



Corporate Governance Statement

Emerald Clinics Limited (**Company**) and the Board of Directors of the Company (**Board**) are committed to achieving and maintaining high standards of performance and corporate governance.

The Company supports the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

The Company's practices are largely consistent with the Recommendations. The Board considers that the implementation of a small number of Recommendations is not appropriate, for the reasons set out below in relation to the items concerned. The Board uses its best endeavours to ensure that exceptions to the Recommendations do not have a negative impact on the Company and the best interests of shareholders as a whole.

The directors of the Company (**Directors**, being either Non-Executive Directors or Executive Directors) are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

As required by the ASX Listing Rules, the Company's main corporate governance policies and practices are summarised below, having regard to the Recommendations.

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

1.1 Recommendation 1.1 - Board of Directors and Senior Management - Roles and Responsibilities

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

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

The Board has adopted a formal charter that details the respective Board and management functions and responsibilities (Board Charter).

A copy of the Board Charter is available on the Company's website at www.emeraldclinics.com.au.

1.2 Recommendation 1.2 - Board nominations

A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company considers the character, industry and relevant experience, education and skill set, as well as interests and associations of candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their appointment.

The Company ensures all information in relation to Directors seeking reappointment is set out in the Directors report and Notice of Annual General Meeting.

1.3 Recommendation 1.3 - Directors and Senior Executives - Terms of appointment

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

The Company maintains written agreements with each of its Directors and senior executives setting out their roles and responsibilities.

1.4 Recommendation 1.4 - Company Secretary

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.

As set out in the Board Charter the Company Secretary is engaged by the Company to manage the proper functioning of the Board and reports directly to the Chair and is accountable to the Board.

1.5 Recommendation 1.5 - Diversity

A listed entity should:

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

The Company has adopted a policy addressing the achievement of gender diversity, however, given the current size of the Company's operations, the Company has not set measurable objectives for achieving gender diversity.

Should the setting of such measurable objectives be considered appropriate for the Company in the future due to increases in size of the organisation, the Company will look to adopt such objectives.

The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment.

At each reporting date, the Company will disclose the respective proportions of men and women on the Board, in senior executive positions and across the whole workforce (including how the entity has defined 'senior executive' for these purposes).

1.6 Recommendation 1.6 - Board performance review and evaluation

A listed entity should:

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

The Board will review its performance annually, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board)

The Company will disclose whether a performance evaluation was undertaken in each reporting period.

1.7 Recommendation 1.7 - Senior executive performance review and evaluation

A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and**
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Company has in place procedures for evaluating the performance of its senior executives overseen by the Board. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

The Company will disclose whether a performance evaluation was undertaken in each reporting period.

2. Principle 2: Structure the Board to be effective and add value

2.1 Recommendation 2.1 - Nomination committee

The board of a listed entity should:

- (a) have a nomination committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director,and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee;
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the process it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company is not yet of a relevant size to consider the formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all Directors are involved in the search and recruitment of a replacement. The Board is confident that this process for selection, including undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, and review is stringent and full details of all Directors will be provided to Shareholders in the annual report and on the Company's website.

2.2 Recommendation 2.2 - Skills, knowledge and experience

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

The Board has established a Risk Matrix and will disclose its skills on a collective basis in its annual corporate governance statement.

A profile of each Director setting out their skills, experience and period of office is set out in the Directors' Report of the latest Annual Report.

2.3 Recommendation 2.3 - Independence and length of service

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;**
- (b) if a director has an interest, position or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and**
- (c) the length of service of each director.**

The Board currently consists of Executive Directors Stewart Washer, Michael Winlo and Alistair Vickery and Non-Executive Director Matthew Callahan. Mr Callahan is not considered an independent Director due to an associated entity being a substantial shareholder in the Company. Upon Admission, proposed Director John Tooke will join the Board and be considered an independent Director. As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

Dr Stewart Washer and Mr Mathew Callahan were appointed directors on 19 March 2018. Ms Patrizia Washer was appointed on 19 March 2019 and resigned on 28 October 2019. Mr Alistair Vickery was appointed on 18 March 2019. Michael Winlo was appointed on 7 November 2019.

2.4 Recommendation 2.4 - Majority of independent Directors

A majority of the board of a listed entity should be independent directors.

Due to the size and scale of the Company's current activities, the Board does not consist of a majority of independent directors. The Board considers the composition of the Board, is appropriate given the size and current operations of the Company. To further facilitate independent decision-making, the Board has agreed procedures for Directors to have access in appropriate circumstances to independent professional advice.

As the Company grows, the Board will consider the appointment of additional independent Directors

2.5 Recommendation 2.5 - Independent Chair

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Board has formed the view that, given the size and nature of the business of the Company, and the knowledge and experience Dr Stewart Washer brings to the Company, that Dr Washer is the most appropriate person to hold the position of Chairman of the Company even though he is not independent by reason of being an Executive Director. The Chairman is not the same person as the CEO of the entity. As the Company grows, the Board will consider the appointment of additional independent Directors.

2.6 Recommendation 2.6

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

Upon appointment to the Board new Directors will be provided with Company policies and will be provided an opportunity to discuss the Company's operations with senior management and the Board.

The Company encourages its Directors to participate in professional development opportunities presented to the Company and provides appropriate industry information to its Board members on a regular basis.

3. Principle 3: Instil a culture of acting lawfully, ethically and responsibly

3.1 Recommendation 3.1 - Statement of values

A listed entity should articulate and disclose its values.

The Board has approved a statement of values and charges the Directors with the responsibility of inculcating those values across the Company.

A copy of the Company's statement of values is available on the Company's website, www.emeraldclinics.com.au.

3.2 Recommendation 3.2 - Code of conduct

A listed entity should:

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

The Company has established a Code of Conduct that sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standards of behaviour expected from its Directors and employees. The Code of Conduct sets out policies in relation to various corporate and personal behaviour including safety, discrimination, respecting the law, anti-corruption, interpersonal conduct and conflict of interest.

A copy of the Company's Code of Conduct is available on the "Corporate Governance" page of the Company's website, www.emeraldclinics.com.au.

3.3 Recommendation 3.3 - Whistleblower policy

A listed entity should:

- (c) have and disclose a whistleblower policy; and**

- (d) **ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Board has adopted a Whistleblower Protection Policy to ensure concerns regarding unacceptable conduct including breaches of the Company's code of conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. The purpose of this policy is to promote responsible whistle blowing about issues where the interests of others, including the public, or of the organisation itself are at risk.

A copy of the Company's Whistleblower Protection Policy is available on the Company's website, www.emeraldclinics.com.au.

3.4 Recommendation 3.4 Anti-bribery and corruption policy

A listed entity should:

- (e) **have and disclose an anti-bribery and corruption policy; and**
- (f) **ensure that the board or a committee of the board is informed of any material breaches of that policy.**

The Board has adopted an Anti-Bribery and Anti-Corruption Policy for the purpose of setting out the responsibilities in observing and upholding the Company's position on bribery and corruption provide information and guidance to those working for the Company on how to recognise and deal with bribery and corruption issues.

A copy of the Company's Anti-Bribery and Anti-Corruption Policy is available on the Company's website, www.emeraldclinics.com.au.

4. Principle 4: Safeguard the integrity of corporate reports

4.1 Recommendation 4.1 - Audit committee

The board of a listed entity should:

- (a) **have an audit committee which:**
 - (1) **has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
 - (2) **is chaired by an independent director, who is not the chair of the board,**

and disclose:

- (3) **the charter of the committee;**
- (4) **the relevant qualifications and experience of the members of the committee; and**
- (5) **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity requiring the formation of a separate Audit Committee.

The full Board carries out the duties that would ordinarily be assigned to the Audit Committee.

4.2 Recommendation 4.2 - CEO and CFO declarations

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company will, before it approves the entity's financial statements for a full year and half year financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. The Board has formed the view that, given the size and nature of the business of the Company, such a process is not required in relation to the Company's quarterly cash flow reports.

4.3 Recommendation 4.3 - Periodic corporate reports

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

When preparing reports for release to the market including the quarterly activity and cash flow reports these reports shall be prepared and reviewed by the Managing Director before being presented to the Board for review. Such reports shall not be released to market without this review process by the managing Director and the Board.

5. Principle 5: Make timely and balanced disclosure

5.1 Recommendation 5.1 - Continuous disclosure to ASX

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1.

The Company has established a Continuous Disclosure Policy which is designed to guide compliance with ASX Listing Rule disclosure requirements, and to ensure that all

Directors, senior executives and employees of the Company understand their responsibilities under the policy.

In accordance with the Company's Continuous Disclosure Policy, all information provided to ASX for release to the market is also posted to the Company's website, www.emeraldclinics.com.au.

The Continuous Disclosure Policy of the Company is available on the "Corporate Governance" page of the Company's website www.emeraldclinics.com.au.

5.2 Recommendation 5.2 - Copies of market announcements

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

The Board has appointed the Company Secretary as the person responsible for communicating with ASX and overseeing and coordinating the timely disclosure of information to ASX. The Company Secretary will ensure that when the confirmation of a release is received from the ASX, it is promptly forwarded to the Board.

5.3 Recommendation 5.3 - Presentation materials

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

The Board has appointed the Company Secretary as the person responsible for communicating with ASX and overseeing and coordinating the timely disclosure of information to ASX. The Company Secretary will ensure that any new and substantive presentations are released to the ASX Market Announcements Platform ahead of the presentation and a copy of which is available on the Company's website, www.emeraldclinics.com.au.

6. Principle 6: Respect the rights of security holders

6.1 Recommendation 6.1 - Information available on the Company's website

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

The Company's website at www.emeraldclinics.com.au contains information about the Company's activities, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.

6.2 Recommendation 6.2 - Investor relations

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

The Company has adopted a Shareholder Communication Policy, which encourages shareholder participation and engagement with the Company. This policy has

nominated the Chair, Managing Director and Company Secretary for having the primary responsibility for communicating with shareholders.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website, www.emeraldclinics.com.au, or the ASX website, www.asx.com.au under the ASX code "[EMD]".

6.3 Recommendation 6.3 - Shareholders' meetings

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

The Shareholder Communication Policy encourages shareholder participation at shareholders' meetings. Shareholders are provided with all notices of meeting prior to meetings. The Company's auditor is also made available for questions at the annual general meeting. Shareholders are also always given the opportunity to ask questions of the Directors and management, either during or after shareholders' meetings.

6.4 Recommendation 6.4 - Resolutions decided by a poll

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

The Company will conduct a poll at meetings of security holders to decide each resolution.

6.5 Recommendation 6.5 - Electronic communications

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

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's mailing list.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

7. Principle 7: Recognise and manage risk

7.1 Recommendation 7.1 - Risk committee

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:**
 - (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director,**

and disclose:

 - (3) the charter of the committee;**

- (4) the members of the committee; and
- (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

A Risk Committee has been established by the Board. Members of the Risk Committee will be John Tooke (Chair) Matthew Callahan and Stewart Washer.

The qualifications and experience of the members of the Risk Committee will be disclosed in the Directors' Report contained in the Annual Report.

As a consequence of the size and composition of the Company's Board the Risk Committee does not have a majority of independent Directors as per the Recommendations.

7.2 Recommendation 7.2 - Internal control

The board or a committee of the board should:

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

The Company is committed to the identification; monitoring and management of risks associated with its business activities and has established policies in relation to the implementation of practical and effective control systems. The Company has established a Risk Management Framework and Policy.

The Company will disclose annually whether the Board has completed a review of the Company's Risk Management Framework and Policy to satisfy itself that it continues to be sound and applicable to the Company's activities.

7.3 Recommendation 7.3 - Internal audit

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

The Company does not have an independent internal audit function. Due to the nature and size of the Company's operations, and the Company's ability to derive substantially

all of the benefits of an independent internal audit function in the manner disclosed below, the expense of an independent internal auditor is not considered to be appropriate.

The Board, in conjunction with the Risk Committee, oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements and monitors the quality of the accounting function.

7.4 Recommendation 7.4 - Risk management

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

The Company identifies and manages material exposure to environmental and social risks in a manner consistent with its Risk Management Framework and Policy.

Environmental: The Company is subject to, and responsible for, ensuring compliance with various regulations, licenses, approvals and standards so that its activities do not cause unauthorised environmental harm. Through its ongoing management of environmental activities, the Company has been able to operate in an environmentally sustainable and responsible manner.

Social: The Company recognises that a failure to manage stakeholder expectations may lead to disruption to the Company's operations. The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

8. Principle 8: Remunerate fairly and responsibly

8.1 Recommendation 8.1 - Remuneration committee

The board of a listed entity should:

(a) have a remuneration committee which:

- (1) has at least three members, a majority of whom are independent directors;
- (2) is chaired by an independent director,

and disclose:

- (3) the charter of the committee;
- (4) the members of the committee; and
- (5) as at the end of each reporting period, the number of times the committee has met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board as a whole performs the function of a remuneration committee which includes setting the Company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity requiring the formation of a separate remuneration committee.

The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate.

8.2 Recommendation 8.2 - Remuneration policy

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The remuneration of any Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

A Non-Executive Director may be paid fees or other amounts in accordance with any consultancy agreement in which they have an interest or as the Directors determine from time to time where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director or any consultancy agreement in place.

In addition, subject to any necessary Shareholder approval Directors may receive non-cash performance incentives such as options or performance rights. Directors are also entitled to be paid reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Board reviews and approves the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

8.3 Recommendation 8.3 Equity-based remuneration scheme

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

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- (b) disclose that policy or a summary of it.**

The Company's Trading Policy prohibits the use of Derivatives in relation to unvested equity instruments, including performance share rights, and vested Company Securities that are subject to disposal restrictions (such as a "Holding Lock").

Derivatives may be used in relation to vested positions which are not subject to disposal restrictions subject to compliance with the law and the other provisions of the Trading Policy.