

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Phoslock Environmental Technologies Limited (PET) is committed to create shareholder value and meet the expectation of stakeholders to practice sound corporate governance. The Board of Directors guides and monitors the business and affairs of PET on behalf of the shareholders by whom they are elected and to whom they are accountable.

The following formalises the main corporate governance practices established and in force throughout the financial year in the framework of the ASX Corporate Governance Principles and Recommendations (4th edition) (Recommendations) to ensure the Board is well equipped to discharge its responsibilities.

This statement is current as at 11 March 2022 and has been approved by the Board of Directors.



BOARD

Introduction

The role of the Board is to oversee the management of PET as well as provide strategic guidance. We have adopted a Board Charter that formally sets out the functions and responsibilities of the Board, with the objective of the Board being able to perform its role more effectively. This creates a system of checks and balances to provide a balance of authority.

Composition of the Board

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board should consist of at least 4 Directors, increasing where additional expertise is considered desirable in certain areas.
- The majority of the Board members should be Independent Non-Executive Directors.
- The Chair of the Board should be an Independent Non-Executive Director.
- Directors should bring characteristics which allow a mix of qualifications, skills, and experience both nationally and internationally.
- All available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting.

The current Chair of the Board, Mr David Krasnostein, is a Non-Executive Director and not involved in any day to day decision making of the Company.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Before a person is appointed as Director or put forward for election as a Director, PET undertakes appropriate evaluations. These include independent checks of a candidate's character, experience, education, criminal record, bankruptcy history. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate, who must stand for election at the next general meeting of shareholders.

The Primary responsibilities of the Board include:

- The establishment of the long-term goals of the Company and strategic plans to achieve those goals;
- The review and adoption of annual budgets for the financial performance of the Company and monitoring those results on a quarterly and or half yearly basis. This includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Ensuring the PET Group has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- The approval of the annual and half-year financial reports.

PET ensures that all Directors and Senior Executives enter into written agreements setting out the terms of their appointment, together with key Company documents and information, setting out their term of office, duties, rights and responsibilities, entitlements on termination and the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all Directors will be reviewed by the Chair each year. The performance of all key executives, including the Managing Director, is reviewed annually against a set of financial and non-financial goals.

Independent professional advice

Each Director has the right to seek independent professional advice at the Company's expense. The prior approval of the Chair will be required, which will not be unreasonably withheld.

Remuneration

The Remuneration Committee will review the remuneration packages and policies applicable to the Directors and Senior Executives on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and Senior Executives.

Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Nomination and Remuneration Committee

The Committee consists of the full Board. The Company believes that the full Board is the best qualified to effectively perform the functions of the Committee in accordance with the Charter. A copy of Company's Nomination and Remuneration Committee charter can be found on the Company's website www.phoslock.com.au/investors/corporate-governance

Audit & Risk Committee

The Board shall maintain an Audit & Risk Committee of at least 2 Directors. Audit & Risk Committee meetings may also be attended, by invitation, by the external auditors. The role of the Committee will be to provide a direct link between the Board and the external auditors.

It will also give the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining the matters for inclusion in the financial statements.

Before the Board approves the Company's financial statements for each financial period, the Chief Executive Officer and the Chief Financial Officer give the Board a declaration that, in their opinion, the financial records have been properly maintained, that the financial statements complied with the accounting standards and give a true and fair view of the financial position and performance of the Company, and that their opinion had been formed on the basis of a sound system of risk management and internal compliance and control which was operating effectively. A copy of Company's Audit & Risk Committee Charter can be found on the Company's website www.phoslock.com.au/investors/corporate-governance

The responsibilities of the Audit & Risk Committee include:

- Monitoring compliance with regulatory requirements;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management; and
- Liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The Committee will review the performance of the external auditors on an annual basis. Nomination of auditors will be at the discretion of the Committee.

The Audit & Risk Committee will also oversee the PET Group policies and procedures in relation to risk management and internal control systems. The policies are designed to identify, assess, manage and monitor strategic, operational, financial and project risks and mitigate the impact in the event that they materialize.

BUSINESS RISK

The Board will monitor and receive advice on areas of operational and financial risks and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and regularly considered at Board Meetings include risks associated with business and investment, new and rapidly evolving markets, technological change, competition and business and strategic alliances, the environment and continuous disclosure obligations.

AUTHORITY LIMITS

The Board shall annually review the level of authority limits for the Managing Director and Senior Management. That review shall coincide with the approval of the annual budgets.

CONFIDENTIALITY

The Board members are required to ensure that all Company business is kept confidential by each Director and Officers in control.

ETHICAL STANDARDS

PET has a Code of Conduct that provides an outline of the standards of ethical behaviour expected of Directors and employees and provides accountability of unethical practices. The Code of Conduct also includes PET's Statement of Values.

The Board's policy is for the Directors and Senior Management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. A copy of Company's Code of Conduct can be found on the Company's website www.phoslock.com.au/investors/corporate-governance

TRADING IN PHOSLOCK ENVIRONMENTAL TECHNOLOGIES LIMITED SECURITIES

The Board's policy with regard to trading in the Company's securities is that prior to any transaction, Directors and officers must obtain clearance from the Chair, Managing Director or Company Secretary to ensure that no transactions are made where the Director or officer is in possession of price sensitive information. A copy of Company's Share Trading Policy can be found on the Company's website www.phoslock.com.au/investors/corporate-governance

CONFIDENTIALITY

The Board members are required to ensure that all Company business is kept confidential by each Director and Officer in control.

DEALING WITH CONFLICTS OF INTEREST

A potential conflict of interest may arise from time to time.

If a conflict or potential conflict of interest arises, full disclosure should be made to the Board as soon as the Director becomes aware of the conflict or potential conflict. The Board shall manage the conflict in such a way that the interests of the Company as a whole are safeguarded.

A conflict will arise:

- Where the private or other business interests of Directors and Officers conflict directly or indirectly with their obligations to the Company; and
- When benefits (including gifts and entertainment) are received from a person doing business which could be seen by others as creating an obligation to someone other than the Company.

Directors and Officers shall not act in a way which may cause others to question their loyalty to the Company.

WHISTLEBLOWER POLICY

PET is committed to the highest standards of conduct and ethical behaviour and to promoting and supporting a culture of honest and ethical behaviour, corporate compliance and good corporate governance. PET encourages people to speak up when they see activity or behaviour that they feel is wrong or does not match its values. The purpose of our Whistleblower Policy is to provide clear guidance on how the Company approaches and manages reports of this nature. With our Whistleblower Policy, the Company aims to ensure that:

- Every person covered by this Policy has the opportunity to speak up anonymously when they feel we are not adhering to our corporate values. Our people should have a place to report misconduct, be confident that reports will be heard and acted on, and we will make improvements based on the results.
- Our people are confident that they are able to make reports anonymously. We are committed to protecting an informant's identity and informants only need to reveal themselves if they choose to.
- The company will investigate every report of misconduct. At the end of the investigation, we will document the results and provide feedback where appropriate.

A copy of the Whistleblower Policy can be found on the Company's website www.phoslock.com.au/investors/corporate-governance.

ANTI-BRIBERY AND CORRUPTION POLICY

The purpose of the Anti-bribery and Corruption Policy is to prohibit conduct that amounts to bribery or corruption.

PET does not permit:

- engaging in bribery, facilitation payments or secret commissions, except to avoid an immediate threat to someone's safety;
- victimisation for not engaging in bribery, facilitation payments or secret commissions;
- the making of political donations on behalf of PET;
- the making of charitable or community donations that may be perceived as bribes;
- the offering or acceptance of gifts, hospitality or travel in a manner contrary to the policy; or
- engaging or paying a business partner knowing or suspecting they may engage in prohibited conduct.

SHAREHOLDER COMMUNICATIONS (DISCLOSURE) POLICY

The purpose of the Shareholder Communications (Disclosure) Policy is to uphold PET's commitment to taking a proactive approach to continuous disclosure and creating a culture within PET that promotes and facilitates compliance with the company's continuous disclosure obligations.

This policy is designed to ensure that PET meets its continuous disclosure obligations under the ASX Listing Rules.



