



## Corporate Governance Statement

The Hydroponics Company Limited (the **Company**) provides the following statement disclosing the extent to which the Company has followed the Corporate Governance Principles and Recommendations set by the Australian Stock Exchange (**ASX**) Corporate Governance Council. Where the Company has not followed a recommendation, this fact has been disclosed together with the reasons for the departure.

PRINCIPLE	RESPONSE
<b>PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>	
<b>Recommendation 1.1</b>	
The entity should have and disclose a charter, which sets out the respective roles and responsibilities of the board, the chair and management; and includes a description of those matters expressly reserved to the board and those delegated to management.	Complies. The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board. The responsibilities delegated to the senior management team are set out in the Board Charter. The Board Charter can be viewed on the Company's website <a href="http://www.thcl.com.au">www.thcl.com.au</a> .
<b>Recommendation 1.2</b>	
The entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.  The entity should provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complies. The Company conducts background and reference checks for all Directors.  These checks will be expanded to include the required checks described in Guidance Note 1, paragraph 3.15 issued by the ASX before appointing an additional person, or putting forward to Shareholders a candidate for election, as a Director.
<b>Recommendation 1.3</b>	
The entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies. All Directors have written agreements setting out the terms of their appointment. The services of the Chief Financial Officer are provided under the terms of a Corporate Services Agreement with Hudson Corporate Limited.
<b>Recommendation 1.4</b>	
The company secretary of the entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies. A Company Secretary has been appointed and is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.
<b>Recommendation 1.5</b>	
The entity should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Complies. The Board has established a Diversity Policy.
The entity should disclose in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Diversity Policy is available at the Company's website and is set out in the Company's annual report.



The entity should disclose in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Details of the Company's measurable objectives for achieving gender diversity and its progress towards achieving them and the entity's gender diversity figures are set out in the Company's annual report.

**Recommendation 1.6**

The entity should have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Complies  
Currently the role of the nomination committee is undertaken by the full Board. The Company intends to establish a nomination committee once the Company's operations are of sufficient magnitude.  
The Board is responsible for evaluating the performance of the Board and individual Directors will be evaluated on an annual basis. It may do so with the aid of an independent advisor.  
Details of the performance evaluations conducted will be provided in the Company's annual reports.

**Recommendation 1.7**

The entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process

Complies.  
Senior executive key performance indicators are set annually, with performance appraised by the Board, and reviewed in detail by the Board.  
The internal review is to be conducted on an annual basis and if deemed necessary an independent third party will facilitate this internal review.  
Details of the performance evaluations undertaken will be set out in future annual reports.

**PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

**Recommendation 2.1**

The entity's board should have a nomination committee, which has at least three members, a majority of whom are independent directors and is chaired by an independent director.

Does not comply.  
The Company does not have a nomination committee.

The entity should disclose the charter of the committee, the members of the committee and 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.

Initially the role of the nomination committee will be undertaken by the full Board. The Company intends to establish a nomination committee once the Company's operations are of sufficient magnitude.

If the entity does not have a nomination committee, it should disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.

The Company does not have a nomination committee. The Board evaluates the skills, experience of its members and then determines whether additional members should be invited to the Board to complement or replace the existing members.

**Recommendation 2.2**

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

Does not yet comply.  
The Company intends to develop a board skill matrix setting out the mix of skills and diversity the Board has and requires. The skill matrix will be available at the Company's website once finalised.



<b>Recommendation 2.3</b>	
The entity should disclose the names of the directors considered by the board to be independent directors and the length of service of each director.	Complies.
The entity should disclose if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3 <sup>rd</sup> Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion.	The independence of directors and the length of service of each director will be set out in the Company's annual report. Details of any relevant interest, position, association or relationship impacting upon a director's independence will be set out in the Company's annual report.
<b>Recommendation 2.4</b>	
A majority of the board of the entity should be independent directors.	Complies.
<b>Recommendation 2.5</b>	
The chair of the board of the entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complies.
<b>Recommendation 2.6</b>	
The entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.	Does not yet comply. Currently the induction of new Directors and plan for professional development is managed informally by the full Board. The Company intends to develop a formal program for inducting new Directors and providing appropriate professional development opportunities.
<b>PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY</b>	
<b>Recommendation 3.1</b>	
The entity should establish a code of conduct and disclose the code or a summary of the code.	Complies. The Board has established a Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the responsibility and accountability required of THC's personnel for reporting and investigating unethical practices or circumstances where there are breaches of the Code. The Code of Conduct can be viewed on the Company's website.
<b>PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>	
<b>Recommendation 4.1</b>	
The board of the entity should have an audit committee, which consists only of non-executive directors, a majority of which are independent directors and is chaired by an independent chair, who is not chair of the board. The entity should disclose the charter of the committee, the members of the committee and 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	Does not yet comply. The Board sits as the Audit and Risk Committee. A summary of the charter and details of the number of times the committee met throughout the period and the individual attendances of the members at those meetings are set out in the Company's Annual Report. The full Audit and Risk Committee charter can be viewed on the Company's website.



