

## 2020 CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement outlines the governance practices that were in place during the financial year, which comply with the Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) ("Corporate Governance Principles & Recommendations") as published by the Australian Securities Exchange ("ASX") Corporate Governance Council, unless otherwise stated. Where a recommendation has not been followed, this is stated along with an explanation for the departure.

### Principle 1

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

The Board of Resonance Health Limited ("Resonance Health" or "Company") is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act 2001 (Cth) ("Corps Act"), and the Company's constitution ("Constitution").

Subject to this statutory framework, the Board has the authority and the responsibility to control the affairs of Resonance Health.

The Board must ensure that the Company acts in accordance with prudent commercial principles consistent with the objective of maximising the Company's long term value.

The Company has established and disclosed those matters expressly reserved to the Board, in the Company's Board Charter which can be viewed on the "Investors" link on the Company's website.

The Board Charter summarises the role, responsibilities, policies, and processes of the Board and sets out the Board's approach to corporate governance.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives;
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- Ensuring the preparation of accurate financial reports and statements;
- Reporting to shareholders and the investment community on the performance and state of the Company;
- Appointing and monitoring the performance of senior executives; and
- Establishing proper succession plans for the management of the Company.

The Board Charter very broadly summarises the role and responsibilities of the Chief Executive Officer ("CEO") and the Company Secretary.

The Board delegates responsibility for the day to day management of the Company to the CEO. However, the CEO must consult with the Board on matters that are sensitive, extraordinary or of a strategic nature.

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

Separate functions of the Board and management existed and were practised throughout the year.

The performance of senior executives is measured against criteria agreed annually and is based predominantly on the achievement of milestones.

A management review was undertaken during reporting period.

## 2020 CORPORATE GOVERNANCE STATEMENT

### Principle 1

#### Lay solid foundations for management and oversight (continued)

Details of matters reserved to the Board and delegated to the CEO are outlined in the Board Charter. The Company undertakes appropriate checks before appointing a person or putting forward to security holders a candidate for election as a Director and security holders are provided with all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company undertakes a periodical review evaluating the Board members. A questionnaire is distributed and the Directors provide a written response.

The responses are reviewed and discussed at a Board meeting. A questionnaire and a Board review was completed during the reporting period.

The Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

#### Diversity Policy

The Company does not have a formal Diversity Policy but pursuant to the Company's Code of Conduct all personnel must be treated with respect and not discriminated against either during their employment or through recruitment action, with respect to their gender, age, race, religion, cultural background, marital status, sexual orientation or disability. Resonance Health recognises that there is difficulty achieving diversity across all areas of the Company due to the relatively small size of the Company's workforce.

Gender diversity statistics are as follows:

	No. of Employees	
	Male	Female
Non-Executive Directors	4	
Senior executive officers	1	1
Other managers & employees	8	5
<b>Total employees</b>	<b>13</b>	<b>6</b>

The Board currently has no measurable objectives on achieving greater gender diversity within the Company but it notes that the Company's current CEO is a female.

The Board confirms the Company's compliance with Corporate Governance Principles & Recommendations Principle 1 at all times during the year, except as noted above.

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### Principle 2

#### Structure the Board to be effective and add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a range of technical, commercial, scientific, financial, and legal skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed Company should have a majority of Directors who are independent (Principle 2 Recommendation 2.4). The Board does not have a majority of independent Directors for the reporting period.

The Board considers that Dr. Martin Blake (Chair of the Board) and Dr. Travis Baroni (Chair of the Audit & Risk Committee) are independent Directors but that Mitchell Wells and Simon Panton are not. Mr Wells provides consulting services to the Company and Simon Panton is a substantial shareholder of the Company. Despite not having a majority of independent directors, the Board considered that the Board composition and size are appropriate at present but this is likely to change in future periods and as the Company grows.

It is Company's intention to transition to a majority independent Board as the Company matures.

The Board considers a Director independent when the Director does not have any relationship with the Company that would be considered to materially affect the independence considerations (when viewed collectively) outlined in the ASX Corporate Governance Council Principle 2 (see Recommendation 2.4).

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 or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal 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.

Directors during the financial year, and the Board's assessment of their independence, are as follows:

- Dr Martin Blake – Non-executive Chairman (independent)
- Mr Simon Panton – Non-executive Director (not independent)
- Mr Travis Baroni – Non-executive Director (independent)
- Mr Mitchell Wells – Non-executive Director (not independent)

A description of the skills and experience of each Director, and reasons for their independence or otherwise, and their period of office is disclosed in the Directors' Report.