ASX Principle

Company Status & Reference/Comment

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The listed entity should disclose:

1.1(a)	Roles & Responsibilities of Board and Management	A	Roles and responsibilities of Board and Management are defined; Board reviewing and updating these
1.1(b)	Matters reserved for the Board and those delegated to management	A	Matters reserved for Board and Management are defined; Board reviewing and updating these
1.2(a)	Appropriate checks before appointing or nominating a new Director	A	Nomination committee responsible for ensuring this occurs
1.2(b)	Provide shareholders with material information for reappointment or election of new Director	A	Nomination committee responsible for ensuring this occurs
1.3	Written agreement with each Director and Senior Executive	A	Written agreements in place; Board reviews all existing agreements annually
1.4	Company Secretary accountable to Board, via Chair	A	Company Secretary is accountable to the Board via Chair.
1.5	Company should have a Diversity Policy	A	Company has approx. 40 employees ranging from low skilled factory workers to technical specialists with PhD's. The Company operates in 10 countries and requires fluent speakers of a number of languages. The Company's policy in the past has been to employ the person most suited to the job requirements along with applicable language skills for the country or countries that they are working in. The company is in the process of developing a diversity policy which will be shared with stakeholders in due course.
1.6(a)	Board should have policy of evaluating Board, its Directors and Committees	A	The Board reviews its composition and performance on an annual basis
1.6(b)	Company should disclose whether a performance evaluation has been undertaken during the reporting period	A	Company undertook a performance evaluation for the reporting period
1.7(a)	Periodic evaluation of senior executives	A	Company undertook an annual review evaluating each Senior Executive during the reporting period
1.7(b)	Company should disclose whether a performance evaluation has been undertaken during the reporting period	A	Company undertook a performance evaluation during the reporting period

ASX Principle

Company Status & Reference/Comment

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1	Company should have a Nomination Committee	A	Company has a Nomination Committee currently comprising all Directors The Nomination Committee Charter is on the Company's website (embedded in the Board Charter)
2.2	Company should disclose skills of each Director	A	The skills and experience of each Director is set out in the Company's Annual Report and on the Company's website.
2.3(a)	Company should disclose which Directors are considered to be independent	A	Company details which Director is independent
2.3(b)	Company should detail reasons why a Director is independent	A	Company has detailed on page 35 reasons why Directors are not considered independent
2.3(c)	Company should detail the length of service of each Director	A	The length of service of each Director is set out in the Company's Annual Report and on the Company's website
2.4	A majority of Directors should be independent	A	Three of the four Non-Executive Directors are considered to be Independent Non-Executive Directors
2.5	The Chair of the Board should be an Independent Director	A	The Company's Chairman is an independent Director.
	The position of Chair and CEO/MD should not be held by the same person	A	The positions of Chair and CEO/MD are not held by the same person
2.6	Company should provide an induction program for new Directors	A	Company provides an induction program for new Directors
	Directors should be given opportunity to develop skills and knowledge for role as Director	A	The Chair discusses with Directors if development support is required

ASX Principle**Company Status & Reference/Comment****PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

3.1(a)	Company should have a Code of Conduct for its Directors, executives and employees	A	Company has a Code of Conduct
3.1(b)	Company should disclose the Code of Conduct	A	The Code of Conduct is published on the Company's website

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1(a)	Company should have an Audit Committee	A	Company has an Audit and Risk Committee
4.1(a)(1)	Audit Committee should comprise at least three Directors, majority of whom are independent	A	Audit and Risk Committee currently has three members, all are Non-Executive Directors. The Board evaluates on an on-going basis the appropriateness of the composition of the Committee
4.1(a)(2)	Audit Committee should be chaired by an Independent Director	A	Audit and Risk Committee is chaired by an Independent Director
4.1(a)(3)	Audit Committee should have a charter which is published	A	Audit and Risk Committee charter is published on the Company's website
4.1(a)(4)	Relevant experience of each member of Audit Committee disclosed	A	The experience of each member of the Audit and Risk Committee is set out in the Company's Annual Report and on the Company's website
4.1(a)(5)	Report the number of meetings of the Audit Committee and those who attended	A	The number of meetings and attendance of Directors at the Audit and Risk Committee meetings is set out in the Company's Annual Report
4.2	Board should receive a Declaration from MD/CEO and CFO that financial statements have been prepared properly and Company has appropriate controls in place	A	MD/CEO and CFO provide a signed declaration that financial statements have been prepared properly and Company has appropriate controls in place
4.3	Company should ensure that external auditors attend AGM and available to answer questions	A	External auditors attend Company's AGM and are available to answer questions

