

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

SKIN ELEMENT LIMITED

ABN / ARBN

90 608 047 794

Financial year ended:

30 JUNE 2019

Our corporate governance statement² for the above period above can be found at:³

- ☐ These pages of our annual report:
- ☒ This URL on our website: www.skinelementslimited.com

The Corporate Governance Statement is accurate and up to date as at *[insert effective date of statement]* and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 30 SEPTEMBER 2019

Name of Director or Secretary authorising
lodgement:

CRAIG PIERCY

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<u>Principle 1: Lay solid foundation for management and oversight</u>		
1.1 A listed entity should disclose: (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.	Y	The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. See Corporate Governance – 1 Board Charter. The Board Charter is available on the Company's website.
1.2 A listed entity should: (a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter The Board is responsible for ensuring it is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance. This will necessarily include undertaking background and other checks before appointing a person or putting them forward to security holders as a candidate for election as a director, as well as providing all material information relevant to a decision for election as a director. The qualifications and experience of the Board members are set out in the Directors report.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Y	On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of their appointment to the Board.
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.	Y	The Board has appointed an experienced Company Secretary who is directly accountable to the Board.
1.5 A listed entity should: (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) Disclose that policy or a summary of it; (c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in	N	While the Company does not have a Diversity Policy, the Board values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilises the contribution of its employees. The purpose of this is to provide diversity and equality relating to all employment matters. The Company's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status,

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accordance with the entity's diversity policy and its progress towards achieving them, and either; (1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) 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.		sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The Company opposes all forms of unlawful and unfair discrimination. The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.
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, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Y	The performance of the Board (as a whole), each standing Board Committee and Board members is reviewed at times decided upon by the Board against measurable and qualitative benchmarks as may reasonably be determined from time to time by the Board having regard to accepted, sound corporate standards.
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.	Y	The performance of senior executives is reviewed at times decided upon by the Board against measurable and qualitative benchmarks as may reasonably be determined from time to time by the Board having regard to accepted, sound corporate standards.

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<u>Principle 2: Structure the Board to Add Value</u>		
2.1 The board of a listed entity should have a nomination committee: which (a) has at least three members, a majority whom are independent directors; and (b) Is chaired by an independent director; and disclose (a) The charter of the committee; (b) The members of the committee; and (c) And 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 (d) If it does not have a nomination committee, disclose the fact and the processes it employs to address board succession issue 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.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter. The separate nomination committee has been formed and the Company has as nomination remuneration committee charter. Due to size and nature of the business, the committee has two members, both non-executive directors of the Company. Attendance at Committee meetings is included in the Director's report.
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	N	The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience. While the Company does not have or disclose a formal skills matrix, it does consider directors attributes prior to any appointment. The qualifications, skill and expertise relevant to the position of Director held by each Director in office at the date of the annual report and their attendance at Board and Committee meetings is included in the Director's report.
2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if director has an interest, position, association 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, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	y	The Board considers Directors to be independent where they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally. The Board has adopted a definition of independence based on that set out in Principle 2.3 of the ASX Corporate Governance Council Principles and Recommendations. The Board will review the independence of each Director in light

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2.4 The Board should establish a Nomination Committee.	Y	of interests disclosed to the Board from time to time. See Corporate Governance – 3 Nomination and Remuneration Committee Charter.
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter.
2.6 Companies should provide the information indicated in 'Guide to reporting on Principle 2'.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter.
Actively promote ethical and responsible decision-making		
<u>Principle 3: Promote ethical and responsible decision-making</u>		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code to:	Y	See Corporate Governance – 4 Directors' and Executive Officers' Code of Conduct
3.1.1 the practices necessary to maintain confidence in the Company's integrity;		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	N	The Company has not yet adopted a diversity policy - refer explanation in 1.5 regarding the reason that the Company has not yet adopted.
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity.	N	The Company has not yet adopted a diversity policy - refer explanation in 1.5 regarding the reason that the Company has not yet adopted.
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	y	To be disclosed in the Annual Report
3.5 Companies should provide the information indicated in the 'Guide to reporting on Principle 3'.	y	

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Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting <u>Principle 4: Safeguard integrity in financial reporting</u> 4.1 The Board should establish an Audit Committee. 4.2 The Audit Committee should be structured so that it: - Consists of non-executive Directors. - Consists of a majority of independent Directors. - Is chaired by an independent Chair, who is not the Chair of the Board. - Has at least three members. 4.3 The Audit Committee should have a formal charter. 4.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 4'.	Y Y Y Y	See Corporate Governance – 2 Audit and Risk Management Committee Charter Refer explanation regarding the Company having only two members See Corporate Governance – 2 Audit and Risk Management Committee Charter See Corporate Governance – 2 Audit and Risk Management Committee Charter
Promote timely and balanced disclosure of all material matters concerning the Company <u>Principle 5: Make timely and balanced disclosure</u> 5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. 5.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 5'.	Y Y	See Corporate Governance – 9 Disclosure Policy See Corporate Governance – 9 Disclosure Policy
Respect the rights of shareholders and facilitate the effectiveness of those rights <u>Principle 6: Respect the rights of shareholders</u> 6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings, and disclose their policy or a summary of that policy. 6.2 Companies should provide information indicated in the 'Guide to reporting on Principle 6'.	Y Y	See Corporate Governance – 8 Communications Policy See Corporate Governance – 8 Communications Policy

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Establish a sound system of risk oversight and management and internal control <u>Principle 7: Recognise and manage risk</u> 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	y	See Corporate Governance – 8 Code of Business Conduct
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Y	See Corporate Governance – 8 Code of Business Conduct
7.3 The Board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided, in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects, in relation to reporting financial risks.	Y	See Corporate Governance – 8 Code of Business Conduct
7.4 Provide the information indicated in the 'Guide to reporting on Principle 7'.	Y	See Corporate Governance – 8 Code of Business Conduct
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear. <u>Principle 8: Remunerate fairly and responsibly</u> 8.1 The Board should establish a Remuneration Committee.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter
8.2 The Remuneration Committee should be structured so that it: - Consists of a majority of independent Directors - Is chaired by an independent Director - Has at least three members	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter. Refer explanation regarding the Company having only two members
8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter
8.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 8'.	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter