

## **CORPORATE GOVERNANCE STATEMENT 30 JUNE 2023**

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The Board of Directors of The Environmental Group Limited (“EGL” or the “Company”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council’s Corporate Governance Principles and Recommendations 4th Edition (“the ASX Principles”) where considered appropriate for a company of EGL’s size, nature and stage of development. This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles as adopted by the Company. Unless otherwise indicated, the Company’s corporate governance practices were in place for the financial year ended 30 June 2023 and to the date of signing the Directors’ Report.

Further details in respect to the Company’s corporate governance practises are summarised below and copies of Company’s corporate governance policies are available on the Company’s website at [www.environmental.com.au](http://www.environmental.com.au).

### **PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

#### **Recommendation 1.1**

*A listed entity should have and disclose a charter setting out:*

- (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 Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The responsibility for the operation and administration of the Company is delegated by the Board to the CEO and Senior Management team. The Board ensures that both the CEO and Senior Management team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. The Senior Management team are responsible for conducting the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

#### **Recommendation 1.2:**

*A listed entity should:*

- (a) Undertake appropriate checks before appointing a director, or senior executive or putting someone forward 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 responsibility for the selection of potential directors lies with the Nomination and Remuneration Committee of the Company, or in its absence, the Board. Currently, the Board as a whole performs the role of the Nomination and Remuneration Committee in accordance with the Nomination and Remuneration Committee Charter. The Board conducts an assessment of the necessary and desirable competencies of Board Members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company provides shareholders all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director in the notice of the meeting at which the election of the Director is to be held. The qualifications, experience and special responsibilities of the Board Members are also set out in the Directors' Report of the Annual Report.

**Recommendation 1.3:**

*A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

The terms of the Company's Directors and Senior Management team are summarised in written agreements.

**Recommendation 1.4:**

*The company secretary of a listed entity should be accountable to the board through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary is appointed by and is accountable directly to the Company's Board through the Chair, for all governance matters to do with the proper functioning of the Board. During the reporting period, the Board appointed a Joint Company Secretary.

**Recommendation 1.5:**

*A listed entity should:*

*(a) Have and disclose a diversity policy;*

*(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and*

*(c) disclose in relation to each reporting period:*

*(1) the measurable objectives set for that period to achieve gender diversity;*

*(2) the entity's progress towards achieving those objectives; and*

*(3) either:*



*(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined “senior executive” for these purposes); or*

*(B) 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.*

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company’s success is the quality, diversity and skills of its people. The Company is committed to its promotion of workplace diversity, however the Board does not consider that at this stage it is appropriate to adopt a policy specifically addressing diversity. The Company will consider adopting a policy in future periods.

As a measurement of gender diversity, the proportion of women employees in the entity as at 30 June 2023 is as follows:

- Women on the Board: 25%
- Women in senior executive roles: 25%
- Women in management positions: 2%
- Women in the organisation: 18%

The Company is a relevant employer under the Workplace Gender Equality Act and will be lodging a report for the FY23 reporting period.

**Recommendation 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 during or in respect of that period.*

The Board as a whole has responsibility to review its own performance, the performance of individual Directors and the performance of the Board Committees. The Board Charter details the processes for the evaluation of Board Members. The Chair of the Board may also meet individually with each Board Member to discuss their performance. Non-Executive Directors may also meet to discuss the performance of the Chair. Directors whose performance is consistently unsatisfactory may be asked to retire.

**Recommendation 1.7:**

A listed entity should:

*(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and*

*(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Performance of Senior Management is reviewed annually or more frequently if required. The Board as a whole may then hold a facilitated discussion during which each Board Member has the opportunity to raise any matter, suggestion for improvement or criticism with Senior Management. The Board reviewed the performance of its Senior Management team in the reporting period.



## **PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE**

The board of a listed entity should be of an appropriate size and collectively have the skills commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

### **Recommendation 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*
- (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.*

Until such time as the size of the Board justifies the establishment of a Nomination Committee, the function of such a Committee will be fulfilled by the Board. The Company shall review this position periodically. The Board will oversee the appointment and induction process for Directors and the selection, appointment and succession planning process of the Company's Senior Management team, where relevant.

A Nomination and Remuneration Committee Charter has been adopted, and it assists the Board to fulfill the function of a Nomination and Remuneration Committee. The Charter is available on the Company's website at <https://www.environmental.com.au/about-egl/corporate-governance>.

### **Recommendation 2.2:**

*A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.*

Gaps in the collective skills of the Board are regularly reviewed by the Board as a whole, with the Board proposing candidates for directorships having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background. The skills matrix is available on the Company's website at <https://www.environmental.com.au/about-egl/corporate-governance>.

