



## Optiscan Imaging Limited

# Corporate Governance Policy Statement September 2015

The Board of Optiscan believes that a commitment to best practice in corporate governance is fundamental to its obligation to act in the best interests of all shareholders and other stakeholders in the company.

The Board supports the “Corporate Governance Principles and Recommendations” issued by the Australian Stock Exchange Corporate Governance Council. These principles have been used to frame the company’s Corporate Governance Policy.

This Corporate Governance Statement is current at 30 September 2015 and was approved by the Board on that date.

### **Recommendations Not Currently Satisfied**

The Company complied with all Corporate Governance recommendations until 2009. At that time the scale of the Company’s activities was significantly reduced in the aftermath of the global financial crisis. All aspects of the company’s business were scaled down including a reduction in staff and board numbers from 48 to 10. This remains the size of the company today. The board is currently comprised of two executive directors and one independent non executive Chair. Under these circumstances the micro scale of the company precludes meaningful compliance with the following recommendations:

- establishment of board committees for audit, risk, nomination, remuneration
- performance evaluation of the board and senior executives
- diversity policy
- majority of independent directors

The company did not comply with these recommendations during the year ended 30 June 2015 and up to the date of this statement, 30 September 2015.

As the scale of the company grows, the Board will regularly review the issue of the size and structure of the Board, with a view to returning to full compliance with the recommendations.

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## **ASX PRINCIPLE 1 – Lay solid foundations for management and oversight**

The Board is primarily responsible for protecting the rights and interests of shareholders, and is accountable to them for the performance of the company and its corporate governance. As such, it should identify and articulate its roles and responsibilities.

### **1.1 Responsibilities of the Board of Directors**

The primary responsibilities of the Board include:

#### **Establishing strategic direction and milestone goals for the organisation**

- Providing input into, and approval of, the Company's strategic direction and budgets as developed by management
- Approval of the short, medium and long term goals of the business

#### **Senior Executive Management**

- Appointment and removal of the Chief Executive Officer, Chief Financial Officer, and the Company Secretary
- Ratifying the appointment and removal of Senior Executives
- Ratifying the functions of Senior Executives
- Ensuring that the remuneration and conditions of service of Senior Executives are appropriate
- Establishing and monitoring Senior Executive succession planning
- Delegating authority to the Chief Executive Officer
- Approving the process and criteria for assessing performance of Senior Executives and monitoring and evaluating the performance of Senior Executives
- Undertaking a performance evaluation of itself that compares the performance of the Board with the requirements of this Charter, and disclosing whether such an evaluation has been conducted
- Annually setting goals and objectives for itself for the upcoming year
- Annually effecting any improvements to this Charter considered necessary or desirable
- Providing advice and counsel to senior management

#### **Identifying and complying with sound governance practices**

- Ensuring ethical behaviour and compliance with the Company's own governing documents, including the Company's Code of Conduct
- Evaluating the Company's compliance with corporate governance standards

#### **Monitoring performance and achievements against targets**

- Directing, monitoring and assessing the Company's performance against strategic and business plans and ensuring appropriate resources are available
- Approving and monitoring capital management and major capital expenditure, acquisitions and divestments

#### **Identifying and managing the risk profile of the organisation**

- Identifying the principal risks of the Company's business
- Reviewing and ratifying the Company's systems of internal compliance control, risk management and legal compliance and ensuring the integrity and effectiveness of those systems

## **Monitoring the reporting to stakeholders**

- Approving and monitoring internal and external financial and other reporting, including reporting to shareholders, the ASX and other stakeholders
- Focusing on the integrity and clarity of the Company's financial statements and financial reporting

## **Ensuring all regulatory and ethical obligations are observed**

- Ensure compliance with the continuous disclosure requirements of the ASX
- Establish and maintain Code of Conduct to guide directors and the management of the Company in operating in an ethical and appropriate manner at all times

## **1.2 Board Membership Requirements**

The Board members are appointed by the shareholders, in accordance with the following guidelines:

- Members of Board should have diverse, complementary backgrounds
- Members of Board should have high levels of intellectual ability, experience, sound judgement and integrity
- Members of Board should be financially literate and able to read and understand financial statements

The Company's constitution provides that all directors except the Managing Director are subject to re-election at least every three years. Directors who have been appointed by the Board to fill casual vacancies are required to stand for election at the first Annual General Meeting following their appointment by the board.

## **1.3 Meetings and Secretarial Procedures**

The Chief Executive Officer shall draw up an agenda for each meeting of the Board. The agenda will be subject to approval by the Chairman, and shall be circulated at least three working days prior to each meeting to the members of the Board.

The Board shall meet at least eight times per year and hold as many additional meetings as required to properly carry out their function and discharge their duties.

The Board shall keep minutes of its meetings and these should ordinarily be included in the papers for the next meeting for review and approval.

Members of the Board are entitled to obtain such independent advice, as is deemed necessary at the expense of the company, subject to the prior consent of the Chairman.

Members of the Board must be provided with free access to all information, records, management and employees as is necessary to properly discharge their duties.

The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

## **1.4 Separation of roles of Chairman and Chief Executive Officer**

The Board considers the roles of the Chairman and Chief Executive Officer should be strictly separated.

The Chairman is responsible for:

- ensuring the board provides leadership and vision to the entity
- ensuring there are processes and procedures in place to evaluate the performance of the Board, and individual directors
- presiding over board meetings, facilitating effective discussions to address the critical issues; and
- ensuring effective communication with shareholders

The Chief Executive Officer is responsible for:

- policy direction of the operations of the Company
- the efficient and effective operation of the Company
- ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board; and
- ensuring all material matters affecting the Company are brought to Board's attention

## **1.5 Board Committees**

The present micro size of the company precludes meaningful compliance with the recommendation to establish board committees. When the scale of the company's activities enable a return to full compliance, the board will create the following committees:

- ❖ Nomination Committee
- ❖ Remuneration Committee
- ❖ Audit Committee
- ❖ Risk Committee

The policies of the board in relation to these committees will be as follows:

- Board committees will be comprised of a majority of non-executive directors and be chaired by a non-executive director
- Members of any committee will be entitled to obtain such independent advice, as is deemed necessary at the expense of the company, subject to the prior consent of the Chairman
- Members of any committee will be provided with free access to all information, records, management and employees as is necessary to properly discharge their duties

## **1.6 Director's Independence**

The present micro size of the company precludes meaningful compliance with the recommendation in relation to having a majority of independent directors. When the scale of the company's activities enable a return to full compliance, the following guidelines will be followed:

A majority of directors of the board should be independent of management, both in fact and appearance, as determined by the Board.

Under ASX Guidelines, an independent director is a non-executive director (i.e. not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company, or an employee materially associated with the service provided
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- has no material contractual relationship with the company other than a director of the company
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by directors to the board.

## **1.7 Diversity**

The company has not established a policy on diversity at this time and the company has not established measurable objectives for achieving gender diversity. The board considers that adoption of a policy on diversity at this time is impractical for a small organisation comprising less than ten full time equivalent (FTE) staff. Further, there is negligible staff turnover, providing little opportunity to impact the diversity balance within the company. The company's policy on equal opportunity provides relevant guidance on issues of diversity in the current circumstances of the company. In relation to gender of employees, the company currently has two women employees (1.4 FTE), representing 14% of total staff.

## **ASX PRINCIPLE 2 – Structure the board to add value**

### **2.1 Purpose**

This principle requires that the company have a board of an effective composition, size and commitment to adequately discharge its duties and responsibilities. Whilst the Board of Optiscan considers that its composition and size is sufficient to adequately discharge its duties and responsibilities, in its current form it does not have a majority of directors who are independent.

When the Board reviews its structure and composition it will give consideration to the following matters:

- the appropriate size and composition of the board
- the need to provide a formal and transparent procedure for selecting new directors for appointment to the board
- the need to develop criteria for selection of candidates for the board in the context of the board's existing composition and structure, taking into account factors such as:
  - expertise of each board member
  - business experience
  - integrity
  - skills
  - breadth of experience
  - knowledge about the company's business or industry
  - willingness to devote time and effort to the board
- recommendations on the process for appointment and removal of directors
- planning for identifying, assessing and enhancing director competencies, as required
- developing a succession plan for the board and to review that plan regularly
- reviewing time required from a non-executive director and whether directors of the board are meeting this requirement
- how to evaluate the performance of the board and key executives
- how to ensure that there is an appropriate induction programme in place for new directors and members of senior management and to review its effectiveness as required

### **2.2 Membership Requirements Nomination Committee**

When Optiscan moves to a Board of three non-executive Directors or more a Nomination Committee will be re-established. Its members will be appointed by the board of directors in accordance with the following guidelines:

- Members of Nomination Committee should be independent, non-executive directors.
- Members of Nomination Committee should have diverse, complementary backgrounds, the majority of which are independent of management and the company.
- Some members of the committee should have an understanding of the industry in which the entity operates.

