

# R H I N O M E D

## CORPORATE GOVERNANCE STATEMENT 2017

Last updated: 25 September 2017

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### STATEMENT

The Board of Directors ('the Board') of Rhinomed Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. 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.

Commensurate with the spirit of the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) ('Recommendations'), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

#### **Principle 1: Lay solid foundations for management and oversight.**

##### Role of the Board and Management

The Board is responsible for the overall corporate governance of the Company.

The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to senior executives.

The Board is ultimately responsible for all matters relating to the running of the Company. The main task of the Board is to drive the performance of the Company. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board; the Board will oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of the Company. Successful operations will usually be manifest by achieving optimum shareholder value. The Board is responsible for articulating the following:

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- The objectives and strategic direction of the Company;
- The values of the Company, including how it will treat and interact with all stakeholders;

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

1. Leadership of the Organisation: overseeing the Group and establishing codes that reflect the values of the Group;
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Group;
3. Overseeing Planning Activities: the development of the Group's strategic plan;
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy;
5. Company Finances: ensuring there are adequate resources provided to achieve the objectives;
6. Human Resources: establishing appropriate human resource policies and ensuring there are adequate human resources for the Group to be successful;
7. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Group's occupational health and safety systems to ensure the well-being of all employees;
8. Delegation of Authority: delegating appropriate powers to the CEO and the senior management team to ensure the effective day-to-day management of the Group; and
9. Ensuring there is appropriate Corporate Governance.

## Board Appointments

The Company undertakes comprehensive 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.

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,

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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 policy

The Company is committed to providing an inclusive workplace and recognises the value of individuals with diverse skills, values, backgrounds and experiences will bring to the Company. At the core of the Company's diversity policy is a commitment to equality and respect. Diversity is recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives. People differ not just on the basis of race and gender, but also other dimensions such as lifestyle, education, physical ability, age and family responsibility.

Rhinomed is an equal opportunity employer and aims to recruit staff at all levels 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 within the organization and in senior management positions and therefore has not set specific measurable objectives in regards to gender diversity. However, the Company does intend to maintain or increase the level of gender diversity within the organisation in the future.

The proportion of women employees in the consolidated entity as at 30 June 2017 are as follows:

- Women on the board: 0 of 4 (0%)
- Women in senior executive positions: 0 of 2 (0%)
- Women in the organisation: 5 of 10 (50%)

## 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 an informal self-evaluation process to measure its own performance. The performance of the Board and individual directors is reviewed at least every year by the Board as a whole. This process includes a review in relation to the composition and skills mix of the Directors of the Company. Performance reviews involve analysis based on key performance indicators aligned with the

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financial and non-financial objectives of the Company. A performance review in accordance with the processes disclosed occurred during the 2017 financial year.

## Performance Review of KMP

On at least an annual basis, the Board conducts a performance review of the Chief Executive Officer and any other key management personnel (KMP). The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. A performance review of KMP occurred during the 2017 financial year in accordance with this process.

## Independent Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

## **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 Board assesses whether a director is independent in accordance with the independence guidelines detailed in the Recommendations. The Board comprises of a majority of non-executive directors with two of four current directors considered to be independent directors. The Board has determined the presence of two independent directors on the Board provides sufficient independence to the Board. The following directors of Rhinomed are considered to be independent:

<b>Name</b>	<b>Position</b>
Eric Knight	Non-Executive Director
Brent Scrimshaw	Non-Executive Director

The Company's Chairman, Ron Dewhurst, does not meet all of the independence criteria set out in the Recommendations, as he is a substantial shareholder of the Company. Ron does meet all other independence criteria and the Board considers that his substantial shareholding does not impact on his ability to exercise independent judgement. The Board has determined that Ron is the most appropriate director to Chair the Company at this critical stage of the Company's

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development having regard to his significant relevant experience, expertise and his capacity to commit adequate time to the role.

## Nomination of Directors

The Company has established a Remuneration Committee, which is responsible for the Nomination of Directors.

The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.

The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

The Board supports the nomination and re-election of the directors at the Company's forthcoming Annual General Meeting.

## 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

The Board has adopted a Code of Conduct. 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.

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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.

The Code of Conduct is available on the Company's website.

## **Principle 4: Safeguard integrity in corporate reporting.**

### *Audit Committee*

The Board has established an Audit Committee, which operates under a Charter approved by the Board. Due to the size of the Board and the Company, the Board has assumed the role of the Audit Committee. The Board has determined the presence of two independent directors (including an independent Chairman) on Board Committees provides sufficient independent presence, the Audit Committee is chaired by an Independent Director.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year are set out in this statement and in the Directors' Report.

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

### *CEO and CFO Declarations*

The CEO and CFO have provided the Board with 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.

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## 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.

## **Principle 5: Making timely and balanced disclosure**

### Disclosure Policy

The Company has adopted 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.

The Managing Director and the Company Secretary are responsible for communicating with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The information disclosed will be factual and presented in a clear and balanced way. The Company has prepared and issued to all senior staff a written policy document on this matter and requires strict adherence to this policy.

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

## **Principle 6: Respect the rights of shareholders.**

### Shareholder Communication

The Company is committed to providing current and relevant information to its shareholders.

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

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- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; 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.

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 managing risk.**

### *Risk Management*

The responsibility of overseeing risk falls within the Charter of the Audit Committee. The Company identifies areas of risk within the Company and management and the Board continuously undertake a risk assessment of the Company’s operations, procedures and processes. The risk assessment is aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive process by employees of the Company;
- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies or ensuring compliance reporting is up to date.

Ultimate responsibility for risk oversight and risk management rests with the Board. The Board review’s the entity’s risk management framework at least annually to

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satisfy itself that it continues to be sound. A review of the Company's risk management framework was conducted during the 2017 financial year.

The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting. During the financial year, management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

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.

The Company's Risk Management Policy can be viewed on its website

## **Principle 8: Remunerate fairly and responsibly.**

### Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors, the Executive Director and executive team. The Remuneration Committee operates under a Charter approved by the Board. Due to the size of the Board and the Company, the Board has assumed the role of the Remuneration Committee. The Remuneration Committee is chaired by an Independent Director.

### Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee, in assuming the responsibilities of assessing remuneration to employees, links a proportion of executive directors' and officers' remuneration to the Company and consolidated entity's financial and operational performance. The expected outcomes of the remuneration structure are:

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- retention and motivation of key executives;
- attraction of high quality management to the Company and consolidated entity; and
- performance incentives that allow executives to share in the success of the Company.

Non-Executive Directors receive fixed fees and may also receive options in the Company, subject to shareholder approval. There is no scheme to provide retirement benefits to executive or non-executive directors.

From time to time employees and consultants may be offered options under plans previously agreed by shareholders. 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 a more comprehensive explanation of the Company's and consolidated entity's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the remuneration report, which is contained within the directors' report.