

# Corporate Governance Statement

## As at 31 December 2019

The Directors of Cyclopharm are responsible for the corporate governance of the Cyclopharm Group (“Cyclopharm” or the “Company”). The Board guides and monitors the business and affairs of the Company on behalf of the Shareholders by whom they are elected and to whom they are accountable.

The Company’s main corporate governance practices are applicable to all subsidiaries and are summarised below.

### **1 Compliance with ASX Corporate Governance Council best practice recommendations**

The ASX Listing Rules require listed companies to include in their Annual Report a statement which discloses the extent to which they have followed the 29 best practice recommendations set by the ASX Corporate Governance Council (“ASX Recommendations”) during the reporting period. As a listed company, Cyclopharm must identify those recommendations which have not been followed for any part of the reporting period, the period during which they were not followed and provide reasons for non-compliance.

This Statement sets out in detail the Company’s compliance with the ASX Recommendations.

The Company considers that it has complied with all of the ASX Recommendations throughout the reporting period ended 31 December 2019, other than ASX Recommendation 2.1(a)(i), 2.4, 4.1(a)(i) and (ii), 7.1(a)(i) and 8.1(a)(i). The Company considers that it complies with ASX recommendation 4.1(a)(ii) from 1 March 2019, upon the appointment of Mr McDonald, an independent non-executive director, as the Chairman of the Audit and Risk Committee and that it complies with ASX Recommendations 2.1(a)(i) and 2.4 from 28 November 2019. Explanations for departures are provided in this Statement in sections 2(d), 3(a), (b) and (c). Where there is non-compliance, this is primarily due to the current size, scale and nature of Cyclopharm’s operations as it is uneconomic for smaller companies such as Cyclopharm to follow the same rules as Australia’s largest listed companies. A checklist summarising this is set out in section 9 of this Statement.

### **2 The Board of Directors**

#### **(a) Membership**

The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of director backgrounds is contained within the Directors’ Report in the 2019 Annual Report.

*ASX Recommendation 2.34 (refer to best practice summary)*

The Company’s Constitution requires a minimum of 3 Directors and a maximum of 9 Directors. As at 31 December 2019, there were two non-executive Directors and one executive director. The Chairman, Mr Heaney, is a non-executive director.

The terms and conditions of appointment and retirement of Directors are set out in the Company’s Constitution. The Board believes that its membership should have enough Directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

#### **(b) Board role and responsibilities**

The Board is responsible to Shareholders and investors for the Group’s overall corporate governance.

The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

- Considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;
- Approving, overseeing and monitoring financial and other reporting to Shareholders, investors, employees and other stakeholders of the Company;

# Corporate Governance Statement

## As at 31 December 2019

### Continued

- Ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- Appointing and monitoring the performance of, and removing the Managing Director;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent) and / or Company Secretary; Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

The Board has delegated to the Managing Director all of the necessary power and authority to manage the business of the Company on a day-to-day basis with the assistance of senior management. This includes execution of the strategy approved by the Board, managing performance and risk management.

Directors are encouraged to undertake professional development to enable them to develop and maintain the skills and knowledge needed to effectively perform their roles as Directors.

*ASX Recommendations 1.1, 2.6 (refer to best practice summary)*

#### **(c) Chairman**

The Chairman, Mr Heaney, satisfies the requirements for an independent director under *ASX Recommendation 2.3* as he is a non-executive director, and has a relevant interest in approximately 0.26% of the Shares as at 31 December 2019 (Recommendations permit 5%).

The Chairman is elected by the full Board of Directors and is responsible for:

- Leadership of the Board;
- The efficient organisation and conduct of the Board's functions;
- The promotion of constructive and respectful relations between Board members and between the Board and management;
- Contributing to the briefing of Directors in relation to issues arising at Board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of the Chairman.

*ASX Recommendation 2.5 (refer to best practice summary)*

#### **(d) Independent Directors**

The Company recognises that independent Directors are important in assuring Shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement.

