

## Genetic Signatures Limited

### Corporate Governance Statement

30 June 2020

The Board and Management of Genetic Signatures Limited (**GSS** or the **Company**) recognise the importance of good corporate governance within its organisation which promotes regulator and investor confidence and adds value for GSS's shareholders and other stakeholders alike. The Board of Directors are responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of GSS on behalf of its shareholders by whom they are elected and to whom they are accountable.

GSS has adopted the following key charters and policies which are available collectively in the GSS Corporate Governance Charter located on the GSS website under 'Investors – Corporate Governance' at <http://geneticsignatures.com/investors/corporate-governance/>:

- Board Policy
- Diversity Policy
- Continuous Disclosure Policy
- Code of Conduct
- Share Trading Policy
- Insider Trading Policy
- Risk Management Policy
- Whistleblower Policy

This Corporate Governance Statement (**Statement**) reports against the 3rd edition of the ASX *Corporate Governance Council's Principles and Recommendations* (**ASX Principles**) during the reporting period between 1 July 2019 and 30 June 2020. This Statement is current as at 16 October 2020 and has been approved by the Board.

#### **PRINCIPLE 1: Lay solid foundations for management and oversight**

The Board has adopted a formal charter which sets out its role and responsibilities and that of Management. The Board's primary responsibilities are to set strategic objectives of the Company, review and provide oversight of GSS's risk management framework, set remuneration policies and practices, and review and monitor corporate governance framework and codes of conduct.

It is the role of Management to carry out and manage the day-to-day business and financial operations in line with the Board's expectations and the requisite delegation of authority by the Board. There is clear segregation between the Board and Management. Any functions that are not reserved for the Board, and not expressly reserved for shareholders in general meetings as set out within the Corporations Act 2001 (Cth) (**Corporations Act**) and ASX Listing Rules, are reserved for senior executives of the Company.

The Board has established the following two Committees to assist it to carry out its functions and has delegated certain authority to the Committees to empower each to carry out their role:

- Nomination and Remuneration Committee; and
- Audit and Risk Committee.

The Board requires that a majority of the members of each Committee should comprise of Non-Executive Directors. The Board has approved that, where necessary, Non-Executive Directors should meet during the year in absence of Management at such times as they determine necessary.

Prior to the appointment of new Directors, the Company will undertake appropriate background checks on the candidate and provide this information to shareholders as part of the Notice of Meeting of the Company's Annual General Meeting (**AGM**) for the election and/or re-election of Directors in accordance with GSS's Constitution, the Corporations Act and ASX Listing Rules.

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The Company enters into a written agreement with each Director and senior executive which sets out the terms of their appointment, remuneration, and the expected time commitment for their role among other matters.

During the reporting period, Mr Peter Manley held the role as Company Secretary of GSS. In accordance with the Board Policy, the Company Secretary is directly accountable to the Board, through the chairman, on all matters to do with the proper functioning of the Board.

The Board Policy sets out that the Board will undertake an annual performance evaluation of itself. During the reporting period, the Board did not complete a formal assessment as it was not considered necessary given the current nature and scale of business operations and current structure and activity of the Board, however the Board undertakes informal assessments of its performance and the performance of its Directors on a regular basis.

Senior executives are also subject to a formal performance review process on an annual basis. The focus of the performance review is to set specific objectives that are aligned with the Company's business objectives and monitor performance against those objectives. A performance review of the CEO was undertaken during the reporting period by the Board. Performance reviews of other senior executives were undertaken by the CEO during the reporting period.

#### ***Diversity Policy***

It is the Board's belief that a diverse workforce provides the Company with a competitive advantage and that the Company's success is the result of the collective quality and experience of its employees. The Board has adopted a Diversity Policy which is designed to support the Company's commitment to diversity which includes gender, age, ethnicity and cultural background.

The Diversity Policy identifies several strategies to promote diversity including that the Board may set measurable objectives with respect to achieving gender equality. These strategies include developing and implementing programs i.e. mentoring and targeted training and development, reviewing succession plans, reviewing recruitment practices, and providing workplace flexibility. Given the current size, scale and nature of the Company's operations, the Board has not currently set measurable objectives with respect to gender diversity. However, the Board will continue to monitor its position in relation to this as the Company evolves.

