

## **CORPORATE GOVERNANCE REPORT BIGTINCAN HOLDINGS LIMITED (“THE COMPANY”)**

### **Introduction**

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Eight Essential *Corporate Governance Principles and Best Practice Recommendations* (“Recommendations”) as published by ASX Corporate Governance Council. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company is considered a ‘micro-cap’ listing, and accordingly some of the principles and recommendations are unable to be achieved in a cost effective or practical manner, having regard to the resources available. These issues are still considered important in our corporate governance system, and alternate but less formal policies exist to ensure integrity in these areas. The Council recognises that the same efficiencies experienced by larger entities may not be appropriate for smaller companies by adopting certain principles or recommendations.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

### **Principle 1 – Lay Solid Foundations for Management and Oversight**

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the financial report and their term of office are detailed in the Directors' Report in the Annual Report.

The Company undertakes the appropriate checks before making new appointments to the Board.

The Company has written service agreements with each Director setting out the terms of their appointment.

The Company has a written service agreement with the Company Secretary and the Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.

The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

#### *Principle 1 Recommendation 1.1, Notification of Departure:*

The Company has not formally disclosed the functions reserved to the Board and those delegated to senior executives;

#### *Explanation for Departure:*

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management, and evaluating the performance of senior executives. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management. Previously, due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management.

*Recommendation 1.5,  
Notification of Departure:*

The Company has not established and disclosed a diversity policy.

*Explanation for Departure:*

The Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal diversity policy. In the future, as the Company grows and increases in size and activity, the Board will consider the establishment of a formal diversity policy.

*Recommendations 1.6 and 1.7,  
Notification of Departure:*

The Company does not have nor disclose a formal process for evaluating the performance of the Board, individual directors or senior executives.

*Explanation for Departure:*

The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals. The Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal evaluation policy. The Board monitors the overall corporate governance of the Company to ensure that shareholder value is increased. In the future as the Company grows and increases in size and activity, the Board will consider establishment of formal Board, individual director and senior management evaluation processes.

## **Principle 2 – Structure the Board to add Value**

The Chairman, Mr Amos, and Mr Stevenson are considered by the Board to be independent directors. The determination by the Board as to whether individual directors are independent is a matter of judgment. The Board considers the relationships the independent directors have with the Company do not materially impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the “base amount” defined as being the value of shares issued in the company or 5% of revenue (when aggregated over the full tenure of each contract).. In applying this level of materiality to the relationship of the independent directors in the case of shareholders and suppliers, the Board considers that the independent directors’ interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent directors’ relationship with the Company and consider these qualitative factors to be immaterial in the assessment of their independence.

The current Board of the Company comprises:-

Mr Tom Amos Independent Non-Executive Chairman – appointed 28 September 2016

Mr David Keane – CEO – Executive Director - appointed 3 January 2012

Mr John Scull – Non-Executive Director - appointed 20 January 2016

Mr Wayne Stevenson – Independent Non-Executive Director - appointed 28 September 2016

The Chairman of the Company, Mr Amos, is an independent Director and is not the same person as the CEO.

The Company has a Remuneration and Nomination Committee. The members of the committee are Mr Stevenson (Chairman), Mr Amos and Mr Scull. The Chairman is an independent director who is not the Chairman of the Company. The Committee has a majority of Independent Directors.

*Principle 2*

*Recommendation 2.2*

*Notification of Departure:*

Disclose a broad skills matrix.

*Explanation for Departure:*

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's activities and does not consider it necessary at this stage of its development to have a matrix setting out the mix of skills of the Directors. The experience and skills of the Directors are well documented in the Annual Report and Company website.

*Principle 2*

*Recommendation 2.4*

*Notification of Departure:*

The Board does not have a majority of independent Directors.

*Explanation for Departure:*

The Board currently comprises four Directors, two of whom are Independent and 2 are not. The Board considers that its structure and membership is appropriate in the context of the Company's current activities and will continue to review the composition of the Board as the business needs develop.

*Principle 2*

*Recommendation 2.6*

*Notification of Departure:*

The Board does not have a program for inducting new directors and providing appropriate professional development opportunities.

*Explanation for Departure:*

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has been appointed because they already possess the relevant industry experience and specific expertise relevant to the Company's business and level of operations and given the activities of the Company and their own experience do not require the Company, given its size, to provide professional development opportunities.

**Principle 3 - Act Ethically and Responsibly**

**Code of Conduct**

The Company has developed a Code of Conduct (the Code) which has been fully 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 the Company's integrity.