### **2.3 Procedure for selection and appointment of new directors**

The following procedure is followed in selecting and appointing a new director to the board of the Company:

- The Board identifies the need for a new director. This should be based on determining whether there is an appropriate number of directors to allow for effective decision-making.
- The Board identifies any potential candidates who will:
  - Complement the current board composition following an assessment of whether there is an appropriate mix of directors with financial expertise and relevant industry experience
  - Have the required skills, knowledge and expertise to add value to the board
  - Provide the board with further competencies and be able to provide independent and objective advice
  - Ensure that the board maintains at least 3 directors, with an independent chairperson and a majority number of non-executive and independent directors
  - Have no material conflicts of interest with the company
  - Have reputable standing in the industry
  - Be able to commit the necessary time to their position – in general, the maximum number of directorships should not exceed 5, unless the director can clearly demonstrate that they have the time to commit additional appointments. Each non-executive director should specifically acknowledge to the company prior to appointment or when being submitted for election that they will have sufficient time to meet what is expected of them
- Upon a candidate accepting nomination or appointment, the Board is responsible for ensuring that all procedures comply with the corporate constitution and the Corporations Act
- The board will undertake appropriate checks of before appointing new directors or proposing the election of new directors by security holders
- The Chief Executive Officer is responsible for ensuring that the new board member is inducted and they have every opportunity to increase their knowledge about the company to ensure they can participate in an effective manner to the board deliberations. This process is monitored by the Board
- The Chairman is responsible for ensuring that all appropriate documentation in relation to the appointment is finalised including a written agreement setting out the terms of the appointment.
- In the event that a director is not performing to accepted levels, the director will be required to resign

### **ASX PRINCIPLE 3 – Act ethically and responsibly – Optiscan Code of Conduct**

#### **The Code of Conduct**

The code is intended to provide guidance to the directors, the chief executive officer, the chief financial officer and any other officers and employees who have the opportunity to materially influence the integrity, strategy and operation of the business and its financial performance. It identifies the practices necessary to maintain public confidence in the company's integrity and it engenders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code is not intended to address every circumstance, nor is it a summary of all the laws and regulations that apply to the Company. The Board and employees are always expected to use their common sense and best judgement when addressing business conduct issues, and to seek guidance if the best course of action is not clear.

#### **Conflict of Interest**

The Board and employees should act in the best interests of the Company at all times. Accordingly, the Board and employees of the Company must not act, or be seen to act, in conflict with the best interests of the Company. They must not undertake any appointment, position or work that would result in any form of competition with the company, or that would adversely affect the Company or hinder the performance of their duties in any way.

If a potential conflict of interest involving a director should arise, the director must declare the interest, withdraw from all deliberations of the matter, and refrain from discussion with other members of the board.

If a potential conflict of interest involving employees should arise, employees must disclose the conflict to their supervisors. The supervisor will ensure that measures are put in place to protect parties affected by the conflicts of interest. Depending upon the nature or extent of the conflict, the measures taken to protect against conflict of interest may include ensuring that the conflicted or potentially conflicted employee does not participate in the relevant decision or activity, or disclosing the conflict to third parties affected by the conflict and ensuring that the conflicted or potentially conflicted employee is not the sole decision maker on the matter.

#### **Confidentiality**

The Board and employees of the Company should not disclose or use at any time any trade secret, financial, business, confidential or other data belonging to, or concerning the business operations or affairs of, or otherwise relating to the Company, their customers and other business organisations without first obtaining the prior written consent of the Company to such disclosure. However, this condition of confidentiality will not apply to disclosures specifically required or permitted by the Company, disclosures required by law, or information that has become public knowledge.

### **Intellectual Property**

Employees who take part in the creation or development of intellectual property in the course of employment, or for use by the Company, must regard this information as the property of the Company.

Intellectual Property is a general term, which includes all copyright and industrial and intellectual property rights of whatever nature, including all rights relating to ideas, written work, inventions, industrial processes, formulae, registered and unregistered trademarks, registered designs, confidential information and circuit layouts and all other results from intellectual activity in the industrial, scientific, literary or artistic fields.

Protecting this information plays a pivotal role in the growth of the Company and all proprietary information should be maintained in strict confidence except when disclosure is authorised by an appropriate company officer.

Employees must provide prompt and full information with respect to intellectual property to the Chief Executive Officer or Intellectual property Manager. The Company is exclusively entitled to any benefits, which may arise from any patents resulting from this work.

### **Fair Trading & Dealing**

It is the policy of the company to comply with trade practices laws, policies, practices and procedures

The Company and its employees will comply with the content and spirit of all relevant laws and regulations concerning trading and employment, such as trade practices, anti-discrimination, equality of employment, health and safety. The Company will always endeavour to ensure that all employees are treated fairly, equitably and honestly.

The company is an Equal Opportunity employer. Employment decisions will be based on merit without regard to matters of race, colour, religion, gender, age, national origin, disability, marital status or any other status covered by employment laws and regulations.

### **Compliance with Laws and Regulations**

The Board and employees of the Company are expected to act in accordance with the letter and the spirit of all laws and regulations affecting the business of the Company. Also, the Board and employees are expected to use their common sense and best judgement when addressing issues of business conduct. Where there is any doubt, advice and guidance should be sought from the Chief Executive Officer or Chairman.

### **Use of Company Assets**

The Company's assets must be acquired, maintained and used in an efficient and proper manner and for legitimate business purposes. The Company's assets must not be removed without authorisation or used for personal gain or any other improper use.

### **Computer Security**

Computer based data and information is a vital Company resource. As such, the Board and employees of the Company must be aware at all times that they are responsible for adequately protecting the data from accidental or unauthorised access, disclosure, modification or deletion.

Computer resources are to be used only for authorised Company purposes and personal use must be incidental and minimal.

### **Email and Internet**

Employees are responsible for using the company's email and internet resources responsibly and for company business. All communications and information within the company's information systems are the company's records and property. Incidental personal use may be allowed if it does not interfere with company business or the performance of work duties.

### **Working Environment**

The company places a high priority on matters of Occupational Health and Safety, and is committed to providing a healthy and safe working environment. Employees are expected to contribute to this objective by acting in a responsible manner in the course of their duties.

### **Inside Information and Share Trading**

The use of information by Directors and employees which is not public and which concerns activities or plans of the Company (inside information) for personal gain is specifically prohibited. Furthermore, using inside information is generally prohibited by legislation and can lead to substantial civil and criminal penalties. This is the case, for example, in regard to dealings in any Company securities by any person in possession of non-public price sensitive information concerning the Company.

Persons in possession of confidential information that may affect the Company's share price are not permitted to buy or sell shares. By extension, trading in shares by any Director or employee of the Company should be limited to a period not exceeding one month after the release of financial results or material information to the market.

At all times, trading in securities of the Company by employees of the Company may only be conducted with the written approval of the Chief Executive Officer or Company Secretary of the Company. Trading in securities of the Company by Directors of the Company may only be conducted with the written approval of the Chairman, Chief Executive Officer or other directors of the company.

### **Disclosure of Information**

Directors and employees are prohibited from disclosing any information or documents relating to the Company or its business, making any improper public comment on the Company's affairs, or misusing any information about the Company or its associates, other than as required by law.

The Company has the responsibility of informing ASX on a continuous basis of any information that would be expected to have a material effect on the price or value of the company securities.

The Company Secretary co-ordinates such disclosures in accordance with the relevant legislation and listing rules and should be notified of any information or developments that may require disclosure.

Employees should seek advice from Company Secretary if in doubt about whether information would require disclosure.

All public communications, including, but not limited to, announcements to the ASX, media releases, presentation to analysts, conferences and public speeches, must be approved by the Chief Executive Officer or Company Secretary before release.

### **Care and Diligence**

Directors and employees should exercise due care and diligence in the performance of their duties and responsibilities. This should include such activities as ensuring the accuracy of all decision-making information, attention to detail in all aspects of work, being mindful of the sensitivities of others, protecting confidentiality and being courteous, open and honest.

### **Integrity**

All directors and employees of the Company are expected to conduct themselves with integrity, be fair and honest in their dealings and treat others with dignity. Also, they should recognise and communicate any limitations or other constraints that would preclude responsible judgement or successful performance of an activity of the Company.

### **Proper Accounting Policies and Practices**

The directors, management, investors and other stakeholders require complete and accurate information about the Company's business to make informed business decisions. Australian law also requires the recording of accurate financial information. Accordingly, business transactions must be recorded promptly and accurately in order to permit the preparation of accurate and complete financial and other records.

Management is responsible for establishing and maintaining effective systems for the capture and processing of information (financial and other relevant information) and to provide safeguards for the company's assets (including intangible assets and financial information).

### **Ethical Behaviour**

All directors and employees of the Company are expected to treat compliance with ethical standards as an essential element of their responsibilities. If directors or employees are unsure of what to do, they should seek additional guidance and information before they act. They should use their judgement and their common sense; if something seems unethical or improper, it probably is. If any questions arise regarding the best course of action in a particular situation, or if there is any suspicion of possible violation of a law, regulation or ethical standard, appropriate supervision should be sought.

The Company strongly encourages the reporting of unlawful or unethical behaviour.

## Code of Conduct - Securities Trading Policy

### Purpose

The purpose of this policy is:

- To secure public confidence in the Company concerning trading in company securities by “potential insiders” and to limit the economic risk of those securities

A “potential insider” is a person likely to possess inside information and includes the directors, the chief executive officer, the chief financial officer, staff members who are involved in material transactions concerning the company, and any other member of staff who is likely to be in possession of inside information

- To provide officers and employees of the Company with guidelines relating the trading of Company securities and to ensure that employees comply with the law

This policy does not provide comprehensive legal advice on securities trading. If any officer or employee does not fully understand any aspect of the contents of this policy, then they should contact the Company Secretary or seek independent legal advice.

### Guidelines for Dealing in Company Securities

**The board considers that if directors, employees and their associates acquire shares in the company, they should be held for longer-term investment and not for speculative or trading purposes.**

The board has issued strict guidelines for dealing in the company’s shares or options by directors and employees. The requirements include:

- Directors must discuss any proposed trade with the Chairman, Chief Executive Officer or other directors
- Employees must discuss any proposed trade with the Chief Executive Officer or Company Secretary
- Trading in shares and options will ordinarily be limited to the period of one month after the release of financial results or material information to the market
- Trading is forbidden at any time where a director or employee may be in possession of price sensitive information

### Insider Trading

Insider trading is the trading of company securities by a person who is in possession of inside information. Insider trading violates laws that impose strict penalties upon companies and individuals, including both financial sanctions and civil and criminal penalties.

The use of inside information by Directors and employees of the Company for personal gain is specifically prohibited.

“Inside information” is information concerning the company’s financial position, strategy or operations, which is not generally available and which, if made public, would be likely to:

- have material effect on the price or value of the company securities
- influence persons who commonly invest in securities in deciding whether or not to buy or sell company securities

Information is generally available if:

- it consists of readily observable matter; or
- it has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in a company whose price might be affected by the information; and since it was made known, a reasonable period for it to be disseminated among such persons has elapsed; or
- it consists of deductions, conclusions or inferences made or drawn from information that consists of readily observable matter or information made known or public

Directors and employees who possess price-sensitive information are prohibited from trading in company shares as this may be deemed “insider trading”, which means it is illegal to:

- buy, sell or otherwise deal in company securities
- advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell company securities
- pass on information to any other person, if the insider knows or ought to reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) company securities

Examples of price-sensitive information include:

- the results of research and development
- the financial performance of Company against budget
- the forecast financial performance of Company and its budgets
- entry into or termination of important agreements, including licence agreements, major joint venture
- the intention of Company to acquire a business or important assets; or
- an unexpected liability.

A person does not need to be a director or employee of the Company to be guilty of insider trading in relation to company securities. The prohibition extends to dealings by Directors and employees through nominees, agents or other associates, such as family members, family trusts and family companies.

## **ASX PRINCIPLE 4 – Safeguard integrity in corporate reporting**

The Board considers it essential that there be a structure of review and authorisation designed to ensure the truthful and factual presentation of the financial performance and position of the company.

In the absence of an Audit Committee the Board performs this role.

### **4.1 Responsibilities of the Audit Committee/Board**

The principal responsibility of the Audit Committee is to oversee the financial affairs of the Company, including preparation of financial statements, adequate disclosure, maintenance of appropriate accounting records and internal controls, the selection and application of accounting policies, liaison with external auditors, ensuring regulatory compliance and the safeguarding of assets.

This includes the following functions:

- **Financial Statements**

- to review and discuss the company's financial statements with the external auditor
- to report to the Board, on the foregoing and related issues, from time to time
- to review related party transactions and consider the adequacy of disclosure of transactions in the financial statements

- **Internal Controls**

- to understand and be familiar with the company's system of internal controls
- to ensure operating procedures are efficient, with the necessary internal checks and built-in controls
- to review the adequacy of the system with external auditors on periodic basis

- **Communication**

- to liaise with the company's management and Auditor on a continuing basis

- **Compliance**

- to review the company's procedures addressing compliance with the Corporations Law, Stock Exchange Listing Rules, other legislative and reporting requirements, including the Company's Code of Conduct

- **External auditors**

- to determine the appointment, re-appointment or replacement of external auditors
- to evaluate performance of the external auditors, including their independence, effectiveness and objectivity
- to review remuneration of the external auditors

- **Critical accounting judgments and estimates**

- to review and discuss with the management and the external auditor the company's critical accounting policies and the quality of accounting judgments and estimates made by management

- **Independence**

- to consider the independence of external auditor, any relationships with the Company or any other entity that impair or appear to impair the external auditor's judgment or independence in respect of the Company
- to develop policies concerning the provision of non-audit services by the external auditor
- to pre-approve all audit and non-audit services since the Company shall not engage the external auditors that may impair or appear to impair the external auditor's judgment or independence in respect of the Company

### **4.2 Appointment of External Auditors**

The Audit Committee/Board is directly responsible for making recommendation on the appointment, reappointment or replacement, remuneration, monitoring of effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review. When reviewing the auditor's independence, the Committee will encourage the rotation of the audit partner at least once every five years.

### **4.3 Membership Requirements of the Audit Committee**

- Members of Audit Committee should be independent directors, non-executive directors
- Members of Audit Committee should all be financially literate. That is, they should be able to read and understand financial statements or become financially literate within a reasonable period time after appointment
- At least one member should be a qualified accountant or other financial professional with experience of financial and accounting matters
- Members of Audit Committee should have the ability to understand the corporation's business and risk profile and to apply their business experience and judgement to the issues for which the Committee is responsible with an independent and critical eye.

Members of the committee shall be considered as independent so long as they are free from any interest and any relationship with the company, which might materially interfere with the director's ability to act in the best interests of the company and provide independent judgement.

### **4.4 Audit Committee Secretarial arrangements**

The Company Secretary, or such other officer nominated by the Chairman shall be appointed secretary of the Audit Committee. The company secretary shall draw up an agenda, which shall be circulated at least three working days prior to each meeting to the members of the Committee and the external auditors.

Audit Committee shall meet at least 3 times a year and hold as many additional meetings as required to properly carry out their roles and responsibilities effectively.

The external auditors, Chief Executive Officer and Chief Financial Officer may attend audit committee meetings at the discretion of the Chairman.

The Audit Committee shall keep minutes of its meetings and these should be ordinarily be included in the papers for the next full board meeting for review and approval after each audit committee meeting. The Company Secretary will record minutes of each meeting.

#### **4.5 Chief Executive Officer and CFO Certification**

In accordance with the recommendations of the ASX Corporate Governance Council, the Chief Executive Officer and Chief Financial Officer provide written assurances that the company's financial reports present a true and fair view, in all material respects, of the company's financial position and performance and are in accordance with relevant accounting standards.

### **ASX PRINCIPLE 5 – Make timely and balanced disclosure**

#### **5.1 Communications and disclosure policy**

The purpose of continuous disclosure policy is to set out the disclosure policies and procedures that ensure compliance with the ASX Listing Rule disclosure requirements and ensure accountability at a senior management level for that compliance. This policy will ensure that company announcements:

- are made in a timely manner
- are factual
- do not omit material information
- are expressed in a clear and objective manner that allows investors to assess impact of the information when making investment decisions

#### **5.2 Communications Officer**

The Chief Executive Officer is nominated as a person who has the responsibility for:

- making sure that the company complies with continuous disclosure requirements
- overseeing and coordinating disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and the public
- educating directors and staff on the company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure

#### **5.3 Disclosure Procedures**

The disclosure procedures are set out as follows:

- The company requires each individual in the company to report directly to the Chief Executive Officer as soon as they become aware of any potentially material information
- Information is material if it is likely that the information would influence investors in deciding whether to buy, hold or sell company securities
- The Chief Executive Officer will:
  - review the material information reported
  - determine, in consultation with all necessary parties as appropriate, whether any of the material information is required to be disclosed to the ASX
  - co-ordinate the actual form of disclosure with the relevant members of management and the board

- Material information will be disclosed in the manner required under ASX Listing Rules and the Corporations Law. This means the Company will make formal announcement to the ASX and then only release the information to news services and major media outlets immediately after the ASX acknowledges receipt. In addition, any announcements will also be posted to the Company website so that shareholders and potential investors will have access to the information
- Where the information does not warrant an ASX release, the Chief Executive Officer shall advise directors of the rationale for the decision
- All press releases to be issued by the Company must be released to the ASX by the Chief Executive Officer prior to release to the press

The continuous disclosure regime involves a high degree of judgement on the part of management to determine what has to be disclosed to the market and when disclosure must be made. While there are exceptions to the general obligation requiring immediate disclosure of information, judgement is needed to determine whether any of the exceptions apply in any particular circumstances.

#### **5.4 Issues in relation to Deciding on Disclosure**

##### **Responding to Market Rumours, Leaks and Inadvertent Disclosures**

Market rumours and speculation, which may contain factual errors, could impact on the Company's share price and result in the ASX formally requesting disclosure by the Company.

The decision to comment will be made on a case-by-case basis and in most circumstances the comment will be of a general nature. The Company will issue a statement where it considers that it has an obligation to do so or if it is required to respond to a formal request from the ASX for information.

In the event of a Company's spokesperson inadvertently disclosing material information at a meeting or briefing, the Company will immediately disclose that information to the ASX and post it to the company website.

##### **Disseminating Announcements**

The Chief Executive Officer will immediately disclose all material or price sensitive information to the ASX for market release.

Following the confirmation by the ASX of lodgement, the information will be:

- as soon as possible be placed on the company website
- broadcasted by email/fax to the employees, the media, market analysts and company investor relations database of key shareholders

##### **Selective and Differential Disclosure**

The Company will not practise selective or differential disclosure. That is, the Company will not disclose material information to selected individuals or groups such as brokers, analysts or journalists unless an appropriate public disclosure is made simultaneously.

The Company will not disclose information verbally which it would not prepared to disclose by formal release to the ASX.

## **5.5 Types of Disclosure**

### **Formal Releases of Material Information**

Formal release of information includes annual and half-yearly reports and press releases. The Chief Executive Officer will regularly monitor the disclosure rules and proposed disclosures will be handled only with their involvement.

Examples of formal releases of material information include announcements concerning significant contracts or major projects which will have a material effect on the price or value of company securities, joint ventures or changes in joint ventures, key management or Board changes, and acquisitions.

Formal releases should contain all relevant material information.

### **Informal Disclosure**

Informal releases of information include responses to enquiries by telephone, fax, letter, email or in person from securities analysts, shareholders, the media or members of the public. Examples of informal disclosure include commentary on industry developments, new products and services. These communications, while more informal, still can have significant impact on the Company and its position in the marketplace. As such, they must be handled by the Chief Executive Officer.

## **5.6 Designated Spokesperson**

To minimise inconsistent communications and reduce the risk of inadvertent material disclosures, the directors and employees authorised to speak on behalf of the Company is restricted to Chairman, Chief Executive Officer, Company Secretary and Chief Financial Officer. Other executives may act as spokesperson for specific areas under their control, however any comments made are to be limited to their area of expertise, and must not be price sensitive.

No employee or associated party (such as consultants, advisers, lawyers, auditors and investment bankers) should comment publicly on matters that are confidential to the Company. Associated parties will be required to sign confidentiality agreements to prevent the non-authorised disclosure of information.

## **5.7 ASX Listing Rule 3.1**

ASX Listing Rule 3.1 requires that once the company is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the company securities, the company must immediately report to ASX that information.

The definition of “aware” in the Listing Rules and which applies to Listing Rule 3.1 means an entity becomes aware of information if a Director or executive Director has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a Director or executive Director of the entity.

The Company must not release the material information to any other person until it has given the information to ASX and received an acknowledgement that ASX has released the information to the market. In certain circumstances, the company can depart from above listing rules where the company is permitted not to disclose the information.

## **5.8 Exceptions to ASX Listing Rule 3.1 on Continuous Disclosure**

ASX Listing Rule 3.1 provides for disclosure not to be required where:

1. a reasonable person would not expect the information to be disclosed
2. the information is confidential
3. one or more of the following conditions applies:
  - (i) it would be a breach of a law to disclose the information
  - (ii) the information concerns an incomplete proposal or negotiation
  - (iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure
  - (iv) the information is generated for the internal management purposes of the entity
  - (v) the information is a trade secret

Confidentiality is justified where discussions or negotiations with respect to a potential material development or transaction are at preliminary stage, or where premature release would be unduly detrimental to the interests of the Company. Under these circumstances, no disclosures need be made if confidentiality can be maintained. Once past the preliminary stage, the Company is required to make necessary disclosure.

## **5.9 Breach of Policy and Penalties**

Consequences of contravening the continuous disclosure obligations may be severe:

- **The Company**
- If the Company contravenes its continuous disclosure obligations, it will be exposed to:
  - criminal liability with a fine if the contravention is intentional or reckless
  - civil liability for any loss or damage suffered by any person as a result of failure to disclose relevant information to the ASX;
  - de-listing from the ASX
- **Officers (Directors, employees and advisers)**

The Company's officers who are involved in the contravention may also be exposed to criminal and civil liability.

