CORPORATE GOVERNANCE STATEMENT

30 September 2020

Corporate Governance

The Board of Directors of Rectifier Technologies Ltd ("Company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Principles of Good Corporate Governance and Best Practice Recommendations" ("the Recommendations") 3rd Edition.

The Recommendations are not prescriptions, they are guidelines. The Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all the Recommendations. If a company considers that a recommendation is inappropriate to its particular circumstances, it has the flexibility not to adopt it.

The Board of Directors has adopted the best practice recommendations as outlined by the Council to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2020.

The Corporate Governance Statement has been approved by the Board of Directors.

Principle 1: Lay solid foundations for management and oversight

Role of the Board & Management

The Board is responsible for the corporate governance of the Company and its controlled entities and conducts itself through this governance structure and the Company's constitution.

Matters reserved for the Board include:

- Contributing to and the development of corporate strategy and direction.
- Oversight and monitoring of corporate performance and the achievement of the Company's strategic goals and objectives.
- Ensuring appropriate risk management.
- Ensuring regulatory compliance.
- Ensuring the Company's ethical standards and corporate Code of Conduct are met at all times.

There are formal statements as to the delegated authority to management. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Board Appointments

The Company undertakes appropriate reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

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The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Company values the differences between its personnel and the valuable contribution that these differences can make to the Company. The Company is an equal opportunity employer and aims to recruit staff from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.

The Company is currently satisfied with the level of diversity among its staff and executives and therefore has not adopted a formal diversity policy and has not set measurable objectives in relation to diversity.

The proportion of women employees in the consolidated entity as at 30 June 2020 are as follows:

Women on the board: 0 of 4 (0%)

Women in senior executive positions: 0 of 1 (0%)

Women in the organisation: 55 of 113 (48.7%)

Board Performance Review

The Board considers the ongoing development and improvement of its own performance, the performance of individual directors and Board Committees as critical to effective governance.

The Board has adopted a self-evaluation process to measure its own performance. The performance of the Board and individual directors is reviewed every year by the Board as a whole. The reviews are based on a number of predetermined performance objectives. The criteria for evaluating performance, is aligned with the financial and non-financial objectives of the company. The Board will consider the outcome of each review and if required develops a series of actions to guide improvement.

Evaluating the Performance of Senior Executives

The Board considers the ongoing development and improvement of the performance of senior executives as a critical input to effective governance. Senior executives are encouraged to participate in continuing education programs that will update their skills and knowledge of key developments within the industry in which the Company operates, and regulatory and legislative changes that impact on reporting responsibilities.

On an annual basis, the Board conducts a performance review of the Chief Executive Officer and other key management personnel (KMP). The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP.

Professional Advice

Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

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Principle 2: Structure the Board to add value

Board composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report. The non-executive directors are Mr. Wang Ying Ming and Mr. Tino Vescovi. The executive directors of the Company are Mr. Yanbin Wang and Mr. Nigel Machin.

The Company's non-executive Chairman is Mr. Wang Ying Ming. The Chairman is responsible for leading the Board and facilitating the relationship with the Company's shareholders and other interested parties.

Due to the size of the Company, there is no formal Nomination Committee as this function is undertaken by the full Board. Should the need arise, the Board would consider the benefits that a particular candidate's expertise and experience would bring to the Company. The Board would then appoint the most suitable candidate who would hold office until shareholder approval is obtained at the next General Meeting.

Directors' Independence

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Principles and Recommendations (3rd edition).

Of the four directors, Mr. Tino Vescovi is the only independent director on the Board. Given the size of the Company and the Board, the Board does not consider it currently necessary to have a majority of independent directors or an independent Chairman. The Board believes the presence of two non-executive directors on the Board, one of whom is an independent director, is sufficient until the Company is in a position to appoint additional independent directors.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

A new director induction program is in place and Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Corporate Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Code of Conduct establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.

Corporate social responsibility

The Company has embraced responsibility for the Company's actions and encourages a positive impact through its activities on the environment, employees, communities and stakeholders.

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Trading Policy

The Company's policy regarding directors and employees trading in its securities, is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. The Trading Policy has been previously disclosed to ASX.

Principle 4: Safeguard integrity in corporate reporting.

Audit Committee

Due to the size of the Board and the Company, the Board as a whole assumes the functions of the Audit Committee. The Audit Committee operates under a charter, which is reviewed annually by the Board and which clearly sets out the committee's role and responsibilities, composition and structure.

The Audit Committee was established to ensure oversight by the Board of all matters related to the financial accounting and reporting of the Company. The Audit Committee monitors the processes, which are undertaken by management and auditors. The Audit Committee ensures that the Board, as the representative of the shareholders, meets all financial corporate governance requirements.

