

# Corporate Governance Statement

LBT Innovations has committed to adopting the ASX Corporate Governance Council's Principles and Recommendations (fourth edition) where appropriate for our circumstances. We report on our governance practices under each of the eight principles.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council's Principles and Recommendations (fourth edition) will have been applied for the entire financial year ended 30 June 2021.

Further information on LBT Innovations' corporate governance policies and practices can be found on our website, [www.lbtinnovations.com](http://www.lbtinnovations.com), in the Investor Centre / Corporate Governance section.

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

### 1.1 *A listed entity should have and disclose a board charter setting out:*

- 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.*

LBT Innovations' constitution provides broad parameters for management and for oversight by the Board and provides for the Board to approve specific policies. To ensure the Board is well equipped to discharge its responsibilities, it has established governance policies and practices for its own operations.

The roles, responsibilities and tasks of the Board are set out in the Board Charter which is available under the Company's website under the Investor Centre / Corporate Governance section and includes the following responsibilities:

- corporate governance;
- managing relationships with Company executives;
- guiding and monitoring business affairs;
- contributing to the development of, and approving, the corporate strategy, including the review and approval of business plans, the annual budget, and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives, including the progress of significant corporate projects, financial performance and reporting, and the appointment, evaluation and removal of senior management;
- reviewing and ratifying risk management systems, including the identification and monitoring of risks;
- guaranteeing compliance with the Company's Code of Conduct and protecting shareholder interests;
- releasing announcements to the ASX.

The Board Charter also outlines how the Board delegates its authority for management of the Company to the Chief Executive Officer, subject to monitoring by the Board. Individual Directors do not have authority to participate in the day-to-day management of the Company, which is the Chief Executive Officer's responsibility. The Chief Executive Officer is expected to review and discuss with the Board all strategic projects or developments and all material matters currently or prospectively affecting the Company and its performance.

Certain decisions involving the Company must be referred to the Board for approval (under the policy matters reserved for the Board). Examples of some of these decisions are:

- acquiring or selling of shares, property, patent rights and other intellectual property;
- founding, acquiring or selling subsidiaries; participating in other companies or selling the Company's participation in other companies;
- founding, closing or relocating of offices and facilities;
- commencing of new business activities and terminating existing business activities;
- approving and altering the annual business plan;
- taking or granting of loans and securities;
- foreign exchange hedging under the Company's hedging policy.

### 1.2 *A listed entity should:*

- a) undertake appropriate checks before appointing a Director or senior executive or putting someone forward 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.*

The Board ensures that its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective and the ability to add value to the Board's deliberations on current and emerging issues. The re-appointment of Directors is not automatic and to enable shareholders to make an informed decision on the election of candidates for Director, information on candidates' backgrounds, competencies and qualifications, including other directorships, is provided. Candidates for election present their credentials to the AGM prior to the election vote.

When the need for a new Director is identified or an existing Director is required to stand for re-election, the Nominations and Remuneration

Committee reviews the range of skills, experience and expertise on the Board, and identifies skill gaps to inform the appointment or election process.

Senior executives are appointed by the Chief Executive Officer, to the extent the position and salary package is within the Board approved annual budget. Appropriate checks are undertaken prior to the appointment of all senior executives.

**1.3 A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.**

New Directors and senior executives are provided with a letter of appointment setting out their responsibilities, rights and the terms and conditions of their employment. All new Directors participate in an induction program that covers financial, strategic, operations and risk management issues as well as expectations for Director and senior executive behaviour.

**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.**

The Company Secretary is accountable directly to the board, through the chair on all matters to do with the proper functioning of the board.

**1.5 A listed entity should:**

- a) have and disclose a diversity policy;
- b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- c) disclose in relation to each reporting period:
  - 1) the measurable objectives set for that period to achieve gender diversity;
  - 2) the entity's progress towards achieving those objectives; and
  - 3) either:
    - A. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
    - B. 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.

**Diversity Policy**

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits from employee and Board diversity and the importance of benefiting from all available talent. Accordingly the Company has established a Diversity Policy which is available on the Company's website under the Investor Centre / Corporate Governance section.