## **ASX PRINCIPLE 6 – Respect the rights of security holders**

### **Communications Strategy Policy**

#### **6.1 Purpose**

The purpose of communication policy is to promote effective communication with shareholders and to encourage the effective exercise of shareholder rights. Disclosure of the communication policy will assist shareholders on how to access information about the company, thereby facilitating participation at general meetings.

## **6.2 Communication Strategy**

The Board of Directors aims to ensure that communication to shareholders is provided through:

- the annual report, which is distributed to all shareholders;
- the half yearly report provided to the Australian Stock Exchange;
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate;
- keeping shareholders informed of any major developments through distribution of investor update letters and ASX Releases;
- placing all announcements, updates and reports on the company website [www.optiscan.com](http://www.optiscan.com)
- direct communications and presentations as necessary and appropriate
- release of information through the media
- electronic communication with security holders and between share registry and security holders

## **6.3 General Meetings**

The Annual General Meeting is the central forum by which the company can effectively communicate with shareholders, provide them with access to information about the company and corporate proposals and enable their participation in decision making.

Effective communication of general meetings is exercised through the following means:

- Notice of Annual General Meetings is posted to shareholders at least 28 days in advance of the meeting
- Shareholders also receive an Explanatory Memorandum, which forms part of the Notice of Annual General Meeting. The purpose is to provide shareholders with an explanation of the business of the meeting and of the resolutions to be proposed and considered at the Annual General Meeting and to assist shareholders to determine how they wish to vote on these resolutions
- Shareholders are encouraged to use their attendance at meetings to raise questions on any matter, with time being specifically set aside for shareholder queries
- The company is obliged under S249K of the Corporations Act to provide its auditor with notice of a general meeting. According to S250T of the Corporations Act, if the company's auditor or their representative attends the annual general meeting, the chairperson of that meeting must allow a reasonable opportunity for members to ask questions of the auditor or their representative concerning the conduct of the audit and the preparation and content of the auditor's report.

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

### **7.1 Purpose**

The Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

### **7.2 Responsibilities of the Board in Relation to Risk Management**

- To implement and monitor strategies designed to achieve the company's goals and objectives
- To continuously identify and measure risks that might impact upon the company's achievement of its goals and objectives
- To formulate risk management strategies to manage identified risks and to design and implement appropriate risk management policies and internal controls
- To monitor the performance of risk management systems and internal compliance and controls at least annually and to engage in a process of continuous improvement of such systems
- to consider all risk areas and ensure that appropriate safeguards are in place.
- to assist Management as appropriate in relation to risk areas, operating procedures and, if instances arise, conflicts of interest.
- to evaluate the process the company has in place for assessing and continuously improving internal risk management, particularly those related to significant risk.

### **7.3 Types of Risks**

The board and management have a regular process of review to identify and monitor risks, including those arising from the following:

- Economic conditions
- Political developments
- Technology and technical developments
- Environmental factors and regulations
- Commercial and legal relationships
- Competitor products and activities
- Regulatory regimes, particularly as they may impact medical devices and clinical applications

### **7.4 Risk Management and Compliance & Control**

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management, who are required to ensure:

- The effective and efficient use of the company's resources
- Compliance with applicable laws and regulations
- Preparation of reliable published financial information
- Implementation of mitigation actions

The company does not have an internal audit function so the following measures have been adopted by the board to monitor risk management:

- Regular monthly reporting of operations and financial results
- Reports from the audit committee
- Presentations to the board by key managers on their areas of responsibility
- Annual formal reviews of risks, avenues for mitigation and implementation actions

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

### **8.1 Purpose**

The company's objective in relation to remuneration is to provide maximum stakeholder benefit from the retention of talented and motivated directors and employees. This is achieved by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. This is intended to achieve the retention and motivation of management and key staff. Similarly, in relation to the payment of bonuses and the issue of options, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

The Company does not currently have a Remuneration Committee principally due to the fact that it has only one non-executive director.

### **8.2 Executive Remuneration**

For Executive Directors and Officers, remuneration packages generally comprise salary and superannuation. In the past, executives were also provided with longer-term incentives through the employee share option scheme, which acts to align the executives' actions with the interests of shareholders. This scheme has not operated since 2008.

### **8.3 Non-Executive Director Remuneration**

For Non-Executive Directors, the remuneration packages comprise of directors' fees for services provided to the board.