The Audit Committee does not comply with the all of the Council's composition guidelines. Due to the size of the Board and the Company, the Board believes that it is appropriate for the Chairman of the Board to Chair the Audit Committee and believes the presence of one independent director on Board Committees is sufficient

The Committee has direct access to the Company Auditor, has authority to seek any information it requires to carry out its duties from any officer or employee of the Company and has authority to consult any independent professional adviser.

The Committee's responsibilities include:

- Review all audited financial statements of the Company intended for publication prior to recommending approval by the Board;
- Monitor risk management and internal control structure implemented by management;
- Ensure that the audit approach covers all financial areas where there is risk of material misstatement and that audit activities are carried out throughout the Company in the most effective, efficient and comprehensive manner; and
- Ensure that the auditor meets the required standards for auditor independence and that compliance with the Company's corporate governance policies with respect to the audit function are achieved.

For details on the number of Audit Committee meetings held during the year and the attendees at those meetings, refer to the directors' report.

Declarations to the Board

The CEO and Company Accountant (CFO equivalent) have provided the Board with a declaration that, in their opinion, the annual 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.

External Auditor

The Company's external auditor attends each annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

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Principle 5: Making timely and balanced disclosure

Continuous Disclosure

The Company has a Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

In accordance with the ASX Listing Rules the company immediately notifies the ASX of information:

- concerning the company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would likely to, influence persons who commonly invest in securities.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Managing Director and the Company Secretary are responsible for ensuring that company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules.

The Company Secretary and the Managing Director ensure that company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6 – Respect the rights of shareholders

Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders, annual and half-year financial statements and the general meetings of the company;
- giving shareholders ready access to balanced and understandable information about the company and corporate proposals; and
- making it easy for shareholders to participate in general meetings of the company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

The Company views the annual general meeting as an opportunity for shareholders to meet with and ask questions of the Board. Accordingly, all shareholders are given the opportunity to ask questions. The Company's external auditors attend the annual general meetings. All shareholders are given the opportunity to ask the Company's external auditors questions about the conduct of the audit and the preparation and content of the auditor's report.

Shareholders may elect to, and are encouraged to, receive communications from the Company and its securities registry electronically.

The Company maintains information in relation to its corporate governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7 – Recognise and manage risk

Risk Management

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The Board is committed to the identification, assessment and management of risk throughout the Company's business activities.

Due to the size of the Board and the Company, the Board as a whole assumes the functions of the Audit and Risk Management Committee. The Audit Committee operates pursuant to a charter which provides for risk oversight and management within the Company. This is periodically reviewed and updated. Management reports risks identified to the Committee on a periodic basis.

Risk management is considered a key governance and management process. The Board ultimately determines the company's risk profile and is responsible for approving and overseeing the company's risk management policy and internal compliance and control systems. The Board reviews the Company's risk management framework annually to satisfy itself that it continues to be sound, accordingly a review of the Company's risk management framework occurred during the year.

The Company has established and implemented a system for identifying, assessing, monitoring and managing material risk throughout the organisation. The risk management system is implemented by senior management and is designed to ensure:

- all major sources of potential opportunity for and harm to the company (both existing and potential) are identified, analysed and treated appropriately;
- business decisions throughout the company appropriately balance the risk and reward trade off;
- regulatory compliance and integrity in reporting is achieved; and
- the company's continued good standing with its stakeholders.

The risk management system involves a multi-stage process of risk identification, analysis, evaluation, strategy development, strategy implementation, monitoring and review.

Management reports to the Board on the effectiveness of the Company's management of its material business risks. In addition, the Board undertakes a review of all major activities to assess risk and the effectiveness of strategies implemented to manage risk. During the reporting period, management has reported to the Board as to the effectiveness of the Company's management of its material business risks. The Company does not have an internal audit function.

The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks

Principle 8 – Remunerate fairly and responsibly

Remuneration

There is no formal separate Remuneration Committee as this function is undertaken by the full Board. The Board performs responsibilities normally delegated to the Remuneration Committee as set out in the Remuneration Committee Charter.

The Company remunerates directors and key executives fairly and appropriately with reference to the skills and experience of the director/executive and employment market conditions. Any bonus or incentive payments made to directors and executives are based on the achievement of set financial and/or operational performance targets.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience.

Non-Executive Directors are remunerated out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors receive fixed fees. There is no scheme to provide retirement benefits to Non-Executive directors other than statutory superannuation.

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Participants in an equity based remuneration scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

For details of the amount of remuneration, and all monetary and non-monetary components, for directors and key management personnel refer to the directors' report.

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