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances rather than general materiality thresholds.

In assessing independence, the Board considers whether the director has a business or other relationship with the Company, directly or as a partner, shareholder or officer of a Company or other entity that has an interest or a business relationship with the Company or another Cyclopharm group member.

As Managing Director, Mr McBrayer is not considered to be an independent director.

# Corporate Governance Statement

## As at 31 December 2019

### Continued

As noted in section 2(c), Mr Heaney is considered to be an independent director.

Mr McDonald satisfies the requirements for an independent director under *ASX Recommendation 2.3* as he is a non-executive director, and has a relevant interest in approximately 0.04% of the Shares as at 31 December 2019.

Until his cessation as a director on 27 November 2019, Mr Gould was not considered to be an independent director as he has notified the Company and the ASX that he has an indirect interest in 12,260,726 Shares representing a substantial shareholding (being approximately 15.7% of the total Shares on issue as at 27 November 2019).

Up to 27 November 2019, the structure of the Board did not comply with *ASX Recommendation 2.4* that a majority of the Board should be independent directors as only half of the members satisfy the requirements as an independent director. After 27 November 2019, the structure of the Board complies with *ASX Recommendation 2.4* as two thirds of the members satisfy the requirements as an independent director.

*ASX Recommendations 2.3, 2.4 (refer to best practice summary)*

#### **(e) Avoidance of conflicts of interest by a director**

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members. Further, when that matter is being considered, the Director may not vote on that matter, in accordance with the Corporations Act 2001.

#### **(f) Board Meetings**

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The number of times the Board has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report in the 2019 Annual Report. The Board Charter dictates that the Board will hold 8 scheduled meetings each year and, other meetings may be held at short notice as required.

#### **(g) Review of Board Performance**

The process for conducting the Board's annual performance review was agreed by the Board and was performed by the Chairman of the Board. Matters covered in the annual performance review include:

- The Board's contribution to developing strategy and policy;
- Interaction between the Board and management, and between Board members;
- The Board's processes to monitor business performance and compliance, control risk and evaluate Management;
- Board composition and structure; and
- The operation of the Board, including the conduct of Board meetings, Board Committee meetings and group behaviours.

*ASX Recommendation 1.6 (refer to best practice summary)*

# Corporate Governance Statement

## As at 31 December 2019

### Continued

#### **(h) Nomination and appointment of new Directors**

Recommendations for nominations of new Directors are made by the Board Nominations Committee and considered by the Board in full. All current members of the Board are members of the Board Nominations Committee and Mr Heaney is Chairman of the Committee. Board membership is reviewed annually by the Committee to ensure the Board has appropriate mix of qualifications, skills and experience. External advisers may be used in this process. Candidates are appointed by the Board and must stand for election at the next general meeting of Shareholders. If a new director is appointed during that year, that person will stand for election by Shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election. The Nominations Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any director by Shareholders.

*ASX Recommendation 2.1 (refer to best practice summary)*

#### **(i) Retirement and re-election of Directors**

The Company's Constitution states that one-third of Directors excluding the Managing Director must retire each year. The maximum term that each director can serve in any single term is three years. A director appointed during the year must, under the Constitution, retire at the next annual general meeting. At that meeting, they can stand for re-election. The Board Nominations Committee conducts a peer review of those Directors during the year in which that director will become eligible for re-election.

*ASX Recommendation 1.6 (refer to best practice summary)*

### **3 Board Committees**

To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit and Risk Committee;
- Board Nominations Committee; and
- Remuneration Committee.

