



**LOCALITY PLANNING ENERGY  
HOLDINGS LIMITED**

**CORPORATE GOVERNANCE STATEMENT**

# LOCALITY PLANNING ENERGY HOLDINGS LIMITED

ABN 90 147 867 301

## Corporate Governance Statement

This Corporate Governance Statement is current as at 27 September 2017 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company has, during the financial year ending 30 June 2017, followed the recommendations set by the ASX Corporate Governance Council in its publication "Corporate Governance Principles and Recommendations" 3rd Edition (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed for any part of the reporting period have been identified and reasons provided for not following them along with what (if any) alternative governance practices were adopted in lieu of the Recommendations during that period.

The Company has adopted various corporate governance policies and procedures which provide the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees, aside from the established Audit and Risk Committee, and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. This Corporate Governance Statement and the Company's various corporate governance policies and procedures are available on the Company's website at [www.localityenergy.com.au](http://www.localityenergy.com.au).

RECOMMENDATIONS	COMPLY	EXPLANATION
<b>Principle 1: Lay solid foundations for management and oversight</b>		
<b>Recommendation 1.1</b> A listed entity should disclose: (a) the respective roles and responsibilities of the Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	YES	<p>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.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chair and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter is available on the Company's website.</p>
<b>Recommendation 1.2</b> A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information relevant to a	YES	<p>The Company has guidelines for the appointment and selection of the Board in its Director Selection Procedure. The composition of the Board requires that the Board ensure appropriate checks (including checks in respect of character and experience) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director.</p> <p>All material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to</p>

RECOMMENDATIONS	COMPLY	EXPLANATION																
decision on whether or not to elect or re-elect a Director.		security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.																
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	YES	<p>The Company's composition of the Board requires the Board to ensure that once the Board decides to appoint a new director, that director would be expected to sign the terms and conditions for appointment of non-executive directors and a director's consent to act.</p> <p>The Company has had written agreements with each of its Directors and senior executives for the past financial year.</p>																
<p><b>Recommendation 1.4</b></p> <p>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.</p>	YES	<p>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.</p>																
<p><b>Recommendation 1.5</b></p> <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 in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(i) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	NO	<p>The Company has not adopted a Diversity Policy. Whilst the Company does not currently have a Diversity Policy due to its size and nature of its operations, it strives to attract the best person for the position regardless of gender, age, ethnicity or cultural background.</p> <p>The Board did not set measurable gender diversity objectives for the past financial year, because:</p> <ul style="list-style-type: none"> <li>the Board did not anticipate there would be a need to appoint any new Directors or senior executives due to the limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and</li> <li>if it became necessary to appoint any new Directors or senior executives, the Board considers the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit.</li> </ul> <p>As at 30 June 2017, the gender mix in the whole organisation was as follows:</p> <table border="1" data-bbox="866 1547 1457 1771"> <thead> <tr> <th></th> <th>Number</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td><b>Board Members</b></td> <td>3</td> <td>100%</td> <td>0%</td> </tr> <tr> <td><b>Officers</b></td> <td>3</td> <td>66%</td> <td>33%</td> </tr> <tr> <td><b>Others</b></td> <td>21</td> <td>42%</td> <td>58%</td> </tr> </tbody> </table>		Number	Male	Female	<b>Board Members</b>	3	100%	0%	<b>Officers</b>	3	66%	33%	<b>Others</b>	21	42%	58%
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<p><b>Recommendation 1.6</b></p> <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>	NOT FULLY	<p>The Company's Chair and Board are responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The Company's Board Performance Review does not require the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. Whilst the Company has a written policy, the Board recognises that as a result of the Company's size and the stage of the entity's life, the assessment of the directors' overall performance and its own succession plan is conducted on an informal basis. The Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place.</p>
<p><b>Recommendation 1.7</b></p> <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>	NO	<p>The Company does not have to disclose a process for periodically evaluating the performance of the Company's senior executives on an annual basis. A senior executive, for these purposes, means Key Management Personnel (as defined in the Corporations Act) other than a non-executive Director.</p> <p>Whilst the Company does not have a written policy, the Board recognises that as a result of the Company's size and the stage of the entity's life, the assessment of the executives' overall performance is conducted on an informal basis. The Directors consider that at the date of this report an appropriate and adequate process for the evaluation of senior executives is in place</p>
<p><b>Principle 2: Structure the Board to add value</b></p>		
<p><b>Recommendation 2.1</b></p> <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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	NOT FULLY	<p>The Company has an approved Nomination Committee Charter which 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.</p> <p>However, the Company has not yet activated the Nomination Committee as the Board does not consider the Company would benefit at this time. In accordance with the Company's Board Charter, 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:</p> <ul style="list-style-type: none"> <li>• undertake appropriate checks and identify and recommend to the Board candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company;</li> <li>• approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities;</li> <li>• assess and consider the time required to be committed by a non-executive Director to properly fulfil their duty to the Company and advise the Board;</li> </ul>