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

Any breaches of the Code are reported to the chairman in the first instance for notification to the Board.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

#### **Principle 4 – Safeguard Integrity in Corporate Reporting**

Prior to the Board approving the financial statements it receives a declaration from the CEO and CFO that the financial records of the entity have been properly maintained and that the financial statements comply with 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.

The Company ensures that its external auditor attends that Annual General meeting and is available to answer questions from security holders relevant to the audit.

The Company's Audit Committee comprises Mr Stevenson (Chairman) and Mr Amos. The Chairman is independent and is not the Chairman of the Company.

##### *Principle 4*

##### *Recommendation 4.1*

##### *Notification of Departure:*

Both of the members of the Committee are Non-Executive Directors

##### *Explanation for Departure:*

The Committee comprises two Directors, both of whom are Independent Non-Executive Directors. The Board considers that the Committee's structure and membership is appropriate in the context of the Company's current activities and will continue to review the composition of the Committee as the business needs develop.

#### **Principle 5 – Make Timely and Balanced Disclosure**

The Company Secretary is responsible for the continuous disclosure obligations of the Company.

##### *Principle 5*

##### *Recommendation 5.1*

##### *Notification of Departure:*

The Company does not have a written policy for the continuous disclosure obligations of the Company.

##### *Explanation for Departure:*

Given the size of the Company and the qualifications of the Company Secretary, the Company does not feel at this time that a formal written policy is required.

## **Principle 6 – Respect the Rights of Security Holders**

### **Continuous disclosure and shareholder communication**

The Company has a policy that information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities is continuously disclosed as required under the Australian Stock Exchange (ASX) listing rules.

The Company's website provides comprehensive information about the company and its activities. The Company's officers are always available to answer shareholder questions either by telephone or electronically.

The Company encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on the Company's website and mailed to those shareholders who request a hard copy.

#### *Principle 6 Recommendation 6.2 Notification of Departure:*

The Company does not have a formal documented investor relations program.

#### *Explanation for Departure:*

The Company strongly encourages more communication between the shareholders and the Company and Board. All general meetings include briefings by Board members to provide a deeper insight into the Company, opportunities for the shareholders to have their questions answered, and following all general meetings, the directors encourage shareholders to chat informally with them. As the Company grows in size, the Board is very keen to develop more formal and expansive communications with shareholders.

## **Principle 7 – Recognise and Manage Risk**

### **Corporate Reporting**

The Board is aware of the various risks that affect the Company and its business. The risk procedures are under constant review as the Company's activities develop.

The members of the Audit and Risk Committee are Mr Stevenson (Chairman) and Mr Amos. A majority of the members are independent and the Chairman is independent and not the Chairman of the Company.

The Board is aware of the various risks that affect the Company and its particular business. As the Company develops, the Board will further develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

#### *Principle 7 Recommendation 7.1 Notification of Departure:*

There are only 2 members of the committee. Both are Non-Executive Directors.

*Explanation for Departure:*

The Committee comprises two Directors, both of whom are Independent Non-Executive Directors. The Board considers that the Committee's structure and membership is appropriate in the context of the Company's current activities and will continue to review the composition of the Committee as the business needs develop.

*Principle 7*

*Recommendation 7.3*

*Notification of Departure:*

The Company does not have an internal audit function.

*Explanation for Departure:*

The risk management and internal control procedures are monitored by the appropriate officer and the Board continually reviews the procedures.

## **Principle 8 – Remunerate Fairly and Responsibly**

### **Remuneration Policy**

The Company's remuneration policy was developed by and approved by the Board. All executives receive a salary and statutory superannuation.

The Company does not participate in share based remuneration for its executives but can issue share options to Directors, employees and consultants. The terms of the share options to Directors, employees and consultants are based on what similar sized companies in the company's industry are offering. All share options to be issued to Directors require shareholder approval before being issued.

The amounts of remuneration for all Directors, including monetary and non-monetary components, are detailed in the Directors Report under the key management personnel remuneration heading. All remuneration paid to Executives is valued at the cost to the Company and expenses. Shares issued to Executives are valued as the difference in the market value of those shares and the amount paid by the Executive. Options given to Executives are valued using the Black-Scholes methodology.

When appropriate the Company receives external independent advice regarding remuneration.

The Company has a Remuneration and Nomination Committee. The members of the committee are Mr Stevenson (Chairman), Mr Amos and Mr Scull. The Chairman is an independent director who is not the Chairman of the Company. The Remuneration and Nomination Committee has a majority of Independent Directors

All matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

The Company discloses policies and practices regarding remuneration of directors and senior executives in the Directors report and notes to the financial statements in the Company's annual report each year. The structure and objectives of the remuneration policy and its links to the Company's performance is disclosed in the annual Directors' Report.