#### **(a) Audit and Risk Committee**

The Audit and Risk Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Cyclopharm's website, at [www.cyclopharm.com](http://www.cyclopharm.com). The Audit and Risk Committee comprises two non-executive Directors, Mr Heaney and Mr McDonald, upon Mr Gould's cessation as a director and member of the Audit and Risk Committee on 27 November 2019. Mr McDonald has been appointed as the Chairman of the Audit and Risk Committee taking over from Mr Heaney as of 1 March 2019. The qualifications of the Committee members are located in the Directors' Report in the 2019 Annual Report on page 15 and 16. The Audit and Risk Committee's responsibilities include:

- Reviewing procedures, and monitoring and advising on the quality of financial reporting (including accounting policies and financial presentation);
- Reviewing the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by the Board;
- Reviewing the procedures and practices that have been implemented by management regarding internal control systems;
- Ensuring that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- Reviewing the corporate governance practices and policies of the Company; and

# Corporate Governance Statement

## As at 31 December 2019

### Continued

- Reviewing procedures and practices for protecting intellectual property (“IP”) and aligning IP to strategy.

The Committee does not comply with the ASX Recommendation that it has at least 3 members upon Mr Gould’s cessation as a director and member of the Audit and Risk Committee on 27 November 2019. However, the Committee complies with the ASX Recommendation that it should be chaired by an independent director who is not the chairperson of the Board upon Mr McDonald’s appointment as the Chairman of the Audit and Risk Committee on 1 March 2019.

The number of times the Audit and Risk Committee has formerly met and the number of meetings attended by Directors during the financial year are reported within the Directors’ Report in the 2019 Annual Report.

The Audit and Risk Committee monitors and reviews:

- The effectiveness and appropriateness of the framework used by the Company for managing operational risk;
- The adequacy of the Company’s internal controls including information systems controls and security;
- The adequacy of the process for reporting and responding to significant control and regulatory breaches;
- The effectiveness of the compliance function in ensuring adherence to applicable laws and regulations, including the actioning of legal and regulatory developments which may have a significant impact;
- Operational risk issues; and
- Action plans to address control improvement areas.

The Company’s Auditor, is required to attend the Annual General Meeting and to be available to answer Shareholders’ questions about the conduct of the audit and the preparation and content of the Auditor’s Report.

*ASX Recommendations 4.1, 4.3, 7.1, 7.2 (refer to best practice summary)*

#### **(b) Board Nominations Committee**

The Board Nominations Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Cyclopharm’s website, at [www.cyclopharm.com](http://www.cyclopharm.com). All current Directors are members of the Committee and Mr Heaney (who is an independent Director) is the Chairman of the Committee. The qualifications of the Committee members are located within the Directors’ Report in the 2019 Annual Report on page 15 and 16.

The primary function of the Committee is performing review procedures to assist the Board in fulfilling its oversight responsibility to Shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board, is responsible for:

- developing and reviewing policies on Board composition, strategic function and size;
- performance review process of the Board, its Committees and individual Directors;
- developing and implementing induction programs for new Directors and ongoing education for existing Directors;
- developing eligibility criteria for nominating Directors;
- recommending appointment of Directors of the Board;
- reviewing director independence; and
- succession planning for the Board.

As noted in section 2(d), Mr Gould was not considered to be an independent Director while he was a member of the Board. Accordingly, the Committee did not comply with the ASX

# Corporate Governance Statement

## As at 31 December 2019

### Continued

Recommendation that a majority of its members be independent directors up to 27 November 2019. After 27 November 2019, the structure of the Board Nominations Committee complies with ASX Recommendation 2.1(a)(i) as two thirds of the Committee members comprise of independent directors.

The Board has considered the competencies and experience of each of the Directors and believes that the current structure operates effectively and efficiently without the need for the appointment of additional independent directors or the creation of further sub-committees. The number of times the Board Nominations Committee has formerly met and the number of meetings attended by Directors during the financial year are reported within the Directors' Report in the 2019 Annual Report.

*ASX Recommendations 1.3, 2.1, 2.2 (refer to best practice summary)*

#### **(c) Remuneration Committee**

The Remuneration Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Cyclopharm's website, at [www.cyclopharm.com](http://www.cyclopharm.com). The Remuneration Committee comprises two non-executive Directors, namely Mr Heaney and Mr McDonald following Mr Gould's cessation as a director and member of the Remuneration Committee on 27 November 2019. Mr Heaney (who is an independent Director) is the Chairman of the Committee. The qualifications of the Committee members are located within the Directors' Report in the 2019 Annual Report on page 15 and 16.