#### Independence criteria:

A Director will be regarded as independent if that person is a Non-executive Director and is free from any interest and other business relationship that could materially interfere with that person's ability to act in the best interests of Resonance. Particularly, they must not be or have been:

- a substantial shareholder of Resonance or associated with a substantial shareholder of Resonance.
- an executive of Resonance for the last three years.
- a principal of a material professional advisor or an employee of a material service provider for the last three years.
- a material supplier to or a customer of Resonance or its subsidiaries.
- If one of these relationships exists, either directly or through a related party interest, the Board may still consider a Director to be independent however it must clearly state the reasons for this decision in the Annual Report. If the independent status of a Director is lost this will be disclosed to the market immediately.
- A substantial shareholding is considered to be more than 5%.
- Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Director's performance.
- Directors have access to all Company personnel and Resonance's auditor, and independent professional advice may be sought at Resonance's expense with prior approval of the Chairman of the Board. Due to the size of the Company no formal development program has been established. New Directors will be inducted as for other Company personnel.

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### Principle 2

#### Independence criteria: (continued)

- Director has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.

The Corporate Governance Principles & Recommendations Principle 2.5 recommends that the Chairman should be an independent Director. The role of Chairman was performed by an independent Director at all times during the financial year.

Principle 2.5 recommends that the roles of Chairman and CEO should be exercised by different individuals. The Company complied with this recommendation at all times during the financial year.

Directors are subject to re-election by rotation at annual general meetings ("AGMs") as stipulated in the Corps Act and the Constitution. There is no maximum term for Non-executive Director appointments. Newly appointed Directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of Directors is determined by the Nomination & Remuneration Committee. Further information and the components of remuneration for Directors are set out in the Directors' Report.

Principle 2.1 recommends that the Nomination Committee should consist of a majority of Independent Directors, be chaired by an independent Director, and have at least three members.

The members of the Nomination & Remuneration Committee during the financial year were:

- Dr Martin Blake – (Chairman) – Independent
- Mr Simon Panton – Not Independent
- Mr Travis Baroni – Independent
- Mr Mitchell Wells – Not Independent

The Nomination & Remuneration Committee consists entirely of Non-executive Directors but two of the Directors have been assessed as not independent, as outlined above.

The number of meetings attended by each member of the Nomination and Remuneration Committee are detailed in the Directors' Report. The Company's Nomination and Remuneration Committee Charter can be viewed on the Company's website.

The Company has a procedure in place for Directors to take independent professional advice at the expense of the Company.

Prior to the appointment of a new Director, the Nomination & Remuneration Committee considers the skills represented on the Board by the Non-executive Directors and determines whether those skills are consistent with the skills required.

The Committee may then implement a process to identify suitable candidates for appointment. The Committee makes recommendations to the Board on candidates it considers appropriate for appointment.

Induction procedures are in place to ensure new Directors are able to participate fully and actively in Board decision-making at the earliest opportunity. Directors are encouraged to engage in continuing education and are encouraged to update and enhance their skills and knowledge.

Directors meet regularly to discuss the performance of the Company and to attend to regulatory requirements. The Company Secretary distributes information before each Board meeting to enable Directors to discharge their duties effectively.

The Company's Constitution requires a Director of the Company to not hold office without re-election past the third annual general meeting following the director's appointment or three years, whichever is longer.

The Board complied with Principle 2 at all times during the year.

## **2020 CORPORATE GOVERNANCE STATEMENT**

### **Principle 3**

#### **Promote ethical and responsible decision-making**

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to Principle 3.1 the Board expects the business practices and ethics exercised by individual Directors and key executives to be of the highest standards.

The Company has a Code of Conduct as to the:

- practices necessary to maintain confidence in the Company's integrity;
- practices necessary to take into account their legal obligations and the expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct can be viewed at the Company's website.

These practices are further outlined in the Company's Board Charter, Communication Policy, Continuous Disclosure Charter, Share Trading Policy, Audit and Risk Charter and Nomination and Remuneration Charter. These documents are also available on the Company's website.

#### **Trading in the Company's shares**

The Company's Trading Policy restricts Directors and employees from acting on material information until it has been released to the market and an adequate time has been given for this to be reflected in the securities' prices. Statutory provisions of the Corporations Act dealing with insider trading have been complied with.

The Company's Securities Trading Policy is disclosed on the Company's website.

The Board complied with the ASX Corporate Governance Council Principle 3 Recommendations at all times during the year.

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### Principle 4

#### Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee that operates in accordance with the Company's Audit and Risk Charter. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information.

The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the consolidated entity to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are non-executive Directors.

ASX Corporate Governance Council Principle 4.1 recommends that the Audit Committee should consist only of Non-executive Directors with a majority of independent Directors, be Chaired by an independent Director who is not Chair of the Board and have at least three members.

The members of the Audit and Risk Committee during the financial year were:

- Mr Travis Baroni (Chairman) – Independent
- Dr Martin Blake - Independent
- Mr Simon Panton – Not independent
- Mr Mitchell Wells – Not independent

The qualifications of each member of the Audit and Risk Committee and the number of meetings attended are detailed in the Directors' Report.

