



Corporate Governance Statement

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	Corporate Governance Statement	1	June 2015	June 2016

Introduction

The ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3rd edition" (referred to as either "ASX Principles" or "Recommendations") articulate eight core corporate governance Principles, with commentary about implementation of those Principles in the form of Recommendations.

Under ASX Listing Rule 4.10.3, Matrix Composites & Engineering Ltd ("Matrix" or "the Company") is required to prepare a corporate governance statement disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement.

This corporate governance statement is current as at 19 August 2015 and discloses the extent to which the Company has followed the Recommendations during FY15. The statement has been approved by the Matrix board of directors.

In December 2014, the Board adopted a new Corporate Governance Charter. The new Charter was prepared having regard to the Recommendations; it comprises new Charters for the Board and its committees, and a range of new corporate governance policies, protocols and practices. The Corporate Governance Charter is disclosed as a single document on the Company's website. The various Board and committee charters and corporate governance policies and protocols are also disclosed separately on the website for ease of reference. Prior to the adoption of the new Charter, the Company was substantially compliant with the Recommendations.

Matrix's corporate governance statement is structured with reference to the Council's third edition of the Principles and Recommendations, which Principles are as follows:

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|-------------|--|
| Principle 1 | Lay solid foundations for management and oversight |
| Principle 2 | Structure the Board to add value |
| Principle 3 | Act ethically and responsibly |
| Principle 4 | Safeguard integrity in financial reporting |
| Principle 5 | Make timely and balanced disclosure |
| Principle 6 | Respect the rights of security holders |
| Principle 7 | Recognise and manage risk |
| Principle 8 | Remunerate fairly and responsibly |

Details of Matrix's compliance with the Recommendations for the year ended 30 June 2015 are disclosed in this statement. Unless disclosed below, all Recommendations have applied for the entire financial year ended 30 June 2015.

Principle 1 - Lay solid foundations for Management and Oversight

Recommendation 1.1 – *The Company should establish and disclose the functions and responsibilities reserved to the Board and those delegated to management.*

Under the Company's Board Charter, the Board is responsible for the overall management and strategic direction of the Company and for delivering accountable corporate performance in accordance with the Company's goals and objectives. In performing its role, the specific responsibilities reserved to the board include:

- providing strategic direction to the Company and deciding upon the Group's strategies and objectives in conjunction with the CEO;
- monitoring the strategic direction of the Company and the attainment of its strategies and objectives in conjunction with the executive;
- monitoring the operational and financial position and performance of the Company specifically and the Company generally;
- driving corporate performance and delivering shareholder value;
- assuring a prudential and ethical base to the Company's conduct and activities having regard to the relevant interests of its stakeholders;
- assuring the principal risks faced by the Company are identified and overseeing that appropriate control and monitoring systems are in place to manage the impact of these risks;
- reviewing and approving the Company's internal compliance and control systems and codes of conduct;
- assuring that the Company's financial and other reporting mechanisms are designed to result in adequate, accurate and timely information being provided to the Board;
- appointing and, where appropriate, removing the CEO, monitoring other key executive appointments, and planning for executive succession;
- overseeing and evaluating the performance of the CEO, and through the CEO, receiving reports on the performance of other senior executives in the context of the Company's strategies and objectives and their attainment;
- reviewing and approving the CEO's and, in conjunction with the CEO, other senior executives' remuneration;
- approving the Company's budgets and business plans and monitoring major capital expenditures, acquisitions and divestitures, and capital management generally;
- ensuring that the Company's financial results are appropriately and accurately reported on in a timely manner in accordance with regulatory requirements;
- as part of its oversight and monitoring function, overseeing that the Company's governance systems and processes are designed and applied to assure compliance with all laws, governmental regulations and accounting standards;

- ensuring that the Company's affairs are conducted with transparency and accountability;
- overseeing the design and implementation of appropriate and effective policies, processes and codes of conduct for the Group (including with respect to ethics, values, conduct, securities trading, disclosure of securities' price sensitive information, employment, remuneration, diversity and otherwise) as well as monitoring and reviewing those policies, processes and codes of conduct from time to time;
- ensuring sound Board succession planning including strategies to assure the Board is comprised of individuals who are able to discharge the responsibilities of Directors of the Company;
- overseeing shareholder and stakeholder engagement, reporting and information flows.