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#### PRINCIPLE 2: Structure the Board to add value

The Board is currently comprised of four Directors as detailed in the table below:

Director	Status	Appointment Date	Length of Term (since ASX listing <sup>1</sup> )
Nickolaos (Nick) Samaras (Chairman)	Independent, Non-Executive	22 January 2008	~ 5 years, 7 months
Anthony Radford	Independent, Non-Executive	15 September 2015	~ 5 years, 2 months
John Melki	Non-independent, Managing Director/ Chief Executive Officer (MD/CEO)	4 April 2014	~ 5 years, 7 months
Mike Aicher	Non-independent, Executive Director of U.S. Operations	16 May 2014	~ 5 years, 7 months

Details on the Board members and their qualifications are included in the Directors' Report within the Annual Report. During the reporting period, the following Directors were members of the Board Committees:

Nomination and Remuneration Committee	Audit and Risk Committee
<ul style="list-style-type: none"><li>Nickolaos (Nick) Samaras (Committee Chair)</li><li>Anthony Radford</li></ul>	<ul style="list-style-type: none"><li>Nickolaos (Nick) Samaras (Acting Committee Chair)</li><li>Anthony Radford</li></ul>

The Nomination and Remuneration Committee has been established to assess and make recommendations to the Board in relation to its composition and setting fair, responsible and competitive remuneration. The committee is currently comprised of a majority independent Directors, is chaired by an independent Director. The committee does not operate under a separate charter. However, its function, role and composition is outlined within the Board Policy.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The Board Policy sets out that the Board will determine the number of independent Directors that it considers appropriate to maintain. Currently the Board requires a majority of independent Directors though this requirement has not been met since a Director retirement in November 2019. A new independent Director is being recruited and is expected to be in place before the end of the year. Directors are considered to be independent when they are independent of Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board assesses Director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors. In the context of Director independence, to be considered independent, a Non-Executive Director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has or has the potential to impair or inhibit a Director's exercise of judgement on behalf of the Company and its shareholders. On this basis, notwithstanding the longevity of tenure of its Non-

<sup>1</sup> GSS was admitted to the Official List of the ASX on 30 March 2015.

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Executive Directors since prior to the Company's listing on the ASX, the Company believes that each continue to provide independent thought and advice to the Board and therefore consider each of its Non-Executive Directors to be independent, including the Chairman. The role of the Chairman is clearly separated from that of the MD/CEO.

The Company considers that the Board is appropriately structured given the breadth of experience and skill set of each of the Directors, and their substantial experience and recognition in the molecular diagnostics industry and other industries relevant to the Company's operations.

The Board continually assesses its membership and will make appointments to complement and enhance the existing skill base of the Board as necessary. The Board has established a Nomination and Remuneration Committee to assist it to carry out this function.

On the appointment of new Directors, the Company Secretary will arrange an induction for the new Director which includes the provision of information related to the Company's assets, financial strategic, operational and risk management position as well as meetings with Directors.

Directors are entitled to access information from the Board and Management that they consider necessary to enable them to carry out their role as a Director. Directors may also participate in professional development activities with the prior approval of the Board.

The Board has determined that Directors are able to seek independent professional advice for Company related matters at the Company's expense, subject to the instruction and estimated cost being approved by the Chairman in advance as being necessary and reasonable.

#### **PRINCIPLE 3: Act ethically and responsibly**

The Board and Management ensure that the business processes of GSS are conducted according to sound ethical principles. The Board has established a formal Code of Conduct in this regard which is available as part of the Corporate Governance Charter located on the Company's website.

All Directors, executives and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

All GSS Directors, the Company Secretary, executives and employees of the Company are made aware of their obligations under the Corporations Act with regard to trading in the securities of the Company. In addition, the Company has established a Share Trading Policy and an Insider Trading Policy which are reviewed and updated on a regular basis as required. These set out the Company's policy with respect to dealing in GSS securities. Copies of these policies are available as part of the Corporate Governance Charter located on the Company's website.

Board members who have, or may have, a conflict of interest in any activity of the Company or with regard to any decision before the Board, are required to notify the Board of that conflict. Where a Director has a conflict of interest, that Director will not be present to discuss matters relevant to that conflict, nor is entitled to vote on the matter.

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#### PRINCIPLE 4: Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee which is comprised of two independent, Non-Executive Directors. The chair of the Audit and Risk Committee is currently the Chairman of the Board in an acting capacity.

The members of the Committee have significant financial and business backgrounds, expertise and qualifications, full particulars of which are contained in this annual report, as are details of meetings of this Committee.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The main objective of the Committee is to assist the Board in reviewing any matters of significance affecting financial reporting and compliance of the consolidated entity including:

- exercising oversight of the accuracy and completeness of the financial statements;
- making informed decisions regarding accounting and compliance policies, practices and disclosures;
- reviewing the scope and results of operational risk reviews, compliance reviews, and external audits; and
- assessing the adequacy of the consolidated entity's internal control framework including accounting, compliance and operational risk management controls based on information provided or obtained.

The committee does not operate under a separate charter. However, its function, role and composition is outlined within the Board Policy.

The chair of the committee meets with the auditors without Management in attendance on a regular basis so that there can be open and frank communication between the committee and the external auditor.

The committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the committee's scope of responsibility.

The committee also considers the independence of the auditor. The Company requires that the audit partner be rotated every five years and, on an annual basis, the auditor provides a certificate to the Committee confirming their independence.

Prior to Board approval of the Company's half year and annual financial reports, the CEO and Chief Financial Officer (**CFO**) must provide the Board with declarations required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles. The declarations confirm that in the opinion of the CEO and CFO, the financial records of GSS 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 Company.

For the financial year ended 30 June 2020, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively.

The company ensures that its external auditor, BDO Audit Pty Ltd, attends the AGM and is available

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to answer shareholder questions in relation to the audit.

#### **PRINCIPLE 5: Make timely and balanced disclosure**

The Board is committed to inform its shareholders and the market of any major events that influence the Company in a timely and conscientious manner. The Board is responsible for ensuring that the Company complies with the continuous disclosure requirements as set out in ASX Listing Rule 3.1 and the Corporations Act. The Company has adopted a Continuous Disclosure Policy which is available as part of the Corporate Governance Charter located on the Company's website.

In accordance with the Continuous Disclosure Policy, market sensitive information is discussed, and ASX announcements are reviewed and approved by the Board prior to being released on the ASX announcements platform. The Company will also ensure that any ASX announcements are also placed on the Company's website shortly thereafter. All executives of the Company have been made aware of the Company's obligations with regard to the continuous disclosure regime and it is required that employees report any material price sensitive information to the Company Secretary if they become aware of such information.

The Company Secretary is responsible for the overall administration of the Continuous Disclosure Policy, including communications with the ASX.

#### **PRINCIPLE 6: Respect the rights of security holders**

The Board ensures that its shareholders are fully informed of matters likely to be of interest to them. The Company provides information about itself and its governance via its website which includes key corporate governance policies and charters, ASX announcements, annual reports, half yearly reports, Director and Management bio's, analyst coverage, the contact details of its Share Registry, and investor presentations.

Notices of shareholders meetings, annual and extraordinary, are distributed in a timely manner and are accompanied by all information that the Company has obtained.

Whilst the company does not have a dedicated investor relations program, it is committed to facilitating effective two-way communication with investors. This includes participation at industry events, investor presentations and meetings. The Company also encourages shareholders to contact its office in relation to any queries by telephone (T: +61 2 98707580), or email (E: [info@geneticsignatures.com](mailto:info@geneticsignatures.com)).

The Chairman encourages questions and comments at the AGM ensuring that shareholders have a chance to obtain direct response from the CEO and other Board members.

To encourage Shareholder engagement and participation at the AGM, Shareholders have the opportunity to attend the AGM, ask questions, participate in voting and meet the Board in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form that accompanies the notice of meeting. Shareholders have the opportunity to submit written questions to GSS and its external auditor or make comments on the management of GSS. Presentations and speeches made by the Chair and CEO at the AGM will be made available on the ASX announcements platform, and the Company's website before the commencement of the meeting. The results of the general meeting will also be announced to the ASX immediately following the conclusion of the AGM.

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Should shareholders wish to receive communications electronically including notices of general meetings, annual reports and other communication, they are encouraged to contact GSS's Share Registry, Boardroom Pty Limited by telephone on +61 2 9290 9600, or by email at [enquiries@boardroomlimited.com](mailto:enquiries@boardroomlimited.com).