The Diversity Policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving these objectives. The Board has developed and achieved the following specific objectives regarding gender diversity:

	Objective	Actual as at 30 June 2021	
	%	Number	%
Women on the Board	33% - 66%	1	25%
Women in senior management roles	40% - 60%	1	12.5%
Women employees in the Company	40% - 60%	10	31.3%

**1.6 A listed entity should:**

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual Directors; and
- b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The skills and competencies of the Board members can be found in the on the Company's website at the about-us/our-people section. The performance and commitments of Non-Executive Directors are reviewed each year as part of the annual performance assessment. A performance review of the Board was undertaken in the financial year ended June 2021.

**1.7 A listed entity should:**

- 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.

Senior executives are formally performance evaluated once a year. This process has been completed in the 2021 financial year.

### **Performance Related Incentives**

All bonuses, options and incentives are linked to predetermined performance criteria. Performance evaluation of the Chief Executive Officer, together with other senior executives, takes place at least once a year. The performance of the Chief Executive Officer is measured against annual criteria set by the Board and aligned to driving growth in shareholder value.

## **Principle 2: Structure the Board to add value**

LBT Innovations has adopted a number of policies to ensure that the Board is comprised of Directors with the requisite skills, independence and ability to competently deal with relevant business issues. The Company's Constitution provides for the Board to comprise of between three Directors and six Directors unless otherwise determined by a general meeting.

### **Independent Professional Advice**

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required.

### **Board Composition**

LBT Innovations believes that its current Board composition of the Managing Director and four Non-Executive Directors is appropriate to promote effective discussion and efficient decision-making.

The Company's Constitution specifies that one third of all Directors (with the exception of the Managing Director) must retire from office at each Annual General Meeting. Where eligible, a Director may stand for re-election subject to the limitation that, on attaining the age of 72 years, the Director will retire at the following AGM and will not seek re-election.

### **Board Meetings**

The Board meets approximately monthly, at least 10 times per year, and holds additional meetings as needed, e.g. strategy and Board education. The Board has also adopted a practice where Non-Executive Directors meet during the year, in a scheduled session without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board. Additional Board meetings are held at short notice if required to consider urgent matters.

### **Board Committees**

The Board has established two committees to help in specific areas and to allow detailed consideration of complex issues. These committees are the Nominations and Remuneration Committee and the Audit and Risk Committee. Both committees are comprised entirely of Non-Executive Directors. The committee structures and membership are reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements, and the manner in which the committee is to operate. These charters are reviewed on an annual basis. Unless specifically delegated to the committee for final decision, all matters determined by committees are submitted to the full Board as recommendations for Board decision.

### **2.1 The board of a listed entity should:**

- a) *have a nomination committee which:*
  - (1) *has at least three members, a majority of whom are independent Directors; and*
  - (2) *is chaired by an independent Director,*
  - and disclose;*
  - (3) *the charter of the committee;*
  - (4) *the members of the committee; and*
  - (5) *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.*

### **The Nominations and Remuneration Committee**

This committee assists the Board by examining the Director selection and appointment practices of the Company and its remuneration policies. The committee comprises two Directors. The existing members of this committee are:

D Lismore (Chair)

J Moss

The committee members are independent Directors and were newly appointed to the committee after 30 June 2021.

The current structure of the committee does not currently comply with ASX Principle 2.1 with respect to a minimum of three members. However, the committee does comply in all other regards and the Board believe the reduced size of two members, both being independent Directors, is appropriate to the current size of the Board and the nature of the Company's operations.

The committee is actively engaged in:

- planning orderly succession for the Chief Executive Officer and Non-Executive Directors;
- reviewing the composition, skills and diversity of the Board to ensure that it remains appropriate for the tasks and work it undertakes;
- ensuring that remuneration policies are designed to motivate senior executives to pursue long-term growth and success and to encourage the retention of highly skilled people;
- ensuring appropriate checks are undertaken before appointing an employee or putting forward a candidate for election as a Director; and
- considering the need for ongoing professional development and training of the Directors.

The committee also reviews the remuneration for Directors, including participation in the Company's Employee Share Incentive Plan.

The committee had two meetings during the year, attended by both committee members applicable at the time of the meetings.

**2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.**

The mix of skills and diversity that the Board currently has and assesses itself against is as follows;

- Biotech/Medical Devices/Pharmaceuticals/Regulatory
- Finance
- Listed Company
- International
- Strategy
- Governance
- Legal
- Occupational Health and Safety
- Environmental

The Company has reviewed the skills matrix and is satisfied that all skill areas of focus are adequately covered with the experience and skills of the current Directors, together with the recent appointment of Mr Brian O'Dwyer as Non-Executive Director effective 4 October 2021.