Under the Board Charter, the Board has delegated to the CEO (for sub-delegation as appropriate to his/her senior executive and management team), authority over the management, operations and day-to-day affairs of the Company.

The Board has established the following committees to assist in discharging its responsibilities:

- i) Nomination Committee (see Principle 2);
- ii) Audit Committee (see Principle 4);
- iii) Risk Committee (see Principle 4); and
- iv) Remuneration Committee (see Principle 8).

Each committee operates according to its Board approved charter. The responsibilities of each committee are described in more detail elsewhere in this Corporate Governance Statement. Copies of the Board and Committee Charters are available on the Company's website.

Recommendation 1.2 – *The Company should undertake appropriate checks of board candidates and provide shareholders with all information material to their candidacy.*

The Company has established a Nomination Committee that is responsible for establishing processes for the identification and recruitment of suitable candidates for appointment to the Board, and for considering the re-election of existing directors.

Under the Board Charter, the Company is required to undertake appropriate checks before appointing a prospective director or recommending their candidacy. The Board Charter also requires the Company to provide shareholders with all material information in its possession relevant to a decision whether or not to elect or re-elect a director.

Matrix's policy for the nomination, selection and appointment of new Directors is set out in the Board Charter and requires consideration be given to the ability of a potential appointee to add value to the Company and its businesses

Any candidate for election as a Director who is not an existing Director seeking re-election must deliver to the Company, at its registered office, written notice consenting to his or her nomination and signifying his or her candidature for the office or the intention of a shareholder to propose them. The consent to act as a Director must include all details required by the Corporations Act and Listing Rules.

The Board may also appoint a Director to fill a casual vacancy, or as an addition to the existing Directors at any time, provided that any such Director holds office only until the next annual general meeting, is eligible for re-election at the next general meeting and will not result in the total number of Directors exceeding ten.

Recommendation 1.3 – *The Company should have a written agreement with each Director and senior executive setting out the terms of their appointment.*

Each director has a written agreement setting out the terms of their appointment. Each senior executive is employed under the terms of an executive service agreement. New agreements have recently been put in place for all KMPs. These will take effect from 1 September 2015, when their current fixed term agreements expire. The new agreements provide for ongoing employment, subject to standard notice provisions.

Recommendation 1.4 – *The Company Secretary should be accountable to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.*

The Board Charter provides that the Company Secretary is directly accountable to the Board via the Chair, in relation to the following matters:

- advising the Board and its Committees on governance matters;
- monitoring that Board and Committee policies and procedures are followed;
- co-ordinating the timely completion and despatch of Board and Committee papers;
- ensuring accurate minutes of business at Board and Committee meetings are prepared and entered in the Company's secretarial records in a timely manner; and
- helping to organise and facilitate Board member induction, professional development and evaluation/review procedures.

Recommendation 1.5 – *The Company should have a diversity policy that includes measurable objectives for achieving gender diversity. The Company should assess and disclose its progress in achieving these objectives annually.*

Diversity policy

Matrix recognises that a talented and diverse workforce is a key competitive advantage and that Matrix's success is a reflection of the quality and skills of its people. Specifically, the Company provides equal opportunities in respect to employment and employment conditions and does not discriminate on the basis of a candidate's gender, age, ethical or cultural background. Matrix is committed to promoting a workplace that recognises and embraces the skills, characteristics and experiences that people bring to the Group.

The Board has adopted a Diversity Policy, which is publicly available on the Company's website. The policy requires the development of measurable diversity objectives and targets. The objectives and targets that are underway are noted below in reference to the Gender Diversity Action Plan

Gender diversity

Matrix has established a medium term target of 20 per cent of all employees to be female in order to promote gender diversity within the Company.

As at 30 June 2015, all five Board positions (100 per cent) were held by men.