### **Recommendation 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, 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 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 current Chairman, Ms Lynn Richardson, is a Non- Executive Director appointed to the Board in May 2015 and was elected Chairman in November 2017. The Chairman does not satisfy the independence criteria of the Recommendations.

Mr Adrian Siah was appointed as a Non-Executive Director in September 2020. Mr Siah is considered to be an Independent Director.

Mr Graeme Nayler was appointed as a Non-Executive Director in March 2021. Mr Nayler is considered to be an Independent Director.

Mr Vincent D'Rozario was appointed as a Non-Executive Director in March 2021. Mr D'Rozario is considered to be an Independent Director.

Details of each Director's background including experience, knowledge and skills are set out in the Directors' Report of the Annual Report.

#### **Recommendation 2.4:**

*A majority of the board of a listed entity should be Independent Directors.*

A majority of the Board is considered independent, with details provided in the Directors' Report within the Annual Report and on the Company's website.

#### **Recommendation 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 Chairman, Ms Lynn Richardson is not considered independent. However, Ms Lynn Richardson provides significant governance and entrepreneurial expertise. The balance of the Board is collectively satisfied that Ms Lynn Richardson exercises independent judgement in carrying out her duties as Chairman of the Company. To the extent that the Board views any Director to have a conflict or perceived conflict of interest in matters that come before the Board then such Directors will be required to excuse themselves from the relevant decision-making process.

#### **Recommendation 2.6:**

*A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.*

The Board oversees the induction process for new Directors. New Directors are provided with the necessary induction materials and are encouraged to spend time with the Senior Management team to develop their understanding of the business. Professional development opportunities are considered on an individual basis, with opportunities provided to Directors where appropriate.

### **PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

**Recommendation 3.1:**

*A listed entity should articulate and disclose its values.*

The Company's strategic statements which include the Company's values are disclosed in the Annual Report.

**Recommendation 3.2**

*A listed entity should:*

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and*
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.*

The Company has established a Corporate Ethical Policy that recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, Managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

Any material breaches under this Policy are reported to the Audit and Risk Committee who in turn report to the Board.

**Recommendation 3.3**

*A listed entity should:*

- (a) have and disclose a whistleblower policy; and*
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

The Company has established a Whistleblower Policy which has been disseminated both internally and externally to key stakeholders.

The Board is committed to keeping abreast of developments with regard to compliance with the policy and receiving notifications of material incidents reported under that policy.

**Recommendation 3.4**

*A listed entity should:*

- (a) have and disclose an anti-bribery and corruption policy; and*
- (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.*

The Company has established a Fraud Policy which incorporates anti bribery and corruption rules. The Company is aware of its obligations under law to not engage in bribery or corruption. The Company believes it has the required Management teams and processes to ensure it is informed of any breaches under law, who in turn report to the Board.

**PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS**

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

**Recommendation 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.*

The Company has an Audit and Risk Committee, the function of which is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions.

The Committee is chaired by Mr Adrian Siah, an Independent Non-Executive Director, and comprises all Directors, a majority of whom are Independent Non-Executive Directors.

The Board considers that the Members of the Committee have the required financial expertise and an appropriate understanding of the markets in which the Group operates. The Chief Financial Officer and the Company's external auditors are invited to attend Committee meetings at the Committee's discretion.

The relevant qualifications and experience of the Members, details of the number of Committee meetings and attendance at those meetings are detailed in the Directors' Report within the Annual Report.

The Committee's Charter is available on the Company's website at

<https://www.environmental.com.au/about-egl/corporate-governance>.

**Recommendation 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.*

The Company has received signed declaration from the CEO and CFO that 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.

#### **Recommendation 4.3**

*A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.*

All periodic reports to be released to the market undergo a series of internal management reviews including by the CEO and CFO and where relevant third-party advisers. The Board also reviews and approves all announcements prior to release on the ASX.

#### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

#### **Recommendation 5.1:**

*A listed entity should:*

*(a) A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.*

The Board recognises the importance of timely and balanced disclosure of all material matters concerning EGL and is committed to achieving the highest standards of market disclosure. The Board is responsible for compliance with EGL's continuous disclosure obligations. The Board focuses on timely disclosure of any information concerning EGL and its controlled entities that a reasonable person would expect to have a material effect on the price of EGL's securities. The Company has adopted a Continuous Disclosure Policy which is available on the Company's website.

#### **Recommendation 5.2:**

*A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.*

The Joint Company Secretaries, who are the designated ASX communications officers, are tasked with providing copies of all ASX market announcements to the Board promptly after they have been made.