ASX Principle**Company Status & Reference/Comment****PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

5.1(a)	Company should have a written policy for complying with the ASX Listing Rules Continuous Disclosure	A	Company is fully aware of its obligations with the ASX Listing Rules Continuous Disclosure. The Continuous Disclosure policy is published on the Company's website
5.1(b)	Company should disclose the policy or a summary of it	A	Company is fully aware of its obligations with the ASX Listing Rules Continuous Disclosure. The Continuous Disclosure policy is published on the Company's website

PRINCIPLE 6: RESPECT THE RIGHT OF SECURITY HOLDERS

6.1	Company should provide information about itself and its governance to investors via its website	A	Company's website provides information about the Company and its governance
6.2	Company should implement an investor relations program to facilitate two way communication with investors	A	Given its size, Company uses ASX releases and its website to communicate material information to investors. A consultant has been engaged to assist with investor communications
6.3	Company should disclose policies and processes to encourage participation at meetings of security holders	A	Company encourages participation at all meetings of security holders. All security holders are sent information about a meeting in the Notice of Meeting and any accompanying materials well in advance of the meeting; at each meeting security holders are given ample opportunity to raise issues or ask questions
6.4	Security holders should be given the option to receive communication and send communication electronically	A	Company has worked with its Share Registrar to obtain email addresses of all its shareholders to enable documents to be sent electronically

ASX Principle

Company Status & Reference/Comment

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1	Company should have a Risk Management Committee	A	Company has an Audit and Risk Committee which covers Risk Management
7.2(a)	Board undertakes an annual review of Risk Management	A	Risk Management issues are discussed at each Directors' meeting
7.2(b)	Board should disclose whether a Risk Management review took place	A	Company reports Risk Management review in Directors' Report to security holders
7.3(a)	Company should disclose if it has an internal audit function	A	Company does not have an internal audit function.
7.3(b)	If no internal audit function, what is Company doing to monitor risk management	A	Company has internal controls to manage risk issues
7.4	Company should disclose if it has any material exposure to economic, environmental and social sustainability risks	A	Company discloses major risks in Directors' Report in Annual Report

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1(a)	Company should have a Remuneration Committee	A	Company has a Nomination and Remuneration Committee
8.1(a)(1)	Remuneration Committee should comprise at least three Directors, majority of whom are independent	A	Nomination and Remuneration Committee comprises three Directors, 2 of which are independent
8.1(a)(2)	Remuneration Committee should be chaired by an Independent Director	A	Nomination and Remuneration Committee is not chaired by an Independent Director. The Committee's Chairman, because of his relationship with a substantial holder, is not considered an independent non-executive director. The board is satisfied that, given the nature of the relationship and their lack of involvement in any day to day decision making of the Company, the director should not be precluded from being Chair.
8.1(a)(3)	Remuneration Committee should have a charter which is published	A	Nomination and Remuneration Committee charter is published on the Company's website
8.1(a)(4)	Relevant experience of each member of Remuneration Committee disclosed	A	The experience of each member of the Nomination and Remuneration Committee is set out in the Company's Annual Report and on the Company's website
8.1(a)(5)	Report the number of meetings of the Remuneration Committee and those who attended	A	The number of meetings and attendance of Directors at the Nomination and Remuneration Committee meetings is set out in the Company's Annual Report
8.2	Company should disclose remuneration policies	A	These are detailed in the Directors' Report in the Annual Report
8.3	If Company has an equity based remuneration scheme, can participants limit risk through use of derivatives or other instruments	A	There is currently no derivatives market for PET equities

