

**CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019  
(ASX: BIT)**

This Corporate Governance Statement is current as at 2 August 2019 and has been approved by the Board of Biotron Ltd ('the Company'), on that date. A copy can be found on the Company's website at [www.biotron.com.au/corporate-governance](http://www.biotron.com.au/corporate-governance).

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Principles and Recommendations ('Recommendations'), unless otherwise stated.

**CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of the Company ('the Board') is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Recommendations developed by the ASX Corporate Governance Council ('Council'). Whilst the Company's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some Recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council's Recommendations the Company applies the 'if not, why not' explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

Details of all of the Council's Recommendations can be found on the ASX website at [www.asx.com.au](http://www.asx.com.au).

**Principle 1 – Lay solid foundations for management and oversight**

**Board role and responsibilities**

The Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations, monitoring the financial performance and approving budgets and major expenditures of the Company;
- the resourcing, review and monitoring of performance of senior management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- the establishment and maintenance of appropriate ethical standards;
- overseeing the integrity of the accounting and corporate reporting systems and the external audit process;
- approving the Company's remuneration framework; and
- monitoring the effectiveness of corporate governance practices.

Having regard to the current size of the Company and the nature of its activities and the composition and structure of the Board, those functions usually reserved to management for implementing the strategic objectives of the Company are the responsibility of the Managing Director.

The Company has followed Recommendation 1.1 by establishing the functions reserved to the Board and those delegated to senior executives as disclosed above.

### **Appointment as a Director**

The Company has followed Recommendation 1.2 by ensuring that the appointment of directors who will come before shareholders for re-election at the Company's Annual General Meeting are suitable for the Company and equipped with the knowledge and information to discharge their roles adequately. In addition, the Company ensures that all relevant information that it possess is disclosed in the notice of meeting to enable shareholders to make a decision on whether or not to elect or re-elect a director.

The Company has followed Recommendation 1.3 by having a written agreement with each director and senior executive setting out the terms of their appointment.

### **Company Secretary**

The Company has followed Recommendation 1.4 by ensuring that the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

### **Diversity**

The Company's Board does take into account the gender, age, ethnicity, and cultural background of potential Board members, Company executives and employees and understands that promotion of gender diversity can broaden the pool for recruitment of high quality employees, enhance employee retention and improve corporate image and reputation. Hence, approximately 67% of the Company's employees and two of the five directors, including the Managing Director, are female. However, given the small size of the Company, a formal diversity policy has not been established and therefore Recommendation 1.5 has not been followed.

## Board performance review and evaluation

The Board has the policy to ensure that the directors are equipped with the knowledge and information they need to effectively discharge their responsibilities. The Chairman monitors the performance of the Board, individual directors and committees on an on-going basis and speaks to directors individually regarding their role as a director. In doing so, the Company has followed Recommendation 1.6.

## Senior executives' performance review and evaluation

Having regard to the size of the Company and the small number of employees, other than the directors, the Company does not have any senior executives and therefore, Recommendation 1.7 is not applicable.

## Principle 2 – Structure the Board to add value

### Board of Directors – composition and structure

Having regard to the size of the Company and the nature of its activities, the composition and structure of the Board is adequate to discharge its responsibilities and duties.

#### *Nomination Committee*

The objective of a Nomination Committee is to make recommendations to the Board regarding various matters including board succession, recruitment, induction, professional development, performance evaluation, recommending an appropriate balance of skills, knowledge, experience, independence and diversity as required. A Nomination Committee has not been established, however in accordance to Recommendation 2.1, the full Board has the responsibility for and performs the functions of a Nomination Committee.

#### *Skills of the Board*

The Board consists of a blend of personal experience at director-level and relevant corporate experience required by the Group for effective decision-making. Directors are appointed based on the specific operational, corporate and governance skills required by the Group and the Company follows Recommendation 2.2 by disclosing the directors' qualifications and experience, which satisfy the Board skill matrix below, in the Directors' Report section of the Annual Report.

#### Board skill matrix

Area	Competence
Business Finance	Business strategy, financial literacy, executive management
Investment	Corporate mergers and acquisitions, corporate financing, portfolio management
Technical	Managing commercial bioscience research., intellectual property and clinical trials.
Leadership	Experience in public listed companies having the ability but not limited to setting Board directives and representing the Company appropriately

Additionally the Company follows Recommendation 2.3 by disclosing those directors considered by the Board to be independent directors and the length of service of each director.