Of seven senior executive positions, six (85.7 per cent) were held by men and one (14.3 per cent) was held by a woman. Of 234 employees, 49 (20.94 per cent) were women and 185 (79.06 per

cent) were men. As at 30 June 2015, the proportion of women and men employed by the Company is set out in the table below:

<i>CLASSIFICATION</i>	<i>TOTAL</i>	<i>GENDER</i>	
		<i>FEMALE</i>	<i>MALE</i>
<i>MANAGEMENT</i>			
CEO	1	0	1
Key Management	4	0	4
Senior Management	9	1	8
Other Management	13	2	11
<i>TOTAL</i>	<i>27</i>	<i>3</i>	<i>24</i>
<i>NON-MANAGEMENT</i>			
Professionals	35	7	28
Technicians and Trade	78	11	67
Clerical and Administrative	17	15	2
Machinery Operators and Drivers	16	0	16
Labourers	87	14	73
Other	47	3	44
<i>TOTAL</i>	<i>280</i>	<i>50</i>	<i>230</i>

The Gender Diversity Action Plan has been broken down into three key areas, culture & environment, recruitment & selection and company policy & procedure. The initial areas of focus are centred on raising awareness of diversity in general in the workplace with an emphasis on gender, by running educational workshops for all management and supervisory employees. Secondly, the inclusion of gender specific questions in the second round of the Brand & Culture Survey currently under development will serve as a health check on current practices within the business.

Reviews have been completed in regard to all policies and procedures to ensure every opportunity is available to promote gender diversity appropriately in the workplace.

Recruitment practices have been evaluated to ensure that promoting diversity in the workplace is an observable activity in every stage of the recruitment and selection process. Metrics have been put in place to monitor the application responses by gender and there is mandatory female representation on interview panels for all senior professional roles.

Further work is ongoing to provide avenues for female employees to access external mentoring programmes, industry networks and other professional associations or forums that are committed to promoting gender diversity in the workplace.

The Nominations Committee is responsible for the development monitoring and review of the Diversity Policy.

Recommendation 1.6 – *The Company should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Details of the process and principles adopted by the Company for evaluating the performance of the board, its committees and individual directors are set out in the Board, Committee and Directors Evaluation Protocols which form part of the Company's Board and Management Performance Enhancement Policy; this Policy is available on the Company's website.

An internal performance evaluation of the board, its committees and each director was conducted during FY15. The results of the evaluation reviews were considered and discussed by the board at its June 2015 board meeting and have resulted in the implementation of improved reporting and administration processes for board and committee meetings.

Recommendation 1.7 - *The Company should have and disclose a process for periodically evaluating the performance of its senior executives and disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Details of the process and principles adopted by the Company for evaluating the performance of its senior executives are set out in the Senior Executive Performance Review and Evaluation Protocols that form part of the Company's Board and Management Performance Enhancement Policy; this Policy is available on the Company's website.

A formal performance evaluation of the company's senior executives was conducted during the reporting period. The outcome of the evaluation provides the basis for a professional development plan for the key executives. The performance of all senior executives with greater than 12 months' service has been evaluated during the reporting period in accordance with this process.

Principle 2 - Structure the Board to add value

Recommendation 2.1 – *The Company should have a Nominations Committee composed of a majority of independent directors.*

As part of the process of adopting a new Corporate Governance Charter, the Board established a Nominations Committee in December 2014. The Committee's responsibilities include:

- assessing Board and Board Committee membership, succession planning and performance;
- reviewing Board Committee terms of reference and making recommendations including with respect to appointment to Board Committees;
- developing and implementing a process for evaluation of Board, Committee and director performance.
- Board member induction and professional development;

- periodically reviewing the job description and performance of the CEO according to agreed performance parameters;
- succession planning for the CEO position;
- involvement in complaints, grievance and disciplinary processes of senior executives.
- diversity policy development, monitoring and review;
- monitoring the implementation by the Company of diversity strategies and programs.

A copy of the Charter for the Nominations Committee is available on the Company's website. The current members of the Nominations Committee are Peter Hood (Chairman), Steven Cole and Duncan Clegg. All members of the Committee have been assessed by the Board as independent.

For details on the number of meetings of the Nominations Committee held during the year and the attendees at those meetings, please refer to the Directors' Report in the FY15 Annual Report. For details of the respective experience and qualifications of Committee Members, please refer to the Directors' Report in the FY15 Annual Report.

Recommendation 2.2 – The Company should have and disclose a board skills matrix.

The mix of skills, qualifications, experience and expertise that the Board seeks to achieve in its membership includes a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The Board utilises a skills matrix to facilitate its assessment of the individual and collective skill and knowledge of the directors. The matrix comprises a comprehensive list of skills that the directors regard as relevant and desirable to enable them to discharge their duties to the Company and its shareholders. During the reporting period, the directors assessed their knowledge and skills against the skills matrix, with the result that no material skill gaps were identified for the Board as a whole. However, the skills assessment has identified some areas for skill enhancement by individual directors.

A summary of the skills matrix is set out below:

	Skill	Definition
Industry Experience	Global Oil and Gas and Mineral Resources	Has particular expertise and knowledge of the global oil and gas industry in which the company operates
	Composite Material Manufacturing	Has particular skills and expertise in products, systems or technologies relevant to the company's operations.
	Accounting and financial literacy	Has the required level of knowledge and skill to: effectively analyse the company's management accounts and periodic financial statements; assess the company's ongoing viability; and actively contribute to the setting and ongoing review of the company's annual budget.
	Banking	Has particular experience and skills in relation to debt financing.
Technical Skills and	Corporate Finance	Has a sound understanding of financial risk and understands the financial regulatory framework relating to listed companies.
	Equity Capital Markets	Has particular experience and skills in relation to capital raising and equity markets.
	Mergers & Acquisitions	Has particular experience and skills in relation to mergers and acquisitions, demergers and capital reconstructions etc.
	Complex Manufacturing Operations	Has executive/management experience with a significant manufacturing enterprise. Has a sound understanding of operational issues and extracting maximum value from the company's assets.
	International Oil & Gas Equipment Supply business	Has extensive international business experience in the oil and gas equipment supply industry
	Law	Has particular expertise in corporate and commercial law and/or in relation to legislation relevant to the company
	Strategic Marketing	Has a sound understanding of marketing and growth strategies to preserve and grow the company's market share.
	Information Technology	Has expertise in IT strategy and system design, procurement and implementation and a sound understanding of associated risks.
	Risk Management	Has a sound understanding of risk management and the development of a systematic approach to protect the company's assets and maximise chances of success
	Human Resources Management	Is able to contribute actively to the setting of management performance goals that link rewards to desired performance and behaviour, the oversight of management performance, and the development of Board and executive succession plans.
	Strategy Development and Implementation	Has a sound understanding of the strategy development process and how to convert strategy into actions and corporate success
	CEO/Senior Management Experience	Has executive experience (CEO) with a significant enterprise

Governance Competencies	Contemporary Corporate Governance	Has a strong background in or understanding of current corporate governance standards and compliance requirements and is familiar with corporate legislation.
	Commercial Business Experience/Acumen	Demonstrated ability to understand and deal with business situations in a manner likely to lead to a positive outcome for the business
	Skill	Definition
	Strategy	Has strong strategic skills, able to contribute actively to the formulation, testing and approval of a business strategy designed to drive shareholder value in the longer term. Alert to opportunities, risks and trends that require a strategic response.
	CEO Selection, Monitoring and Evaluation	Ability to identify the key criteria required for the CEO and apply appropriate metrics for evaluation
	Monitoring	Has strong skills in monitoring executive and business performance
	Compliance	Has strong knowledge of the regulatory framework within which the business operates: operationally, commercially and financially including ASX Listing Rules, Corporations Act and
	Policy Frameworks	Has relevant experience developing policy frameworks that manage the operational, financial and risk appetite of the business
	Networking	Has strong business networks and relationships within the oil and gas industry, manufacturing sector and corporate Australia
	Stakeholder Communication	Has relevant experience in engagement with external stakeholder groups (shareholders, proxy advisors, community groups, regulators, government).
	Decision Making	Ability to participate in Board decision making and ensure decisions are made after careful consideration of all available information
Effective Governance	Ability to exercise skills and abilities to ensure the Company has an effectively operating governance structure	

Recommendation 2.3 – *The Company should disclose whether its directors are independent.*

Directors are expected to bring independent views and judgement to the Board’s deliberations. The Board Charter requires that at least a majority of the Directors of Matrix will be independent and that the Chair will be an independent Director.

Under the Board Charter, the assessment of whether a Board member is independent is a matter of judgement for the Board as a whole and includes concepts of materiality. In making that judgement, the Board may have regard to, but need not be bound by, the Recommendations as to director independence.

A Director is considered to be independent where he or she is a non-executive Director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. The existence of the following relationships may affect independent status, if the Director:

- is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has, within the last three years, been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the services provided;
- is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- is a substantial shareholder of Matrix or an officer of, or otherwise associated directly with a substantial shareholder of Matrix (as defined in section 9 of the Corporations Act);
- has a material contractual relationship with the Company other than as a Director;
- has close family ties with any person who falls within any of the above categories; or
- has been a director of the Company for such a period that his or her independence may have been compromised.

In the context of Director’s independence, the materiality of a director’s interest, position, association or relationship is assessed to determine whether it might interfere, or might reasonable be seen to interfere with the director’s capacity to bring independent judgement to bear on matters before the board and to act in the best interests of the Company and its shareholders.

In accordance with the independence criteria set out above, the Board has reviewed the positions and associations of each of the five Directors in office at the date of this statement. The status of each director and their length of service at the date of this statement is set out below:

Name	Position	Status	Length of service
Peter Hood	Non-Executive Chairperson	Independent	4 years
Aaron Begley	Managing Director	Non-independent	15 years
Steven Cole	Non-Executive Director	Independent	1 year
Craig Duncan	Non-Executive Director	Independent	7 years
Duncan Clegg	Non-Executive Director	Independent	1 year

Accordingly, the majority of Board is independent. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at the Company’s expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

Recommendation 2.4 – *A majority of the Company’s directors should be independent.*

The Company’s board comprises four non-executive directors and one executive director. The Board has assessed the independence of each of the above-mentioned non-executive directors and has determined that all of them are, and were throughout the entire financial year, independent.

Recommendation 2.5 – *The Chairman should be an independent Director.*

The Board Charter provides that the Chairperson should be non-executive and independent and the roles of the Chair and the CEO should not be exercised by the same person except in special circumstances approved by the Board. The Board is satisfied that the Chairperson is, and was throughout the entire financial year, an independent Director.

Recommendation 2.6 – *The Company should have a program for inducting new directors and provide appropriate professional development opportunities.*

Under its Board Charter, the Company commits to providing induction programs for new directors and senior executives as well as providing opportunities for continuing professional development for all directors and executives.

New directors are provided with an induction pack at the time of their appointment that provides them with detailed information about the Company, its operations, financial position, risk profile and risk management framework, and its strategies and objectives. The pack also includes copies of the Company Constitution, the Matrix Corporate Governance Charter, the most recent annual report, recent ASX releases, and minutes and papers of previous board and committee meetings.

New directors also receive a letter of appointment setting out, amongst other things, their rights, duties and responsibilities as a director of the Company.

In addition to the induction pack and letter of appointment, new directors complete a program of meetings with Matrix managers, including site tours, to familiarise them with the business and its senior personnel.

The directors are encouraged to undertake professional development activities to update and enhance their skills and knowledge. Following the completion of the FY15 board evaluation, the Board is in the process of developing an FY16 professional development program for Board members.

Principle 3 – Act ethically and responsibly

Recommendation 3.1 – *The Company should have a code of conduct for its directors, senior executives and employees.*

The Board considers it essential that Directors, management and employees of the Group act ethically and responsibly in carrying out their duties and responsibilities. In particular, the Board has responsibility for developing and monitoring:

- standards and guidelines regarding ethical conduct;
- periods during which Directors may deal in the securities of the Company and procedures for notification of any dealings;
- procedures to be adopted in respect of potential conflicts of interest; and
- procedures for prior approval of contracts with Directors.

Matrix has established codes of conduct to:

- provide a framework for decisions and actions in relation to ethical conduct which underpins the Company's commitment to integrity and fair dealing in its business affairs;

- articulate the practices necessary to fulfil both its legal obligations and the reasonable expectations of its stakeholders; and
- set out the responsibilities and accountabilities of individuals for reporting and investigating reports of unethical practices.

These codes of conduct, entitled “Board Members’ and Executives’ Code of Conduct” and “Group Code of Conduct/Values” are publicly available on the Company’s website.

Principle 4 - Safeguard integrity in Financial Reporting

Recommendation 4.1 – *The Company should have an Audit Committee composed of a majority of independent directors.*

Prior to December 2014, oversight of financial compliance and reporting and the Company’s risk management framework was undertaken by the Audit and Risk Committee. Following the adoption of a new Corporate Governance Charter in December 2014, the Board separated the roles of audit and risk oversight, with the Audit Committee assuming responsibility for oversight of financial compliance and reporting, and the Risk Committee assuming responsibility for risk oversight. The Audit Committee’s responsibilities include:

- overseeing the adequacy of the Company’s corporate reporting processes;
- overseeing whether the Company’s financial statements reflect the understanding of the Committee members and whether in their opinion they provide a true and fair view of the financial position and performance of the Group;
- reviewing, the appropriateness of relevant accounting judgements or choices exercised by management in preparing the financial statements.
- recommending selection, removal (as appropriate) and remuneration of external Auditor and to monitor external Auditor independence;
- monitoring external auditor independence;
- providing instruction to the external Auditor including ensuring the scope and adequacy of the external audit;
- receiving external Auditor’s preliminary Audit or Review Reports;
- overseeing and monitoring implementation of external Auditor’s recommendations (as accepted);
- ensuring that the audit approach covers all financial statement areas where there is a perceived risk of material misstatement;
- overseeing and monitoring the scope and adequacy of the Company’s internal controls and compliance requirements to assure integrity in the Company’s operations and affairs;
- overseeing and monitoring application of accounting policies and reporting of financial information to security holders, regulators and generally.

A copy of the Audit Charter for the Committee is available on the Company's website.

The current members of the Audit Committee are Steven Cole (Chairman), Peter Hood and Craig Duncan. All members of the Committee have been assessed by the Board as independent.

For details of the number of meetings of the Audit Committee held during the year, the attendees at those meetings, and details of the experience and qualifications of each Committee Member please refer to the relevant section of the Directors' Report in the FY15 Annual Report.

Recommendation 4.2 – *The Board should receive CEO and CFO assurance regarding the Company's financial statements prior to their approval.*

The Board receives a written assurance in respect of each reporting period from the Chief Executive Officer and the Chief Financial Officer that the declaration provided by them in accordance with section 295A of the Corporations Act is founded on their evaluation of the Company's system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board understands that these assurances regarding the internal control systems provide a reasonable level of assurance only and do not imply a guarantee against adverse events, or losses, or more volatile outcomes arising in the future and that the design and operation of the internal control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems.

Recommendation 4.3 – *The Company should ensure external Auditor attendance at its AGM.*

The external auditor attends the Company's AGM. Shareholders are invited to submit questions to the Auditor in advance of the Company's AGM for consideration at the meeting. Shareholders are also given an opportunity to ask questions of the external auditor at the AGM. No questions were put to the external Auditor at the Company's 2014 annual general meeting.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 – *The Company should have a written continuous disclosure policy.*

The Board is committed to ensuring the Company complies with the ASX Listing Rules' continuous disclosure requirements. It has approved a Continuous Disclosure Policy which:

- sets out the roles and responsibilities of directors, officers and employees in complying with the Company's continuous disclosure obligations;
- establishes procedures for the proper management of the Company's information both in relation to preserving its confidentiality where appropriate and in relation to disclosure where this is required; and
- provides guidelines for communications with brokers, analysts, the media and other third parties.

The Continuous Disclosure Policy is publicly available on the Company's website.

Principle 6 - Respect the rights of Shareholders

Recommendation 6.1 – *The Company should provide information about itself and its governance to investors via its website.*

The Company's website at www.matrixengineered.com provides detailed information about the Company, its operations and governance.

Under the "Investors" link on the website, investors have access to all relevant corporate governance information including the Company's constitution, its Corporate Governance Charter (which includes all board and committee charters and all corporate governance policies), its annual and half-yearly reports, ASX announcements and meeting notices.

Under the "About Us" link on the website investors can view an overview of the Company's business, a summary of its history and information regarding the Company's directors and senior executive team.

Recommendation 6.2 – *The Company should have an investor relations program to facilitate effective two-way communication with investors.*

The Company is committed to informing shareholders of all major developments affecting the operations of the Company, its current financial position and its future outlook. The Company has adopted a Policy that sets out the components of its investor relations program. The policy is publicly available on the Company's website.

Recommendation 6.3 – *The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders.*

The Company ensures that notices of meeting provide clear, concise and effective explanations of all business to be transacted at shareholder meetings.

Shareholders who have a question or issue which they would like addressed at a general meeting are invited to submit written questions and comments in advance of the meeting to the Chairperson or the Company's external auditor.

At annual general meetings, shareholders are encouraged to ask questions and make comments about the Company's operations and financial performance. They are also able to ask questions of the Company's external auditor.

New directors or directors seeking re-election are given the opportunity to address shareholders at the meeting and to answer their questions.

Recommendation 6.4 – *The Company should give shareholders the option to receive communications from, and send communications to, the Company and its share registry electronically.*

The Company's share register is managed by Link Market Services ("Link"). Shareholders have the option of receiving all shareholder communications from the Company and from Link electronically. These communications include notices of meeting, dividend statements, and annual and half-yearly reports. As a general rule, Matrix shareholders receive printed copies of documents only where they specifically elect to do so, or in certain limited circumstances where, for example, an original signature or document is required.

Principle 7 - Recognise and Manage Risk

Recommendation 7.1 – *The Company should have a Risk Committee composed of a majority of independent directors.*

Matrix recognises the importance of risk management and has a formal risk management framework, including policies for the oversight and management of material business risks.

Prior to December 2014, oversight of financial compliance and reporting and the Company's risk management framework was undertaken by the Audit and Risk Committee. Following the adoption of a new Corporate Governance Charter in December 2014, the Board separated the roles of audit and risk oversight, with the Risk Committee assuming responsibility for oversight of the Company's risk management framework.

The Risk Committee's responsibilities include:

- approving and monitoring policies for identifying and managing/mitigating/transferring risk including in accordance with the Company's risk management policy;
- approving and monitoring policies for business continuity and crisis planning risk management;
- receiving ongoing risk management reports;
- reviewing the risk management framework, policies and management processes at least annually to allow the Committee to satisfy itself that they are sound;
- reviewing and ensuring the Company carries appropriate levels of insurance;
- reviewing and monitoring terms of insurance policies.
- reviewing and reporting on these matters to the Board, with recommendations as appropriate.

Management is responsible for identifying and managing operational and corporate risks and, where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks.

A copy of the Charter for the Risk Committee is available on the Company's website.

The current members of the Risk Committee are Craig Duncan (Chairman), Peter Hood and Duncan Clegg. All members of the Committee have been assessed by the Board as independent.

For details of the number of meetings of the Risk Committee held during the year, the attendees at those meetings, and the experience and qualifications of each Committee Member, please refer to the relevant section of the Directors' Report in the FY15 Annual Report.

Recommendation 7.2 – *The Risk Committee should review the Company's risk management framework at least annually to satisfy itself that it continues to be sound.*

During FY15, the Risk Committee completed a comprehensive review of the Company's risk management policies, procedures and systems. The review was conducted with the assistance of an external consultant and involved extensive consultation with the Company's directors and management. Following this review, the Board accepted the Risk Committee's recommendations regarding the establishment of a new enterprise wide risk management framework.

In summary, the Matrix risk management framework is based on AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines. It comprises:

- formal processes for the identification and measurement of risks that might impact upon the achievement of the Company's goals and objectives, and for monitoring the environment to identify emerging factors and trends that affect these risks;
- risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls;
- internal systems to monitor the performance of and improve the effectiveness of risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control;
- regular reporting to the Risk Committee and the Board regarding the effectiveness of the Company's risk management systems and processes and the extent to which they are being applied within the Company.

The Board has received regular reports from management as to the effectiveness of Matrix's management of its material business risks during the reporting period. Upon due consideration of Matrix's risk management and internal control system, management formally reported that, as at 30 June 2015, Matrix maintains a risk management and internal control system that is sufficient to manage its material business risks.

