and disclose:	Not applicable	11
	(3) the charter of the committee;	Yes	11
(4) the members of the committee; and	Not applicable	11	

Corporate Governance Council recommendation		Comply Yes/No/Partly	Reference Page
	(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; 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.	Not applicable  Yes	11  11
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	11
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.	Not applicable	11

**End**