RECOMMENDATIONS	COMPLY	EXPLANATION
		<ul style="list-style-type: none"> <li>consider and recommend to the Board candidates for election or re-election to the Board at each annual shareholders' meeting;</li> <li>review Directorships in other public companies held by or offered to Directors and senior executives of the Company;</li> <li>review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board;</li> <li>review succession plans for the senior executives;</li> <li>arrange an annual performance evaluation of the Board, its Committees and individual Directors;</li> <li>make recommendations to the Board on the appropriate size and composition of the Board; and make recommendations to the Board on the terms and conditions of appointment to, and removal and retirement from, the Board.</li> </ul>
<p><b>Recommendation 2.2</b></p> <p>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	NO	<p>The Company does not have a board skills matrix, however full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report and on the Company's website.</p> <p>The Board believes that the current skill mix is appropriate given the Company's size and the stage of the entity's life.</p>
<p><b>Recommendation 2.3</b></p> <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 described in Box 2.3 [of the ASX Corporate Governance Principles and Recommendations (3rd Edition)], but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each Director</p>	YES	<p>The Company has disclosed those Directors it considers to be independent in its Annual Report. The Board considers the following Directors are independent:</p> <ul style="list-style-type: none"> <li>Andrew Pierce</li> </ul> <p>The Company has disclosed in its Annual Report any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent.</p> <p>The length of service of each Director, is as follows:</p> <ul style="list-style-type: none"> <li>Andrew Pierce, since 17 March 2014</li> <li>Damien Glanville, since 11 December 2015</li> <li>Ben Chester, since 11 December 2015</li> </ul>
<p><b>Recommendation 2.4</b></p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	NO	<p>The Company's Board Charter requires that, where practical, the majority of the Board should be independent.</p> <p>However, the Board currently comprises a total of three directors of whom only one is considered to be independent. As such, non-independent directors currently comprise the majority of the Board.</p>
<p><b>Recommendation 2.5</b></p> <p>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.</p>	YES	<p>The Chair of the Company during the past financial year was an independent Director and was not the CEO/Managing Director.</p>

RECOMMENDATIONS	COMPLY	EXPLANATION
<p><b>Recommendation 2.6</b></p> <p>A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.</p>	YES	<p>In accordance with the Company's Nomination Committee Charter, the Nomination 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.</p> <p>Directors are also encouraged to undertake appropriate training and refresher courses which the Company facilitates as this assists in the performance of their roles.</p>
<p><b>Principle 3: Act ethically and responsibly</b></p>		
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	YES	<p>The Company's Code of Conduct applies to the Company's Directors, senior executives and employees. The Code of Conduct is available on the Company's website.</p>
<p><b>Principle 4: Safeguard integrity in corporate reporting</b></p>		
<p><b>Recommendation 4.1</b></p> <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,</p> <p>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 financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	YES PARTLY	<p>The Company has an Audit and Risk Committee which comprises Andrew Pierce (Chair), Damien Glanville and Ben Chester. There is a minority of independent/non-executive directors, as Andrew Pierce is the only independent director and also the only non-executive. The Board considers that the current members provide the range of skills and experience appropriate given the size of the Company. Each member has the relevant financial and industry experience required to perform Audit and Risk Committee functions. Details of their qualifications and experience are set out in the Directors' Report. The Audit and Risk Committee acts as the Board's committee to oversee risk. The Audit and Risk Committee Charter is available on the Company's website.</p> <p>In the most recent reporting period the Committee met twice during regular Board meetings when all members were in attendance.</p>