The Company's Risk Management Policy is publicly available on the Company's website. The Company has a number of other policies that address specific risk issues, including:

- Board Members' and Executives' Code of Conduct;
- the Company Code of Conduct and Values;
- Conflict of Interest Protocol;
- Policy on the Trading of the Company's Securities;
- Policy on Continuous Disclosure/Release of Price Sensitive Information; and
- Safety Policy.

Recommendation 7.3 – *The Company should disclose whether it has an internal audit function, its role and structure.*

The Board has considered whether the establishment of an internal audit function would materially improve the Company's ability to manage its principal business risks and has determined that the establishment of an internal audit function is not warranted at this stage of the Company's development given the cost of establishing the function, the current size of the Company, and the nature and extent of its operations.

However, the Company has implemented a program for reviewing, by independent expert, its system of internal controls for various critical functions and activities. Under this program, the inventory and project management functions have been reviewed in FY15.

Recommendation 7.4 – *The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks.*

The Company has a material exposure to economic, environmental and social sustainability risks. These risks and the Company's approach to managing them are considered in more detail in the Review of Operations section of the FY15 Annual Report.

Principle 8 - Remunerate Fairly and Responsibly

Recommendation 8.1 – *The Company should have a Remuneration Committee composed of a majority of independent directors.*

The Board has established a Remuneration Committee that operates under a charter approved by the Board. The Committee's responsibilities include:

- Reviewing prevailing external remuneration benchmarks for comparable positions, with comparable responsibilities, within comparable companies (revenue, employees, size and spread) including in comparable industries to that of the Company.
- Assessing appropriate remuneration policies, levels and packages for Board members, the CEO, and (in consultation with the CEO) other senior executive and managerial officers.
- Monitoring the implementation by the Company of such remuneration policies.
- Recommending to the Board the Company's remuneration policies so as to:
 - motivate directors, executives and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
 - for executive and senior management personnel, demonstrate a clear relationship between performance and remuneration.
- Reviewing and considering for recommendation to the Board:
 - equity based remuneration plans for senior executives and other employees;
 - superannuation arrangements generally;
 - whether there is any gender or other inappropriate bias in the Company's remuneration policies or practices; and
 - short term incentive and long term incentive arrangements for executives.
- Assessing, at appropriate and regular intervals, a suitable remuneration and reward package for the CEO in relation to prevailing external practice, internal affordability, performance against goals, and other relevant matters.
- Reviewing and recommending to the Board the appropriate level of the shareholder approved "Directors' Remuneration Pool".
- Reviewing and recommending to the Board, within the limits of that Pool, an appropriate remuneration framework including the remuneration levels for the Chair, the Deputy Chair (if any) and Non-Executive Directors, and any supplements to those remuneration levels for Committee participation including for chairs of Committees.

A copy of the Charter for the Committee is available on the Company's website. The current members of the Committee are Peter Hood (Chairman), Steven Cole and Duncan Clegg. All members of the Committee have been assessed by the Board as independent.

For details on the number of meetings of the Remuneration Committee held during the year, the attendees at those meetings, and the experience and qualifications of the respective Committee Members, please refer to the relevant section of the Directors' Report in the FY15 Annual Report.

Recommendation 8.2 – *The Company should distinguish between non-executive Directors' remuneration and that of executive Directors and Executives.*

The Company clearly distinguishes the structure of non-executive director remuneration from that of executive directors and senior executives. Non-executive directors are paid fixed fees in the form of cash benefits and superannuation contributions; they do not receive any variable, performance based remuneration. More detail regarding the Company's remuneration policies and practices is set out in the Remuneration Report of the FY15 Annual Report.

Recommendation 8.3 – *The Company should establish a policy on whether participants in equity based remuneration plans are permitted to enter into arrangements that limit the economic risk of participating in the plans.*

The Company's Remuneration policy expressly prohibits participants in an equity based remuneration plan from entering into transactions which limit the economic risk of participating in the plan, whether through the use of derivatives or otherwise. Furthermore, key management personnel of the Company, and closely related parties to them, may not enter into arrangements that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested, or has vested but remains subject to a holding lock.