#### **Recommendation 5.3**

*A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation material on the ASX Market Announcements Platform ahead of the presentation.*

The Company releases new and substantive investor or analyst presentations on the ASX Market Announcements Platform ahead of any presentation of the material.

#### **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

#### **Recommendation 6.1:**

*A listed entity should provide information about itself and its governance to investors via its website.*





In line with adherence to the continuous disclosure requirements of the ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, the Company's website and the distributions of specific releases covering major transactions and events or other price sensitive information.

**Recommendation 6.2:**

*A listed entity should have an investor relations program that facilitates effective two-way communication with investors.*

The Board and Management are actively engaged in two-way communication with investors.

**Recommendation 6.3:**

*A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.*

The Company acknowledges that respecting shareholders rights is of fundamental importance and that communication with shareholders is a key element of this. The Company's shareholder communication processes are via the ASX, the Company's website and at shareholder meetings.

The Company reserves time for shareholders to speak and direct questions to the Board at the Company's shareholder meetings. The external auditor will also be invited to attend the AGM and will be available to answer any questions concerning the conduct, preparation and content of the Auditor's report.

**Recommendation 6.4:**

*A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.*

The Company conducts voting at its meetings of security holders by poll rather than by a show of hands for all resolutions put to a meeting.

**Recommendation 6.5**

*A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company encourages the use of electronic communication and offers security holders the option to receive and send electronic communication to the Company and its Share Registry where possible.

**PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

**Recommendation 7.1:**

*The board of a listed entity should:*

*(a) Have a committee or committees to oversee risk, each of 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*

*(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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company has an Audit and Risk Committee, the principal function of which is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions.

The Committee is chaired by Mr Adrian Siah, an Independent Non-Executive Director, and comprises all Directors, a majority of whom are Independent Non-Executive Directors.

The Board considers that the Members of the Committee have the required financial expertise and an appropriate understanding of the markets in which the Group operates. The Chief Financial Officer and the Company's external auditors are invited to attend Committee meetings at the Committee's discretion.

The relevant qualifications and experience of the Members, details of the number of Committee meetings and attendance at those meetings are detailed in the Directors' Report within the Annual Report.

The Committee's Charter is available on the Company's website at

<https://www.environmental.com.au/about-egl/corporate-governance>.

#### **Recommendation 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 that the entity is operating with due regard to the risk appetite set by the board; and*

*(b) disclose, in relation to each reporting period, whether such a review has taken place.*

The Board reviews the Company's risk management framework at each meeting of the Board. Risk management is considered by the Board to be of critical importance to the successful operation of the Company and is afforded due consideration at each meeting of the Board.

#### **Recommendation 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 and internal control processes.*

EGL has had an internal audit function in place for the full year. The function is the responsibility of the CEO reporting through the Chair to the Board, and resourced with supplementary specialist support to ensure impartiality and integrity in the function. As a separate function to the internal audit program, EGL is also externally audited, with resultant certification to ISO management system



standards (9001, 45001 and 14001). The external audit program includes a confirmation of the scheduled internal audit program taking place.

The EGL internal audit program includes the scheduling of each area of the business to be assessed for compliance to the defined management system at least once per annum. Results of internal audit findings are presented to relevant business unit managers as well as the CEO and Board Chair, where findings and potential improvements are reviewed at Board level.

**Recommendation 7.4:**

*A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.*

The Audit and Risk Committee and the Board assist Management to determine whether the Company has any material exposure to economic, environmental and social risks, and, if it does, how it manages or intends to manage those risks. The Company discloses this information in its Annual Report.

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

A listed entity should pay director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

**Recommendation 8.1:**

*The board of a listed entity should:*

*(a) Have a remuneration 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*
- (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.*

Until such time as the size of the Board justifies the establishment of a Remuneration Committee, the function of such a Committee will be fulfilled by the Board. The Company shall review this position periodically. The Board will oversee the remuneration of Directors and the Senior Management team. Remuneration of Directors and Senior Management staff is set at a market related level, to ensure that the Company is able to attract the highest calibre skills and expertise.

A Nomination and Remuneration Committee Charter has been adopted, and it assists the Board to fulfill the function of a Nomination and Remuneration Committee. The Charter is available on the Company's website at <https://www.environmental.com.au/about-egl/corporate-governance>.

**Recommendation 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.*



The Company's policies and practices regarding the remuneration of Executive and Non-Executive Directors and other Senior Management team members are disclosed in the Company's Annual Report.

**Recommendation 8.3:**

*A listed entity which has an equity-based compensation 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.*

The Company has a Securities Trading Policy which prohibits participants from entering into any arrangement which limits economic risks. The policy is disclosed on the Company's website.