**2.3 A listed entity should disclose:**

- a) the names of the Directors considered by the board to be independent Directors;**
- b) if a Director has an interest, position, affiliation 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 or relationship in question and an explanation of why the board is of that opinion; and**
- c) the length of service of each Director.**

The Board considers Catherine (Kate) Costello, Joanne Moss, Simon Arkell and Damian Lismore to be independent Directors. Brent Barnes is not considered an independent Director as he is employed by the Company as the Chief Executive Officer and Managing Director. The Board is comprised of Directors from different backgrounds with complementary skills and experience.

The length of service of each Director is as follows;

Catherine Costello	16 years (retiring 30 September 2021)
Joanne Moss	less than 1 year
Brenton Barnes	5 years
Simon Arkell	2 years
Damian Lismore	2 years

Upon appointment, Directors are offered unlisted options as part of their Directors remuneration package, subject to shareholder approval. The options vest after two years of service and have a term of 10 years. Additionally, the Board have implemented a policy requiring each Director to invest and maintain the equivalent of one year's Directors fees in LBT Shares. The Board believe this is important in creating alignment with shareholder interests and in attracting, retaining and motivating Directors. The Board believe the quantum of the minimum shareholding and the quantum and 10-year term of the options does not impact the independence of individual Directors.

**2.4 A majority of the board of a listed entity should be independent Directors.**

The composition of the Board is in accordance with the recommendation of Principle 2 that the majority of Directors should be independent. The Board has adopted specific policies in relation to Directors' independence. These state that to be deemed independent a Director must, in the opinion of the Board, be a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, their independent exercise of judgment. Directors are also expected to inform the Board of any potential conflicts of interest.

**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.***

The Chairman of the Board is an independent, Non-Executive Director elected by the full Board and is considered to be the lead independent Director. The roles of the Chair include:

- ensuring that Board meetings are run effectively;
- understanding the long and short term objectives of the Board;
- ensuring that Board decisions are implemented appropriately and the Company's Code of Conduct is followed;
- acting as the spokesperson for the Company at prescribed meetings such as the Annual General Meeting;
- overseeing Director nominations and remuneration;
- being the main conduit between the Chief Executive Officer and the Board.

**2.6 *A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.***

New Directors are inducted through the provision of background documents on the Company's operations, and through meetings with, and presentations from, senior executives. The ongoing need for continuing professional development and training is considered by the Company's Nominations and Remuneration Committee, and issues of importance are addressed as required.

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

LBT Innovations embraces this principle and has a number of policies in place to ensure good ethical practice and responsible decision-making. Ultimately, good corporate governance relies on people with integrity. The Company makes considerable effort to ensure that its Directors, employees and suppliers are people with such integrity and that the highest ethical standards are observed and upheld.

The Code of Conduct, the Company's Trading Policy and the other policies noted below are provided to each new employee as part of their induction training and all employees are required to comply with them. In addition, the Company's policies regarding Continuous Disclosure and Communications, and practical applications of these, are explained to all employees and, where necessary, to contractors.

**3.1 *A listed entity should articulate and disclose its values.***

The Company's values center around three core principles of:

- Collaboration and teamwork;
- Taking Personal Accountability; and
- Innovation.

LBT's Values can be found at the Company's website under the about-us/company-overview section.

**3.2 *A listed entity should:***

- a) have and disclose a code of conduct for its Directors, senior executives and employees; and***
- b) ensure that the board or a committee of the board is informed of any material breaches of that code.***

A Code of Conduct has been established requiring Directors and employees to:

- act honestly and in good faith;
- exercise care and diligence in fulfilling the functions of office;
- avoid and make full disclosure of any possible conflicts of interest;
- comply with the law;
- encourage the reporting and investigation of unlawful or unethical behaviour; and
- comply with the share trading policy.

The Employee Code of Conduct and the Board Code of Conduct can be found on our website in the Investor Centre / Corporate Governance section. The Chairman and Chief Executive Officer take responsibility for monitoring compliance by Company officers and employees with these Codes of Conduct.

All Code of Conduct breaches are required to be reported to the Board.