The Audit and Risk Committee generally invites the CEO, Company Secretary, and external auditors to attend meetings.

The Company discloses its Audit and Risk Committee Charter on the Company's website.

The Company's external auditors have a policy for the rotation of audit engagement partners. A new Audit Partner was assigned to the Company with effect for the 2019 financial year in line with this policy.

With effect from 2 February 2017 the Chair of the Audit and Risk Committee is not the Chair of the Board. The Company has complied with the ASX Corporate Governance Council Principle 4.1 Recommendation.

In accordance with Recommendation 4.2, the Chief Financial Officer and Chief Executive Officer provide written statements at each reporting period regarding the integrity of the financial statements and the Company's risk management and internal compliance and control systems.

Pursuant to Recommendation 4.3, the Company's external auditor is invited to attend the annual general meeting and questions from shareholders regarding the conduct of the audit and the preparation and content of the auditor's report are welcomed.

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### **Principle 5**

#### **Make timely and balanced disclosure**

The Company complies with disclosure requirements to ensure that Resonance Health manages the disclosure of price sensitive information effectively and in accordance with the requirements of regulatory bodies.

The CEO and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures.

The Company has a Continuous Disclosure Policy which is designed to ensure compliance with the ASX Listing Rules pertaining to continuous disclosure and accountability at a senior executive level for that compliance.

The Company's Continuous Disclosure Policy is available through the Company's website.

All announcements made to the ASX are placed on the Company's website after public release on the ASX.

The Board complied with the ASX Corporate Governance Council Principle 5 Recommendations at all times during the year.

### **Principle 6**

#### **Respect the rights of shareholders**

The Company has a Communications Charter that sets out the Company's communications strategy with respect to shareholders including how to actively promote shareholder involvement in the Company.

The Communication Charter aims to increase and improve the information available to shareholders through the Company's website. Company announcements, presentations to analysts, and other significant briefings are posted on the Company's website after release on the Australian Securities Exchange.

The Board complied with the ASX Corporate Governance Council Principle 6 Recommendations at all times during the year.

### **Principle 7**

#### **Recognise and manage risk**

Recommendation 7.1 requires that the Company has a formal risk management policy and internal compliance and control system. Resonance Health, through its operating subsidiary Resonance Health Analysis Services Pty Ltd, maintained a Quality Management System (QMS) to international standards ISO13485:2003 for the whole financial year which encompass formal risk analysis processes.

Recommendation 7.2 requires implementation and review of the Company's risk management and internal control system. The Company did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit and Risk Committee (see commentary on Principle 4 above).

The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee given that risk forms part of the remit of the Audit & Risk Committee

The QMS requires the appointment of a 'Management Representative' that reports directly to the Board.

The Company also has in place classes of insurance at levels which are recommended for its size and operations. Management has reported the effectiveness of the Company's management of its material business risks to the Board during the reporting period.

The Company's Audit & Risk Charter is available on the Company's website.

Recommendation 7.3: Due to the Company's size no separate internal audit function has been established. Company has maintained a Quality Management System (QMS) to international standards ISO13485:2016 for the whole financial year which encompass formal risk analysis processes.

Recommendation 7.4: The Company does not have material exposure to economic, environmental and social sustainability risks other than normal trading business risks.

Except for Recommendation 7.3 the Board complied with the ASX Corporate Governance Council Principle 7 Recommendations at all times during the year.

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### **Principle 8**

#### **Remunerate fairly and responsibly**

The Board has a Nomination and Remuneration Committee. Members of the Committee are outlined under Principle 2 above.

ASX Corporate Governance Council Principles recommend that the Remuneration Committee should consist of a majority of independent Directors, be chaired by an Independent Director, and have at least three members.

The Nomination and Remuneration Committee regularly review the level and composition of remuneration of non-executive Directors, executive Directors and senior management with regards to industry best practice, Company and individual performance.

All employees receive a base salary and superannuation. The Company has an Employee Share Incentive Plan and Incentive Option Plan. Directors do not receive any equity based remuneration unless specifically approved by shareholders by resolution at a meeting of shareholders.

The members of the Nomination & Remuneration Committee are outlined in Principle 2. Their attendance at Nomination and Remuneration Committee meetings is detailed in the Directors' Report. Director disclosure requirements are detailed in the Remuneration Report.

The Nomination and Remuneration Committee Charter is available on the Company's website.

Recommendation 8.3 – The Company does not have a written 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 Share Plan. However the Directors discourage employees from doing so especially if it is a short term trading activity.

The Board complied with the ASX Corporate Governance Council Principle 8 Recommendations at all times during the year with the exception of Recommendation 8.3 as noted above.