<b>Recommendation 4.2</b>	
The board should disclose whether it has, before approving the entity's financial statements for a financial period received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) a declaration 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 in all material respects in relation to financial reporting risks.	Complies. The Board requires the Chief Executive Officer and Chief Financial Officer to provide such a statement before approving the entity's financial statements for a financial period.
<b>Recommendation 4.3</b>	
When the entity has an AGM it should ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	Complies. The external auditor will attend the AGM and is available to answer questions from Security Holders relevant to the audit.
<b>PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE</b>	
<b>Recommendation 5.1</b>	
The entity should established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclosed those policies or a summary of those policies.	Complies. The Company has a written policy on information disclosure. The focus of these policies and procedures is continuous disclosure and improving access to information for investors. Details of the entity's continuous disclosure policy can be viewed on the Company's website.
<b>PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS</b>	
<b>Recommendation 6.1</b>	
The entity should provide information about itself and its governance to investors via its website.	Complies. The Company has provided specific information about itself and its key personnel and has developed a comprehensive Corporate Governance Plan. Details can be found at the Company's website.
<b>Recommendation 6.2</b>	
The entity should design and implement an investor relations program to facilitate effective two-way communication with shareholders.	Complies. The Company has established a Shareholder's Communication Policy. The Company recognises the importance of forthright communications and aims to ensure that the shareholders are informed of all major developments affecting the Company. Details of the Shareholder's Communication Policy can be found at the Company's website.
<b>Recommendation 6.3</b>	
The entity should disclose the policies and processes it has in place to facilitate and encourage participation at general meetings.	Complies. The Shareholder's Communication Policy is available on the Company's website and details are set out in the Company's annual report.



<b>Recommendation 6.4</b>	
A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies. The Company has provided the option to receive communications from, and send communications to, the entity and its security registry electronically.
<b>PRINCIPLE 7: RECOGNISE AND MANAGE RISK</b>	
<b>Recommendation 7.1</b>	
The board of the entity should have a committee or committees to oversee risk each of which has at least three members, a majority of whom are independent directors and is chaired by an independent director.	Does not comply. The Company is not of a size that justifies having a separate committee to oversee risk, so matters typically considered by such a committee are dealt with by the full Board.
The entity should disclose the charter of the committee, the members of the committee and 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.	The full Board of the Company sits as the Audit and Risk Committee. Details of the number of times the committee met throughout the period and the individual attendances of the members at those meetings will be set out in the Company's annual report.
<b>Recommendation 7.2</b>	
The board or board committee should review the entity's risk management framework with management at least annually to satisfy it that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board.	Complies.
The entity should also disclose in relation to each reporting period, whether such a review has taken place.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board has delegated to the Audit and Risk Committee the responsibility for implementing the risk management system. Details of the number of times the committee conducted a risk management review in relation to each reporting period will be disclosed in its annual reports.
<b>Recommendation 7.3</b>	
The entity should disclose if it has an internal audit function, how the function is structured and what role it performs. If the entity does not have an internal audit function, the entity should disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Does not yet comply. The currently undertakes the internal audit function in place of a separate Audit and Risk Committee. The board intends to establish and implement the structure and role of the internal audit function. The Company will disclose the details of the internal audit function in its future annual reports.
<b>Recommendation 7.4</b>	
The entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Board sits as the Audit and Risk committee to manage economic sustainability and risk.



**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

**Recommendation 8.1**

The board should establish a remuneration committee, which has at least three members, a majority of whom are independent directors and is chaired by an independent director.

Does not yet comply.

If the entity does not have a remuneration committee, the entity should 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.

The Board has adopted a Remuneration Committee Charter. However, the Company is not of a size that justifies having a separate Remuneration Committee so matters typically considered by such a committee are dealt with by the full Board.

The Board intends to engage the services of an independent adviser to review the level and composition of remuneration for Directors and senior executives to ensure that such remuneration is appropriate and not excessive.

**Recommendation 8.2**

The 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 and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.

Complies.

The Company distinguishes the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives.

Details of the policies and practices regarding remuneration are set out in the Company's annual report.

The Remuneration Committee Charter can be viewed on the Company's website.

**Recommendation 8.3**

If the entity has an equity-based remuneration scheme, the entity should 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 disclose that policy or a summary of it.

Complies.

The Company's Share Trading Policy prohibits executive staff from undertaking hedging or other strategies that could limit the economic risk associated with Company Securities issued under any equity based remuneration scheme.

The Share Trading Policy can be viewed on the Company's website.