

**SKIN ELEMENTS LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**NOVEMBER 2019**

The Board of Skin Elements Limited (The Company) is responsible for the corporate governance of Skin Elements Limited and its subsidiary companies. The Board determines all matters relating to the strategic direction and governance, policies, practices and management of the Company in the best interests of shareholders, stakeholders, clients and employees.

To the extent that they are applicable, the Company has adopted the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles and Recommendations**).

Commensurate with the spirit of the ASX Corporate Governance Principles and Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Corporate Governance Recommendations, the Board sets out below its "if not, why not" report.

Corporate governance policies and practice of the Company are reflective of the Company's current position. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures. Copies of the Company's corporate governance policies are available on the website.

**Structure & Role of the Board**

The Board operates pursuant to a formal Board charter, which sets out the functions and responsibilities of the Board and management of the Company, and is available in the corporate governance section of the Company's website.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report, including their term of office, are detailed in the Directors' Report.

The Board of the Company is responsible for:

- (a) the overall operation and stewardship of the Company and its subsidiaries;
- (b) charting the direction, strategies and financial objectives for the Company; and
- (c) monitoring the implementation of those policies, strategies and financial objectives,

and is committed to protecting and enhancing shareholder values and conducting the Company's business ethically and in accordance with the highest standards of corporate governance.

Each of the Directors, when representing the Company, must act in the best interests of the shareholders of the Company and in the best interests of the Company as a whole.

A Director is considered to be independent where he or she is a non-executive Director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of his or her judgment. Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that the majority of the Directors of Skin Elements Limited will be non-executive (preferably independent) Directors. The Chair is an executive Director. The existence of the following relationships may affect the independent status if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company (as defined in section 9 of the Corporations Act);
- is employed, or has previously been employed, in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the services provided;
- is a material supplier or customer of the Company, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer; or
- has a material contractual relationship with Skin Elements Limited other than as a Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the Directors in office at the date of this statement and considers that all of the Directors are independent as follows:

Name	Position
Peter Malone	Executive Chairman
Filippo (Phil) Giglia	Non-Executive Director / Chairman of the Audit and Risk Committee and Nomination and Remuneration Committee
Craig Piercy	Executive Director / Company Secretary

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at the expense of the Company. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is as follows:

Name	Term in office
Peter Malone	Appointed: 4 September 2015 – no fixed term
Filippo (Phil) Giglia	Appointed: 23 November 2017 – no fixed term
Craig Piercy	Appointed: 29 November 2019 – no fixed term

The Board is assisted by the Nomination and Remuneration Committee and the Audit and Risk Committee.

### Nomination and Remuneration Committee

The Board has an established Nomination and Remuneration Committee. The Nomination and Remuneration Committee is comprised of two members, Filippo (Phil) Giglia and Craig Piercy, one of which is a non-executive Director. The functions of the Nomination and Remuneration Committee include the following:

- assisting the Board in examining the selection & appointment practices of the Company;
- ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and Directors who will create sustainable value for members and other stakeholders;
- ensuring the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- reviewing Board succession plans and Board renewal;
- reviewing the processes for evaluating the performance of the Board, its committees and individual Directors and ensuring that a fair and responsible reward is provided to executives and Directors having regard to their performance and evaluation;
- reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board; and
- reviewing the Company's remuneration, recruitment, retention and termination policies for Board and senior executives.

Due to the Company's size and that of the Board, the committee consists of two members. As the Company grows in size, the Company will consider appointing additional members.

For details of Directors' attendance at meetings of the Nomination and Remuneration Committee, please refer to the Directors' Report.

For additional details regarding the Nomination and Remuneration Committee, including the committee charter, please refer to our website.

### **Audit and Risk Committee**

The Board has an established Audit and Risk Committee that operates under a charter approved by the Board. The Audit and Risk Committee comprises two members, Filippo (Phil) Giglia and Craig Piercy, one of which is a non-executive Director.

The purpose of the Committee with respect to audit is to assist the Board of Directors of the Company in fulfilling its corporate governance and oversight responsibilities by:

#### Monitoring and reviewing:

- the integrity of financial statements;
- the effectiveness of internal financial controls;
- the independence, objectivity and competency of internal and external auditors;
- the policies on risk oversight and management; and
- making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

The Committee is also to assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company.

Due to the Company's size and that of the Board, the Committee currently consists of two members both of whom are non-executive independent Directors. As the Company grows in size, the Company will appoint additional members.

Details of the skill and experience of the committee members are detailed in the Directors' report.

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

For additional details regarding the Audit and Risk Committee, including the committee charter, please refer to our website.