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, senior executives and non-executive Directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements.

The Remuneration Report, which has been included in the Directors' Report in the 2019 Annual Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel.

The Committee does not comply with the ASX Recommendation that it has at least 3 members upon Mr Gould's cessation as a director and member of the Remuneration Committee on 27 November 2019.

The number of times the Board Remuneration Committee has formerly met and the number of meetings attended by Directors during the financial year are reported within the Directors' Report in the 2019 Annual Report.

*ASX Recommendations 1.3, 1.7, 8.1 (refer to best practice summary)*

#### **4 Recognising and managing risk**

A range of factors and risks some of which are beyond the Company's control can influence performance. The Company has in place a range of procedures to identify, assess and control risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.



# Corporate Governance Statement

## As at 31 December 2019

### Continued

#### (a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The Company recognises four main types of risk:

- Market risk, relates to the risk to earnings from changes in market conditions including economic activity, interest rates, investor sentiment and world events.
- Operational risk, relates to inadequacy of or a failure of internal processes, people or systems or from external events.
- Credit risk, relates to the risk that the other party to a transaction will not honour their obligation; and
- Regulatory risk, relates to the risk that there may be changes to legislation (including but not limited to laws which relate to corporations and taxation) in the future which restricts or limits in some way the Company's activities.

*ASX recommendations 7.1, 7.2 (refer to best practice summary)*

The Board, based on the recommendations of the Managing Director, Mr McBrayer, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any proposed major change in investment strategy is first put to Shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

#### (b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

*ASX recommendation 7.2 (refer to best practice summary)*

#### (c) Managing Director and Chief Financial Officer Certification

The Managing Director and Chief Financial Officer (or equivalent) provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management, internal compliance and controls which implements the policies adopted by the Board; and

# Corporate Governance Statement

## As at 31 December 2019

### Continued

- The Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

*ASX recommendation 4.2 (refer to best practice summary)*

#### **(d) Internal audit, review and risk evaluation**

Due to its size, Cyclopharm does not have an internal audit function. Assurance is provided to the Board by senior management on the adequacy and effectiveness of management controls for risk. The external auditors will provide a report communicating significant deficiencies identified in internal controls during the audit to the board and management.

*ASX recommendation 7.3 (refer to best practice summary)*

## **5 Remuneration**

### **(a) Overview**

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and key management personnel of the Company are set out in the Remuneration Report of the 2019 Annual Report on pages 23 to 33. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

*ASX recommendations 8.1, 8.3 (refer to best practice summary)*

### **(b) Equity-based key management personnel remuneration**

The Long Term Incentive Plan (LTIP) was approved by Shareholders at the Annual General Meeting held on 8 May 2007 with an updated LTIP approved by Shareholders on 29 May 2018. The purpose of the LTIP is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the LTIP will require Shareholder approval in accordance with the ASX Listing Rules.

## **6 Timely and balanced disclosure**

The Company believes that all Shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board and governs how the Company communicates with Shareholders and the market. Shareholders are encouraged to participate in general meetings.

### **(a) Market disclosure policy and practices**

The Continuous Disclosure and Market Communication Policy is available within the Corporate Governance section on Cyclopharm's website, at [www.cyclopharm.com](http://www.cyclopharm.com).

This policy includes provision for communications by the Company to:

- Be factual and subject to internal vetting and authorisation before issue;
- Be made in a timely manner;
- Not omit material information;
- Be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions; and
- Be in compliance with ASX Listing Rules continuous disclosure requirements



# Corporate Governance Statement

## As at 31 December 2019

### Continued

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

#### **Policy concerning trading in Company securities**

On 19 February 2009, the Board resolved to adopt a Policy concerning trading in Company securities. An executive, director or relevant employees ('employee') must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities. An employee should not deal in securities of Cyclopharm without receiving clearance from a Committee comprised of the Managing Director and the Chairman (or in the absence of either of these two directors by any other director) who has ensured that there is no unpublished price sensitive information.