#### **PRINCIPLE 7: Recognise and manage risk**

The Board has delegated oversight responsibility for the risk management and internal control of risks for GSS to the Audit and Risk Committee. The committee is comprised of two independent, Non-Executive Directors and whilst it does not operate under a separate charter, its function, role and composition is outlined within the Board Policy and the Company's Risk Management Policy. The chair of the Audit and Risk Committee is considered to be independent.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The Audit and Risk Committee's role includes:

- reviewing financial reporting principles, policies, controls and procedures, integrity of financial statements, and effectiveness of the Company's internal control and risk management framework;
- monitoring corporate risk assessment and the internal controls instituted;
- monitoring the establishment of an appropriate internal control framework, including information systems, and considering enhancements;
- reviewing reports on any misappropriation of funds, fraud and theft from the Company and action taken by Management;
- reviewing policies to avoid conflicts of interest between the Company and members of Management; and
- considering the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

The Company's risk management framework provides a structured and disciplined approach to the Company's management of its key risks which include operational, strategic, and financial risk factors.

Due to the size, scale and nature of operations, the Board considers that an internal audit function is not required. It is the responsibility of Management to implement the risk management framework and manage operational and business risk. During the reporting period, the CEO and CFO have made representations to the committee on the system of risk management and internal compliance and control which implements the policies adopted by the Board. The CEO and CFO have also confirmed that a review of the risk management framework has been undertaken during the reporting period and represented that, to the best of their knowledge, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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GSS's Prospectus dated 7 November 2014 (**Prospectus**) outlines the Company's exposure to a number of business, industry, and general risks identified by the Board. The Board continually monitors these risks and do not believe the risks outlined in the Prospectus to have significantly changed since the Company's listing to the ASX in March 2015. This includes the following material economic and social sustainability risks as recognised by the Company:

- **Product liability risks** – Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company.
- **Intellectual property rights** – If third party patents or patent applications contain claims infringed by the Company's technology and these claims are valid, the Company may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted. Further, the enforceability of the patents owned by the Company may be challenged and the Company's patents could be partially or wholly invalidated following challenges by third parties.
- **Infringement of third-party intellectual property** – A third party may accuse the Company of infringing its intellectual property rights and the Company may incur significant costs in defending any legal action commenced against the Company. Typically, patent litigation in the pharmaceutical and biotechnology industry is expensive. Costs that the Company incurs in defending third party infringement actions would involve significant monetary expenses and diversion of management's and technical personnel's time.
- **Trade secrets** – The Company relies on its trade secrets, which include information relating to the manufacture, development and administration of its diagnostic products. The protective measures that the Company employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business.

The Company does not believe that it has any material exposure to environmental sustainability risks which has been determined having regard to its primary business operations which is the development and commercialisation of its proprietary platform technology providing high-volume hospital and pathology laboratories the ability to screen for a wide array of infectious pathogens.

To mitigate the risks as set out above, the Board and Management continually monitor these risks at various Board and internal Management meetings throughout the year and have established methods to mitigate the risks which include having appropriate insurance programs in place, adequate security is in place to protect its intellectual property and trade secrets, undertaking detailed due diligence with respect to product research and development and ensuring that the appropriate patents and licences required by the Company have been obtained and are current. Other financial risks and methods that the company has adopted to mitigate such risks are also detailed within the Notes to the Financial Statements within the Annual Report.



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#### **PRINCIPLE 8: Remunerate fairly and responsibly**

The Board has established a Nomination and Remuneration Committee to assess and make recommendations to the Board regarding Board composition with a view to ensuring it is able to operate effectively and efficiently, to adequately discharge its responsibilities and duties, and advise and assist the Board to ensure that Genetic Signatures has fair, responsible and competitive remuneration arrangements and other employee policies and procedures which attract, motivate and retain appropriately skilled persons.

The committee is currently comprised of a majority independent Directors and is chaired by an independent Director. The committee does not operate under a separate charter. However, its function, role and composition is outlined within the Board Policy.

The committee has access to senior Management of the Company and may consult independent experts where the Committee considers it appropriate to carry out its duties.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The Company's remuneration policy is described in the Remuneration Report as part of the Directors' Report within the Annual Report which sets out the structure of remuneration of Non-Executive Director's, and that of Executive Directors. The policy is structured to provide remuneration to Non-Executive Directors at market rates for comparable companies for time commitment and responsibilities, and the remuneration for Executives to be based on merit including length of service, skills and experience. Currently the Company pays set fees, including superannuation to its Non-Executive Directors.

The Company has an Equity Incentive Plan which is open to employees and Directors who have a significant role in the continued development and success of the Company. It is a requirement under the Share Trading Policy that the Board, Directors, Executives, Company Secretary and any other person who is entitled to receive shares, equity performance rights and/or options as part of the Employee Share Ownership Plan or the Equity Incentive Plan, are prohibited in entering into hedging arrangements with respect to the securities, that would operate to limit the economic risk associated with holding those securities.