### **Trading Policy**

A clear example of ethical misconduct would be the trading of Company securities while in possession of material information not yet in the public domain. This is commonly known as "insider trading". In the course of their duties as Board members, employees or consultants to the Company, certain people may become aware of material information prior to its public release and thus become an insider. Under the Company's Trading Policy, the purchase and sale of Company shares by Directors, employees and consultants is only permitted in defined

trading windows following the release of the half-yearly and annual financial results to the market, once adequate time has elapsed for this to be reflected in the security's price. The policy also restricts Directors, employees and consultants from acting on other material information until it has been released to the market.

A copy of the Company's Trading Policy is available on the Company's website under the Investor Centre / Corporate Governance section.

#### **Fraud Policy**

The Company has in place a Fraud Policy that covers all forms of fraud, including corruption, bribery, misuse of resources, security trading and price manipulation, and deceptive behaviour in any respect. The Company has a zero tolerance policy to fraud of any kind and internal and external controls are in place to detect, investigate and deal with any instances of suspected fraudulent conduct. The Board is ultimately responsible for actions under this policy and certain aspects of the policy are delegated to ensure practical implementation. The Company promotes an environment in which all reports of suspected fraud are taken seriously and investigated thoroughly.

#### **3.3 A listed entity should:**

- a) have and disclose a whistleblower policy; and**
- b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Company has in place a Whistleblower Policy to ensure employees and other disclosers can raise concerns regarding any misconduct or improper state of affair or circumstances (including unethical, illegal, corrupt or other inappropriate conduct) without being subject to victimisation, harassment or discriminatory treatment.

All material breaches of the Code of Conduct are required to be reported to the Board, through the Managing Director or Company Secretary.

A copy of the Company's Whistleblower Policy is available on the Company's website under the Investor Centre / Corporate Governance section.

#### **3.4 A listed entity should:**

- a) have and disclose an Anti-bribery & Corruption Policy; and**
- b) ensure that the board or a committee of the board is informed of any material breaches of that policy.**

The Company has in place an Anti-bribery & Corruption Policy and is committed to conducting its business fairly, honestly and transparently, in accordance with all applicable laws and regulations in the jurisdictions in which it operates and to the highest ethical standards. The Company will apply a "zero tolerance" approach to acts of bribery and corruption by any of its employees, contractors, and consultants.

Any material breach of this policy is required to be reported to the Board, through the Managing Director or Company Secretary.

A copy of the Company's Anti-bribery & Corruption Policy is available on the Company's website under the Investor Centre / Corporate Governance section.

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

#### **4.1 The board of a listed entity should:**

- a) have an audit committee which:**
  - 1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and**
  - 2) is chaired by an independent Director, who is not the chair of the board, and disclose:**
  - 3) the charter of the committee;**
  - 4) the relevant qualifications and experience of the members of the Committee; and**
  - 5) 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.**

#### **Audit and Risk Committee Responsibilities**

The Audit and Risk Committee operates in accordance with a formal charter and assists the Board in carrying out its responsibilities in relation to:

- monitoring financial risk;
- supervising the internal and external audit processes: specifically, recommending the appointment, removal and remuneration of the external auditor, monitoring the auditor's independence, and reviewing and approving non-audit services provided by the external auditor to ensure they do not adversely impact on auditor independence;
- monitoring compliance with relevant laws and regulations;
- monitoring internal controls, financial and regulatory reporting requirements: specifically reviewing, assessing and approving the annual and half year financial reports and all other financial information published by the Company or released to the Australian Securities Exchange (ASX) (quarterly cashflow reports are reviewed and approved by the full Board);

- ensuring that the Chief Executive Officer and the Chief Financial Officer state, in writing to the Board, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In fulfilling its responsibilities, the Audit and Risk Committee receives regular reports from management and the external auditor, meets with the external auditor at least twice a year or more frequently if necessary, reviews any significant disagreements between the external auditor and management, meets separately with the external auditor at least once a year without the presence of management, and provides the external auditor with a clear line of direct communication at any time to either the Chairman of the Committee or the Chairman of the Board.

The Committee has met six times throughout the year and at least two members attended all meetings.

#### **Composition of the Audit and Risk Committee**

LBT has an Audit and Risk Committee which comprises of two Directors. The current members Audit and Risk Committee are:

D Lismore (Chair)  
S Arkell

All committee members are independent Directors and the Chair of the Audit and Risk Committee has qualifications in accounting and finance.