### **Dealing in Securities Policy**

The Board has an established Dealing in Securities Policy. The policy sets out the rules and regulations that apply to the Directors, Key Management Personnel, their associates and employees of the Company in regards to trading in the securities of the Company. The policy aims to develop a culture of awareness of individual responsibilities in regards to trading in the Company's securities and having regard to the insider trading provisions.

For additional details regarding the Dealing in Securities policy, please refer to our website.

### **Code of Conduct**

Skin Elements Limited has established a code of conduct. The code of conduct is located on the Company's website in the Corporate Governance section.

### **Shareholder Communication Policy**

The Board aims to ensure that shareholders are informed of all major developments the Company's state of affairs. In particular, the Board believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.

The Company's website includes a section on the Company's corporate governance policies and practices, a reports section containing copies of annual and half yearly reports and reports from stockbroking firms, a news section, containing copies of ASX announcements made by the Company, and details of the Company's projects and activities including presentation material provided to investors or stockbroking analysts, briefing material from any Company site visits and the Company profile and contact details.

### **Diversity**

Whilst Skin Elements Limited has not yet formally adopted a Diversity Policy, the Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce.

The Company's general policy when choosing employees is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company is yet to employ any operational staff but expects to expand its workforce as its business operations continue to expand.

#### **Skin Elements Limited establishment workforce gender profile**

	<b>Female</b>	<b>Female %</b>	<b>Male</b>	<b>Male %</b>
Executive Management	0	0	2	100
Board	0	0	3	100
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>100</b>

### **Explanations for departures from ASX Corporate Governance Recommendations**

Recommendations that have not been adopted by the Company prior to the date of the latest Annual Report, together with the reasons why they have not been adopted.

#### **Principle 3- Recommendations 3.2 & 3.3**

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

##### ***Explanation from Departure***

Due to the Company's size and nature, the Company has not yet adopted a diversity policy. The Company will consider adopting a diversity policy if it considers it warranted in FY 2020.

#### **Principle 4 – Recommendation 4.2**

The Audit Committee composition should include at least three members.

##### ***Explanation for Departure***

Due to the Company's size, and size and composition of the Board, and recognising the recent resignations of a number of independent Directors and the casual appointment of an executive Director, this Committee currently consists of two members one of which is a non-executive independent Director. It is the Company's intention to appoint additional non-executive independent Directors and Members of the Audit Committee as soon as practical.

#### **Principle 8 – Recommendation 8.2**

The Remuneration and Nomination Committee composition should include at least three members.

##### ***Explanation for Departure***

Due to the Company's size, and size and composition of the Board, and recognising the recent resignations of a number of independent Directors and the casual appointment of an executive Director, this Committee currently consists of two members one of which is a non-executive independent Director. It is the Company's intention to appoint additional non-executive independent Directors and Members of the Audit Committee as soon as practical.

### **BEST PRACTICE RECOMMENDATION**

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council as they applied for the financial year ended 30 June 2019. The Company expects to comply with the Corporate Governance Principles and Recommendations except as identified on the next pages.

## SKIN ELEMENTS LIMITED – CORPORATE GOVERNANCE PRINCIPLES AND RECOMENTATIONS

Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<b><u>Principle 1: Lay solid foundation for management and oversight</u></b>		
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	<p>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.</p> <p>The Board Charter is available on the Company's website.</p>
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	<p>See Corporate Governance – 3 Nomination and Remuneration Committee Charter</p> <p>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.</p> <p>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.</p> <p>The qualifications and experience of the Board members are set out in the Directors report.</p>
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Y	<p>On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of their appointment to the Board.</p>
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	<p>The Board has appointed an experienced Company Secretary who is directly accountable to the Board.</p>
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	N	<p>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</p>

Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<p>measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either;</p> <p>(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</p> <p>(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.</p>		<p>and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The Company opposes all forms of unlawful and unfair discrimination.</p> <p>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.</p> <p>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.</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors: and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Y	<p>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.</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Y	<p>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.</p>

Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<b><u>Principle 2: Structure the Board to Add Value</u></b>		
<p>2.1 The board of a listed entity should have a nomination committee: which</p> <p>(a) has at least three members, a majority whom are independent directors; and</p> <p>(b) Is chaired by an independent director;</p> <p>and disclose</p> <p>(a) The charter of the committee;</p> <p>(b) The members of the committee; and</p> <p>(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</p> <p>(d) If it does not have a nomination committee, disclose the fact and the processes it employees to address board succession issue sand 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.</p>	Y	<p>See Corporate Governance – 3 Nomination and Remuneration Committee Charter.</p> <p>The separate nomination committee has been formed and the Company has as nomination remuneration committee charter. Due to current composition of the Board, the committee has two members, one of which is a non-executive director of the Company.</p> <p>Attendance at Committee meetings is included in the Director’s report.</p>
<p>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.</p>	N	<p>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.</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p> <p>(c) the length of service of each director.</p>	y	<p>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.</p> <p>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</p>



Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<p>2.4 The Board should establish a Nomination Committee.</p> <p>2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.</p> <p>2.6 Companies should provide the information indicated in 'Guide to reporting on Principle 2'.</p>	<p>Y</p> <p>Y</p> <p>Y</p>	<p>review the independence of each Director in light of interests disclosed to the Board from time to time.</p> <p>See Corporate Governance – 3 Nomination and Remuneration Committee Charter.</p> <p>See Corporate Governance – 3 Nomination and Remuneration Committee Charter.</p> <p>See Corporate Governance – 3 Nomination and Remuneration Committee Charter.</p>
<p><b>Actively promote ethical and responsible decision-making</b></p> <p><u>Principle 3: Promote ethical and responsible decision-making</u></p> <p>3.1 Companies should establish a code of conduct and disclose the code or a summary of the code to:</p> <p>3.1.1 the practices necessary to maintain confidence in the Company's integrity;</p> <p>3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</p> <p>3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</p> <p>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.</p> <p>3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity.</p> <p>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.</p> <p>3.5 Companies should provide the information indicated in the 'Guide to reporting on Principle 3'.</p>	<p>Y</p> <p>N</p> <p>N</p> <p>y</p> <p>y</p>	<p>See Corporate Governance – 4 Directors' and Executive Officers' Code of Conduct</p> <p>The Company has not yet adopted a diversity policy - refer explanation in 1.5 regarding the reason that the Company has not yet adopted.</p> <p>The Company has not yet adopted a diversity policy - refer explanation in 1.5 regarding the reason that the Company has not yet adopted.</p> <p>To be disclosed in the 2016 Annual Report</p>

Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<p><b>Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</b></p> <p><u>Principle 4: Safeguard integrity in financial reporting</u></p> <p>4.1 The Board should establish an Audit Committee.</p> <p>4.2 The Audit Committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• Consists of non-executive Directors.</li> <li>• Consists of a majority of independent Directors.</li> <li>• Is chaired by an independent Chair, who is not the Chair of the Board.</li> <li>• Has at least three members.</li> </ul> <p>4.3 The Audit Committee should have a formal charter.</p> <p>4.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 4'.</p>	<p>Y</p> <p>Y</p> <p>Y</p> <p>Y</p>	<p>See Corporate Governance – 2 Audit and Risk Management Committee Charter</p> <p>Refer explanation regarding the Company having only two members</p> <p>See Corporate Governance – 2 Audit and Risk Management Committee Charter</p> <p>See Corporate Governance – 2 Audit and Risk Management Committee Charter</p>
<p><b>Promote timely and balanced disclosure of all material matters concerning the Company</b></p> <p><u>Principle 5: Make timely and balanced disclosure</u></p> <p>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.</p> <p>5.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 5'.</p>	<p>Y</p> <p>Y</p>	<p>See Corporate Governance – 9 Disclosure Policy</p> <p>See Corporate Governance – 9 Disclosure Policy</p>
<p><b>Respect the rights of shareholders and facilitate the effectiveness of those rights</b></p> <p><u>Principle 6: Respect the rights of shareholders</u></p> <p>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.</p> <p>6.2 Companies should provide information indicated in the 'Guide to reporting on Principle 6'.</p>	<p>Y</p> <p>Y</p>	<p>See Corporate Governance – 8 Communications Policy</p> <p>See Corporate Governance – 8 Communications Policy</p>

Corporate Governance Policy	Adopted (Y or N)	Action taken and reasons if not adopted
<p><b>Establish a sound system of risk oversight and management and internal control</b></p> <p><u>Principle 7: Recognise and manage risk</u></p> <p>7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</p>	y	See Corporate Governance – 8 Code of Business Conduct
<p>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.</p>	Y	See Corporate Governance – 8 Code of Business Conduct
<p>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.</p>	Y	See Corporate Governance – 8 Code of Business Conduct
<p>7.4 Provide the information indicated in the 'Guide to reporting on Principle 7'.</p>	Y	See Corporate Governance – 8 Code of Business Conduct
<p><b>Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.</b></p> <p><u>Principle 8: Remunerate fairly and responsibly</u></p> <p>8.1 The Board should establish a Remuneration Committee.</p>	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter
<p>8.2 The Remuneration Committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• Consists of a majority of independent Directors</li> <li>• Is chaired by an independent Director</li> <li>• Has at least three members</li> </ul>	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter. Refer explanation regarding the Company having only two members
<p>8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.</p>	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter
<p>8.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 8'.</p>	Y	See Corporate Governance – 3 Nomination and Remuneration Committee Charter