### *Board composition and independence*

Having regard to the size of the Company and the nature of its activities, the Board has five directors all of whom have been, or are, involved in the management of the Company or are substantial shareholders in the Company. The names of the directors of the Company in office at the date of this report and their length of service are as follows:

Mr. Michael J. Hoy, independent, non-executive Chairman – appointed 7 February 2000

Dr. Michelle Miller, Managing Director – appointed 21 June 2002

Dr. Susan Pond – independent and non-executive director, appointed 7 March 2012

Mr. Robert B. Thomas – independent and non-executive director, appointed 7 March 2012.

Prof. Stephen Locarnini- independent and non-executive director, appointed 23 October 2018.

The Company follows Recommendation 2.4, with all the directors being independent and non-executive except for the Managing Director and it is the Board's opinion that all directors bring to the Board their independent judgement.

### *Chairman and CEO*

Mr. Michael Hoy, an independent non-executive director, holds the office of Chairman. The Company follows Recommendation 2.5 as the Chairman does not hold the position of Chief Executive Officer.

### *Directors' induction and education*

In accordance with Recommendation 2.6 the Company encourages directors to continue their professional development to assist them in performing their role effectively and has a policy to provide each new director or officer with a copy of the following documents:

- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Shareholders Communication Policy.

## **Principle 3 – Act ethically and responsibly**

### **Code of Conduct Policy and ethical standards**

All directors, executives and employees are expected to act with the utmost integrity and objectivity in carrying out their duties and responsibilities, endeavouring at all times to enhance the reputation and performance of the Company. Every employee has direct access to a director to whom they may refer any ethical issues that may arise from their employment. The Company has followed Recommendation 3.1 and has adopted a formal Code of Conduct policy which is available on the Company's website at [www.biotron.com.au](http://www.biotron.com.au).

### *Access to Company information and confidentiality*

All directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### *Share dealings and disclosures*

The Company has adopted a policy relating to the trading of Company securities. The Board restricts directors, executives and employees from acting on material information until it has been released to the market. Directors are required to consult with the Chairman prior to dealing in securities in the Company or other companies with which the Company has a material relationship.

Share trading by directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

The trading windows for restricted persons are 60 days after the release of the half year results, the full year results or the holding of the Annual General Meeting. Restricted persons are prohibited from trading in the Company's securities outside these trading windows unless in special circumstances and with the approval of the Chairman.

### *Conflicts of interest*

To ensure that directors are at all times acting in the best interests of the Company, directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a director cannot, or is unwilling to remove a conflict of interest then the director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

### *Related party transactions*

Related party transactions include any financial transaction between a director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

## **Principle 4 – Safeguard integrity in financial reporting**

### *Audit Committee*

Having regard to the size of the Company and the nature of its activities and the composition and structure of the Board, an Audit Committee has not been established, however, in compliance with Recommendation 4.1, the full Board has the responsibility for and performs the following functions of an Audit Committee:

- the adequacy of the corporate reporting processes;
- evaluation from time to time the effectiveness of the financial statements;
- the appointment and removal of the external auditor;
- the scope and adequacy of the external audit and the rotation of the audit engagement partner;
- risk management and compliance procedures;
- the appropriateness of the accounting judgement exercised by management; and
- ensuring that independent judgement is always exercised.

### *CEO and CFO declarations*

The Company has followed Recommendation 4.2. The Board has determined that the Managing Director and the CFO or the Company Secretary if the Company does not have a CFO are the appropriate persons to make the CEO and CFO declarations as required under section 295A of the Corporations Act.

The declaration confirms that, the internal control system is operating effectively in all material respects, the financial records of the Company have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.

### *Auditor attendance at Annual General Meeting*

The Company has followed Recommendation 4.3. The Company's external auditor attends the Company's AGM and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

## **Principle 5 – Make timely and balanced disclosure**

### **Continuous Disclosure Policy**

The Company has followed Recommendation 5.1 and has adopted a formal Continuous Disclosure Policy which is available on the Company's website at [www.biotron.com.au](http://www.biotron.com.au).

### *Continuous Disclosure to the ASX*

The Board has designated the Managing Director and Company Secretary as being responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly 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 be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

## **Principle 6 – Respect the rights of security holders**

The Company has followed Recommendation 6.1 by keeping investors informed through the Company's website at [www.biotron.com.au](http://www.biotron.com.au) and on the ASX website, [www.asx.com.au](http://www.asx.com.au), under ASX code 'BIT' regarding information about the Company, the Board, policies, reports and ASX announcements.

The Company has followed Recommendations 6.2 and 6.3 by designing a communications program to promote effective communication with shareholders and to encourage their participation at general meetings.

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company has followed Recommendation 6.4. The Company via its share registry, Computershare Investor Services, gives shareholders the option to receive communications electronically. Additionally through the Company's website shareholders or other interested parties are able to sign up for a mailing list to which all ASX announcements are sent immediately following the release of the announcement.

## **Principle 7 – Recognise and manage risk**

### *Risk Committee*

Having regard to the size of the Company and the nature of its activities and the composition and structure of the Board, a Risk Committee has not been established, however, in compliance with Recommendation 7.1, the full Board has the responsibility for and performs the functions of a Risk Committee.

The full Board is responsible for the identification, monitoring and management of significant business risks, assessment of the Company's insurance program and the implementation of appropriate levels of internal control, recognising, however, that no cost effective internal control system will preclude all errors and irregularities.

### *Risk management*

The Company has followed Recommendation 7.2, whereby the full Board regularly throughout the year reviews and monitors systems of external and internal controls and areas of significant operational, financial and property risk, and ensures arrangements are in place to contain such risks to acceptable levels.

### *Internal audit function*

Having regard to the size of the Company and the nature of its activities, an internal audit function has not been established, however, in compliance with Recommendation 7.3, it is disclosed that the full Board carries out the risk management and internal audit functions.

### *Risks and risk management*

In compliance with Recommendation 7.4, the material manageable risks which the Company is exposed to include operational risks, capital risks and human resources risks as follows:

- obtaining government and other regulatory approvals;
- biotechnology research and development issues;
- patents and protection of the Company's intellectual property;
- commercialisation of the Company's intellectual property;
- the ability to raise additional capital; and
- recruiting and retaining qualified personnel.

The full Board is responsible to oversee the risk management function and the Managing Director is in charge of implementing an appropriate level of control to mitigate these risks within the Company. The full Board reviews all major Company strategies and decisions and takes appropriate actions on a continuous basis.

## **Principle 8 – Remunerate fairly and responsibly**

### *Remuneration Committee*

The Company has followed Recommendation 8.1 by establishing a Remuneration Committee comprising of three members, the majority of whom, including the Chairman, are independent directors. The committee members for the reporting period were:

Mr Michael J. Hoy – Chairman of the Committee  
Mr Robert B. Thomas  
Mr Peter J. Nightingale

The committee met once during the reporting period and every committee member attended the meeting.

The Remuneration Committee Charter is available on the Company's website at [www.biotron.com.au](http://www.biotron.com.au).

The Remuneration Committee reviews and makes recommendations to the Board in relation to:

- executive director and senior executive remuneration;
- non-executive directors remuneration;
- performance measurement policies and procedures;
- superannuation arrangements;
- incentive plans;
- equity based plans;
- termination policies and procedures; and
- remuneration public disclosures.

### *Remuneration policy*

In compliance with Recommendation 8.2, it is disclosed that the Company remunerates its directors and senior executives based on fixed and incentive component salary packages to reflect the short and long-term objectives of the Company.

The following remuneration guidelines have been adopted to ensure that remuneration arrangements are equitable, appropriate, and not excessive:

- directors' remuneration is voted on for approval by shareholders at the Annual General Meeting;
- the full Board approves the salary and emoluments paid to senior executives;
- consultants are engaged as required pursuant to service agreements;
- the full Board ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company; and
- all salaries of directors and key management personnel are disclosed in the Annual Report.

The Company has a policy to remunerate its directors and officers based on fixed and incentive component salary packages to reflect the short and long term objectives of the Company.



The salary component of non-executive and executive directors is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

In compliance with Recommendation 8.3, it is disclosed that the Company has adopted a policy on that participants in the Company's equity based remuneration scheme are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

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