Generally, an employee must be given clearance to deal in any securities of Cyclopharm during a prohibited period. A 'prohibited period' means:

- (a) The period from year end and preliminary announcement of the full year results (usually 1 February to end February);
- (b) The period from half year end and preliminary announcement of the half year results (usually 1 August to end August); and
- (c) Any other periods advised to employees by the Board (via the Company Secretary).

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

*ASX Recommendation 5.1 (refer to best practice summary)*

#### **(b) Communication strategy**

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Cyclopharm.

*ASX Recommendations 6.1, 6.2, 6.3, 6.4 (refer to best practice summary)*

## **7 Ethical and responsible decision-making**

#### **(a) Code of Ethics and Conduct**

The Board endeavours to ensure that the Directors, officers and employees of Cyclopharm act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

*ASX Recommendation 3.1 (refer to best practice summary)*

# Corporate Governance Statement

## As at 31 December 2019

### Continued

#### 8 Diversity

The Company publishes its Diversity Policy within the Corporate Governance section on Cyclopharm's website at [www.cyclopharm.com](http://www.cyclopharm.com).

The proportion of women employees within the following three levels as at 31 December 2019 are:

- |                              |     |
|------------------------------|-----|
| • Whole organisation         | 41% |
| • Senior executive positions | 33% |
| • Board                      | 0%  |

The Board has set the following objectives which are reviewed annually:

- Establish a Diversity Committee to oversee selection of new board members and senior executives;
- For vacancies at the Board and Senior Management level ensure that a diverse candidate pool and input from a diverse selection pool; and
- Establish a senior mentoring program overseen by the Managing Director for all female senior managers.

*ASX Recommendation 1.5 (refer to best practice summary)*

# Corporate Governance Statement

## As at 31 December 2019

### Continued

## 9 Checklist for summarising the best practice recommendations and compliance

| ASX Principle   | Reference                 | Compliance    |
|---|---------------------------|---------------|
| <b>Principle 1: Lay solid foundations for management and oversight</b>  |                           |               |
| 1.1 A listed entity should disclose:  | 2b                        | comply        |
| (a) the respective roles and responsibilities of its board and management; and  |                           |               |
| (b) those matters expressly reserved to the board and those delegated to management.  |                           |               |
| 1.2 A listed entity should:   |                           | comply        |
| (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  |                           |               |
| (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.  |                           |               |
| 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.   | 3b,3c                     | comply        |
| 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.   |                           | comply        |
| 1.5 A listed entity should:   | 8                         | comply        |
| (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;  |                           |               |
| (b) disclose that policy or a summary of it; and  |                           |               |
| (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:   |                           |               |
| (i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or  |                           |               |
| (ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.   |                           |               |
| 1.6 A listed entity should:   | 2g, 2i                    | comply        |
| (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and  |                           |               |
| (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.  |                           |               |
| 1.7 A listed entity should:   | 3c                        | comply        |
| (a) have and disclose a process for periodically evaluating the performance of its senior executives; and   |                           |               |
| (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.  |                           |               |
| <b>Principle 2: Structure the board to add value</b>  |                           |               |
| 2.1 The board of a listed entity should:  | 2h, 3b                    | do not comply |
| (a) have a nomination committee which:  |                           |               |
| (i) has at least three members, a majority of whom are independent directors; and   |                           |               |
| (ii) is chaired by an independent director, and disclose:   |                           |               |
| (iii) the charter of the committee;   |                           |               |
| (iv) the members of the committee; and  |                           |               |
| (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or   |                           |               |
| (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.                   |                           |               |
| 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.   | 3b                        | comply        |
| 2.3 A listed entity should disclose:  | 2c, 2d, Directors' Report | comply        |
| (a) the names of the directors considered by the board to be independent directors;   |                           |               |
| (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and |                           |               |
| (c) the length of service of each director.   |                           |               |
| 2.4 A majority of the board of a listed entity should be independent directors.   | 2a, 2d                    | do not comply |
| 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.   | 2c                        | comply        |
| 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.  | 2b                        | comply        |

# Corporate Governance Statement

## As at 31 December 2019

### Continued

## 9 Checklist for summarising the best practice recommendations and compliance (continued)

| ASX Principle   | Reference | Compliance    |
|---|-----------|---------------|
| <b>Principle 3: Act ethically and responsibly</b>   |           |               |
| 3.1 A listed entity should:   | 7a        | comply        |
| (a) have a code of conduct for its directors, senior executives and employees; and  |           |               |
| (b) disclose that code or a summary of it.  |           |               |
| <b>Principle 4: Safeguard integrity in financial reporting</b>  |           |               |
| 4.1 The board of a listed entity should:  |           |               |
| (a) have an audit committee which:  | 3a        | do not comply |
| (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and   |           |               |
| (ii) is chaired by an independent director, who is not the chair of the board, and disclose:  |           |               |
| (iii) the charter of the committee;   |           |               |
| (iv) the relevant qualifications and experience of the members of the committee; and  |           |               |
| (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or   |           |               |
| (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.   |           |               |
| 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | 4c        | comply        |
| 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.   | 3a        | comply        |
| <b>Principle 5: Make timely and balanced disclosure</b>   |           |               |
| 5.1 A listed entity should:   | 6a        | comply        |
| (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and   |           |               |
| (b) disclose that policy or a summary of it.  |           |               |
| <b>Principle 6: Respect the rights of security holders</b>  |           |               |
| 6.1 A listed entity should provide information about itself and its governance to investors via its website.  | 6b        | comply        |
| 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.   | 6b        | comply        |
| 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.   | 6b        | comply        |
| 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.  | 6b        | comply        |

# Corporate Governance Statement

## As at 31 December 2019

### Continued

## 9 Checklist for summarising the best practice recommendations and compliance (continued)

| ASX Principle   | Reference                                  | Compliance    |
|---|--|---------------|
| <b>Principle 7: Recognise and manage risk</b>   |  |               |
| 7.1 The board of a listed entity should:  | 3a, 4a                                     | do not comply |
| (a) have a committee or committees to oversee risk, each of which:  |  |               |
| (i) has at least three members, a majority of whom are independent directors; and   |  |               |
| (ii) is chaired by an independent director,   |  |               |
| and disclose:   |  |               |
| (iii) the charter of the committee;   |  |               |
| (iv) the members of the committee; and  |  |               |
| (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or   |  |               |
| (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.   |  |               |
| 7.2 The board or a committee of the board should:   | 3a, 4a, 4b                                 | comply        |
| (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and  |  |               |
| (b) disclose, in relation to each reporting period, whether such a review has taken place.  |  |               |
| 7.3 A listed entity should disclose:  | 4d   | comply        |
| (a) if it has an internal audit function, how the function is structured and what role it performs; or  |  |               |
| (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.  |  |               |
| 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.   | Directors' Report                          | comply        |
| <b>Principle 8: Remunerate fairly and responsibly</b>   |  |               |
| 8.1 The board of a listed entity should:  | 3c, 5a                                     | do not comply |
| (a) have a remuneration committee which:  |  |               |
| (i) has at least three members, a majority of whom are independent directors; and   |  |               |
| (ii) is chaired by an independent director,   |  |               |
| and disclose:   |  |               |
| (iii) the charter of the committee;   |  |               |
| (iv) the members of the committee; and  |  |               |
| (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or   |  |               |
| (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. |  |               |
| 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.  | Directors' Report<br>(Remuneration Report) | comply        |
| 8.3 A listed entity which has an equity-based remuneration scheme should:   | 5b   | comply        |
| (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and  |  |               |
| (b) disclose that policy or a summary of it.  |  |               |