The structure of the committee does not currently comply with Principle 4.1 with respect to a minimum of three members. However, the committee does comply in all other regards and the Board believe the reduced size of two members, both being independent Directors, is appropriate to the current size of the Board and the nature of the Company's operations.

The Audit and Risk Committee Charter can be found on our website in the Investor Centre / Corporate Governance section.

#### **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.***

Each year the Board receives written assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system for risk management and internal controls, and that it is operating effectively in all material respects in relation to the financial reporting risks.

This written assurance is also provided to the Board prior to the release of its quarterly cash flow reporting to the ASX.

#### **4.3 *A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.***

The Board reviews all unaudited financial information before it is released publicly, in particular the quarterly cash flow reporting to the ASX.

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

### **Company Policies**

LBT Innovations has a number of policies in place to ensure that each aspect of the principle and the associated laws and rules are adhered to. The Board's duty is to review and approve all communications made to the market and shareholders. The Chief Executive Officer takes initial responsibility for continuous disclosure. The Company Secretary handles ASX communications. All Company employees are briefed on what constitutes material information and the processes to be followed if they become aware of such information.

### **Materiality**

An important term to understand in respect of this principle and associated guidelines is what "material" information means. In this context the terms "material" and "price sensitive" are interchangeable. A generally accepted definition is that information is material if a reasonable person would expect that information to have an effect (negative or positive) on the price of a Company's shares.

Certain types of information that may be considered material by some investors are not required to be disclosed because they are classified as either confidential or a trade secret, or the information is not complete and may lead to a "false market". An example of the latter would be a rumour or speculation that company X is in negotiations with the Company, which may lead to a share price rise. The Company has a policy not to respond to such rumours.

In the course of their duties as Board members, employees or consultants to the Company, certain people may become aware of material information prior to its public release and thus become an insider. Under the Company's Trading Policy, the purchase and sale of Company shares by Directors and employees not permitted in mandatory 'closed periods' which includes prior to the release of the half-yearly and annual financial results to the market, the release of the quarterly cash flow reporting and the AGM, when adequate time has elapsed for any new information to be reflected in the security's price. The policy also restricts Directors, employees and consultants from acting on other material information until it has been released to the market.

The Trading Policy can be found on our website in the Investor Centre / Corporate Governance section.

**5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.**

Continuous disclosure aims to ensure that all information considered material or price sensitive is given to all shareholders at the same time in order to prevent any individual gaining an advantage in trading a company's shares. A person who has price sensitive information about a company prior to its general public release is considered an "insider". Insider trading is illegal.

An example of the Communications Policy (including continuous disclosure requirements) involves analyst briefings. In order to avoid selective disclosure (meaning a shareholder receives material information before other shareholders receive the same information), all materials presented to an analyst are either specifically released to the ASX or are already public information. In the highly unlikely event that price sensitive or material information is inadvertently disclosed, the same information is immediately released to the ASX. All recent Company announcements, media releases, details of Company meetings, and financial reports are available on the Company's website.

LBT has an established process to ensure all ASX releases are reviewed and approved by the Chair and all unaudited financial information is reviewed and approved by the full Board.

LBT Innovations is committed to following best practice in respect to Principle 5 and as such also adheres to the Code of Best Practice for Reporting by Life Science Companies developed by the ASX and Ausbiotech.

The Continuous Disclosure Policy can be found on our website in the Investor Centre / Corporate Governance section.

**5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.**

All ASX announcements are circulated to the Board immediately following release.

**5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.**

All new presentations to shareholders, investors and analysts are first released publicly before the commencement of the presentation.

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

### **Communicating Clearly**

LBT Innovations has a Communications Policy that governs the Company's communications with the public, including the media, journalists, shareholders, potential investors, and other stakeholders. Together with the Company's policies under Principle 5 and Principle 4, the Board believes that it maintains good practice in all respects regarding communication with shareholders.

The Company aims to make all of its communications as transparent and clear as possible, while protecting information about the Company's technology that is essential to commercial success or is subject to other legal requirements. Please see Principle 5 for details on non-disclosed information. All communications about the Company's intellectual property aim to educate and inform recipients without being overly technical, in order to foster a clear understanding of the business.