RECOMMENDATIONS	COMPLY	EXPLANATION
<p><b>Recommendation 4.2</b></p> <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	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign-off on these terms.</p> <p>The Company has obtained a sign-off on these terms for each of its financial statements in the past financial year.</p>
<p><b>Recommendation 4.3</b></p> <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	<p>The Company's external auditor attended the Company's last AGM during the past financial year.</p>
<p><b>Principle 5: Make timely and balanced disclosure</b></p>		
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>The Company's Continuous Disclosure Policy details the Company's continuous disclosure strategy, obligations and procedures. The Continuous Disclosure Policy is available on the Company's website.</p>
<p><b>Principle 6: Respect the rights of security holders</b></p>		
<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	<p>Information about the Company and its governance is available on the Company's website.</p>
<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	YES	<p>The Company has adopted a Shareholder Communications Policy which aims to promote and facilitate effective two-way communication with investors. The Policy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's various corporate governance policies and procedures.</p>
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	YES	<p>Shareholders are encouraged to participate at all general meetings and AGMs of the Company. With the dispatch of any notice of meeting to shareholders, the Company Secretary shall include material stating that all shareholders are encouraged to participate in the meeting.</p>

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<p><b>Recommendation 6.4</b></p> <p>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>	YES	<p>The Shareholder Communications Policy provides that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders. The Company has made available a telephone number and email addresses of the Company (via the website) for shareholders to make their enquiries.</p> <p>Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders' queries should be referred to the Company Secretary at first instance.</p>
<b>Principle 7: Recognise and manage risk</b>		
<p><b>Recommendation 7.1</b></p> <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 process it employs for overseeing the entity's risk management framework.</p>	YES PARTLY	<p>The functions of the Company's Audit and Risk Committee include oversight of risk. Details of the Audit and Risk Committee are noted above under Recommendation 4.1 and its Charter is available on the website.</p> <p>To assist the risk management function of the Audit and Risk Committee, the Company has established a Risk Management Policy, which is available on the Company's website. The Risk Management Policy is reviewed annually. Management reports regularly to the Audit and Risk Committee and the Board on its management of material business risks.</p>
<p><b>Recommendation 7.2</b></p> <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework with management 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>	NO	<p>The Company's Risk Management Policy requires that the Board should, at least annually, satisfy itself that the Company's risk management framework continues to be sound.</p> <p>The Company's Board has not completed a review of the Company's risk management framework in the past financial year, but plans such a review in the near future.</p>
<p><b>Recommendation 7.3</b></p> <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 PARTLY	<p>The Company does not have an internal audit function, however follows the procedures set out in the Risk Management Policy to continually improve risk management.</p>



RECOMMENDATIONS	COMPLY	EXPLANATION
<p><b>Recommendation 7.4</b></p> <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	<p>The Company has a material exposure to the electricity market in Australia, and the risks faced and their management are described more fully in the Risk Management Policy.</p>
<p><b>Principle 8: Remunerate fairly and responsibly</b></p>		
<p><b>Recommendation 8.1</b></p> <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>	NOT FULLY	<p>The Company has an approved Remuneration Committee Charter which provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which must be chaired by an independent Director.</p> <p>However, the Company has not yet activated the Remuneration Committee as the Board does not consider the Company would benefit at this time. 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.</p> <p>The Board currently sets the level and composition of remuneration for Directors and senior executives and ensures that such remuneration is appropriate and not excessive.</p> <p>The Board devotes time at Board meetings, when necessary, to assess the level and composition of remuneration for Directors and senior executives.</p>
<p><b>Recommendation 8.2</b></p> <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>	YES	<p>The Company's Remuneration Committee Charter does not require the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, however these details are disclosed in the Remuneration Report section of the Company's Directors' Report.</p>
<p><b>Recommendation 8.3</b></p> <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	<p>The Company did not have an equity based remuneration scheme during the past financial year.</p>