### **Endorsements and Speculation**

The Company has a policy of not commenting on or endorsing analysts' reports or forecasts unless the information contained therein has already been disclosed to the market. The Company's Communications Policy also prevents any personnel from making comment about market speculation unless required to do so by law or at the ASX's request, or in cases that a rumour contains errors of fact that might materially affect the Company.

### **Communication Paths**

The Company regularly issues information to the public and holds discussions with individual investors, broking firms and other members of the public. All such information goes through the same approval processes as an ASX announcement and the relevant spokespeople are nominated. Such communications may include:

- quarterly shareholder video conferences;
- media releases;
- notifications of events;
- shareholder newsletters;
- presentations and academic publications.

**6.1 A listed entity should provide information about itself and its governance to investors via its website.**

Please see [www.lbtinnovations.com/investor-centre/corporate-governance](http://www.lbtinnovations.com/investor-centre/corporate-governance)



**6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.**

In order to facilitate open and efficient communication with its shareholders and other stakeholders or interested parties, the Company's website provides access to all ASX announcements, media releases, investor updates and newsletters, presentations, details of meetings, and financial reports. The website also provides contact details for related parties such as the LBT Innovations' share registry as well as a mechanism for shareholder communication with the Company via email.

The Company provides a live shareholder / investor update following the release of the quarterly cash flow and activities reports. Shareholders and investors are provided an opportunity to ask questions during those updates.

Any briefings to analysts or investors are given by LBT Innovations, the information covered is posted on the corporate website in advance. In the event of closed briefings to analysts and investors, as with open briefings, no material is discussed unless it has previously been disclosed to the market.

**6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.**

The Company endeavours to ensure that shareholders are sufficiently well informed about all items they are voting on at meetings, through the issue of meeting agendas and supporting materials prior to such meetings. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings and to lodge questions to be responded to by the Board, the Chief Executive Officer and the auditor. If shareholders cannot attend meetings in person they are encouraged to appoint proxies.

**6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.**

Shareholders are entitled to vote on significant matters impacting the business, which include the election and remuneration of Directors, changes to the Company's Constitution, and the receipt of annual and interim financial statements.

All substantive resolutions at shareholder meetings are decided by a poll rather than by a show of hands.

**6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

The website also provides a mechanism for shareholders to communicate with the Company through electronic means.

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

LBT Innovations' philosophy towards risk is not to be risk averse but to enable risks to be identified, discussed, mitigated and monitored in a balanced manner. The Company is committed to integrating its risk management systems and processes to support this philosophy without creating an unnecessary burden on the business. In relation to commercial strategy, an element of risk is inevitable and in some cases encouraged.

**7.1 The board of a listed entity should:**

- a) *have a committee or committees to oversee risk, each of which:*
  - 1) *has at least three members, a majority of whom are independent Directors; and*
  - 2) *is chaired by an independent Director,*
  - 3) *and disclose:*
    - 4) *the charter of the committee;*
    - 5) *the members of the committee; and*
    - 6) *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.*

The Company's Audit and Risk Committee oversees risk, in accordance with the Risk Policy.

### **Risk Policy**

The Company's Risk Policy is based on the principles of the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000: 2009. This policy is also supported by the Company's Code of Conduct and other related policies.

The Company's risk management policies and procedures ensure that all risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives. Such risks include:

- strategic risks;
- operational risks;
- legal risks;
- risks to the Company's reputation;

- financial risk and the ability to financially cope with inherent risks.

The Company places considerable importance on maintaining a strong control environment. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Board holds an annual corporate strategy workshop with input from key managers and the Company's consultants. This reviews the Company's strategic direction in detail and includes specific focus on the identification of the key business and financial risks that could prevent the Company from achieving its objectives.

The Company has a formal Risk Register that details risks in terms of impact, likelihood, consequence, and a risk rating according to preset definitions. Each identified risk is monitored and recommended actions are undertaken to manage and reduce the identified risk. An updated Risk Register is presented to the Audit and Risk Committee annually as a minimum.

#### **Composition of the Audit and Risk Committee**

LBT has an Audit and Risk Committee which comprises of two Directors. The current members Audit and Risk Committee are:

D Lismore (Chair)

S Arkell

All committee members are independent Directors. The committee has met six times throughout the year with both committee members having attended all meetings.

The structure of the committee does not currently comply with Principle 7.1 with respect to a minimum of three members. However, the committee does comply in all other regards and the Board believe the reduced size of two members, both being independent directors, is appropriate to the current size of the Board and the nature of the Company's operations.

#### **Responsibilities**

The Board is responsible for ensuring there are adequate policies in relation to overseeing and managing risk, internal control systems and compliance monitoring. The Board delegates this responsibility to the Audit and Risk Committee, which operates according to a formal charter that includes these responsibilities (See Principle 4 for more detail on committee responsibilities).

The Audit and Risk Committee is responsible for:

- reviewing and approving the Company's risk appetite;
- reviewing and approving the systems for ongoing identification and control of risk, including the Company's financial capacity to absorb such risks and that the Company is operating with due regard to its risk appetite.

The Chief Executive Officer is responsible for:

- implementing internal controls promoting risk identification and management;
- ensuring regular reporting to the Board on risk;
- providing a formal and comprehensive "Business Risk Assessment" for the Audit and Risk Committee at least annually.

#### **7.2 The board or a committee of the board should:**

- review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and*
- disclose, in relation to each reporting period, whether such a review has taken place.*

The Chief Executive Officer also conducts ongoing assessments of the Company's business risk profile and reports any significant risks to the Board at regular intervals throughout the year.

#### **7.3 A listed entity should disclose:**

- if it has an internal audit function, how the function is structured and what role it performs; OR*
- 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 governance, risk management and internal control processes.*

LBT does not have an internal audit function, due to the size of the Company, but instead has a Risk Policy in place with assigned and separated responsibilities to continually review the effectiveness of the framework.

The Company's governance framework is reviewed annually by the Chair of the Board and the Company Secretary.

#### **7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.**

The Company regularly assesses its material exposures to economic, environmental and social sustainability risks. In the Annual Report to shareholders, material risks are considered and disclosed to shareholders.

## Principle 8: Remunerate fairly and responsibly

### Aligning Director and Employee Interests with Shareholder Interests

Remuneration is a key area of focus for investors and LBT Innovations' Remuneration Policy has been designed to align the interests of Directors and executives with shareholder and business objectives by:

- providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting financial results;
- issuing share options to the majority of Directors and executives to encourage interest alignment.

The Company's key objective is to effectively attract and retain the highest calibre executives and Directors while creating goals that align the interests of Directors, executives and shareholders.

All executives receive a base salary, superannuation, fringe benefits and performance incentives. They are also entitled to participate in the employee share and option arrangements.

#### 8.1 The board of a listed entity should:

- a) *have a remuneration committee which:*
  - 1) *has at least three members, a majority of whom are independent Directors; and*
  - 2) *is chaired by an independent Director,**and disclose:*
  - 3) *the charter of the committee;*
  - 4) *the members of the committee; and*
  - 5) *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.*

See the commentary in relation to Principle 2.

The current structure of the committee does not currently comply with ASX Principle 8.1 with respect to a minimum of three members. However, the committee does comply in all other regards and the Board believe the reduced size of two members, both being independent Directors, is appropriate to the current size of the Board and the nature of the Company's operations.

The Charter of the Nominations and Remuneration Committee can be found at [www.lbtinnovations.com/corporate-governance](http://www.lbtinnovations.com/corporate-governance).

#### 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.

Director and executive remuneration and other terms of employment are reviewed annually, taking into account personal and corporate performance, contribution to long-term corporate growth, relevant comparative information, and, where necessary, independent expert advice. A performance review was held during the year in accordance with Company policy.

#### Remuneration of Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates. Non-Executive Directors do not receive retirement benefits and their fees are not linked to the Company's performance. They are encouraged to participate in the Employee Share Incentive Plan and hold shares to align their interests with those of shareholders. The maximum fees which may be paid to Non-Executive Directors have been approved by shareholders. Any increase to this will require further shareholder approval. Payments in the form of equity are also subject to shareholder approval.

#### Responsibilities

The Company's Nominations and Remuneration Committee takes responsibility for remuneration policies. Please see Principle 2 for more details on this committee.

#### 8.3 A listed entity which has an equity-based remuneration scheme should:

- 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.*

The Company has in place an Employee Share Incentive Plan which can be found at [www.lbtinnovations.com/investor-centre/corporate-governance](http://www.lbtinnovations.com/investor-centre/corporate-governance).