

# Corporate Governance Statement 2023

BTC health's board of Directors ("Board") aims to ensure that the Company operates with a corporate governance framework and practices that promote an appropriate governance culture throughout the organisation and that are relevant, practical and cost-effective for the current size and stage of development of the business. The Board will continue to review the framework and practices as the business size and complexity changes. The corporate governance statement was approved by the Board on 22 August 2023.

A description of the framework and practices is set out below, laid out under the structure of the ASX Listing Rules and the Corporate Governance Principles (the "Principles") and Recommendations (the "Recommendations") 4th Edition issued by the ASX Corporate Governance Council in February 2019.

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

The Board is responsible for the overall corporate governance of the Company. The Board acts on behalf of and is accountable to the shareholders. The Board seeks to identify the expectations of shareholders as well as other regulatory and ethical expectations and obligations. The Board is responsible for identifying areas of significant business risk and ensuring mechanisms are in place to manage those risks adequately. In addition, the Board sets the overall strategic goals and objectives, and monitors achievement of goals. In accordance with Recommendation 1.2, the board charter sets out the roles and responsibilities of the Board and Management.

The Board has delegated the responsibility for the operation and administration of the Company to the Executive Chairman and the Company Secretary. The Board will ensure that management is appropriately qualified to discharge its responsibilities.

The Board will ensure management's objectives and activities are aligned with the expectations and risks identified by the Board through a number of mechanisms including the following:

- establishment of the overall strategic direction and leadership of the Company;
- approving and monitoring the implementation by management of the Company's strategic plan to achieve those objectives;
- reviewing performance against its stated objectives, by receiving regular management reports on business situation, opportunities and risks;
- monitoring and review of the companies controls and systems including those concerned with regulatory matters to ensure statutory compliance and the highest ethical standards; and
- review and adoption of budgets and forecasts and monitoring the results against stated targets.

The Board sets the corporate strategy and financial targets with the aim of creating long-term value for shareholders. In accordance with Recommendation 1.2, the Board undertakes appropriate checks before appointing a new Director or putting forward to shareholders a candidate for election and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. The Company has written agreements with each Director of the Company in accordance with Recommendation 1.3. The Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board, in accordance with Recommendation 1.4.

At this stage of the Company's development, considering the very small size of the workforce, the Board has chosen not to establish a formal diversity policy or formal objectives for gender diversity, as described in Recommendation 1.5. The Company does not discriminate on the basis of age, ethnicity, religion or gender and when a position becomes vacant the Company seeks to employ the best candidate available for the position. The board comprises 1 female and 2 male Directors.

Given the size and nature of the Company a formal process for evaluating the performance of the Board and the Directors in accordance with Recommendation 1.6 has not been developed. The Company has formalised a process to review the performance of senior executives, as described in Recommendation 1.7. Performance of senior executives includes but is not limited to the achievement of goals set by the Board and performance behaviours in line with Company values.

## **Principle 2.            Structure the Board to add value**

The Board has not considered it necessary or value-adding to establish a separate Nomination Committee framework of the skills required. The Board may also engage an external consultant where appropriate to identify and assess suitable candidates who meet the Board's specifications. The composition of the board is discussed regularly, and each Director may propose changes for discussion.

The Company has established a skills matrix which sets out the mix of skills that the Board seeks to achieve in its membership (recommendation 2.2).

The current Board consists of 2 non-executive Directors and 1 executive Director. The skills and experience of each of the Directors are detailed in the Directors' Report. Each of the current Directors has held office continuously since their date of appointment and these details are:

### *Current Directors*

R S Treagus appointed 4 August 2014\*

B York appointed 10 October 2022\*\*

F McNeill appointed 10 October 2022

\* R S Treagus is not considered to be independent as he is a related person to a substantial shareholder in BTC health and has an executive role

\* B York is not considered to be independent as he is a related person to a substantial shareholder in BTC health

The Directors believe that the current structure, small size and membership profile of the Board provides the maximum value to the business at this stage of its development, notwithstanding that they do not follow Recommendation 2.5, the CEO and the Chair roles are conducted by the same person and the Board is not majority independent. The Board will continue to assess whether this is the optimum membership and structure for the business as it grows and develops. In the event the composition of the board changes, the Company has formalised an induction program for new Directors, as described in Recommendation 2.6.

## **Principle 3.            Promote ethical and responsible decision-making**

The Board is committed to the highest standards of conduct and ethical behaviour in all business activities. The Company's values underpin the performance and behaviour of Directors and employees. At BTC we:

- Deliver outcomes that make a difference;
- Are committed to quality and continuous improvement;
- Foster collaboration and value long term relationships;
- Are agile and act with integrity;
- Hold ourselves accountable to all stakeholders.

The Board established a formal Code of Conduct (Recommendation 3.2) on 19 October 2016, which requires that Board members and employees:

- will act honestly, in good faith and in the best interests of the whole Company;
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from Directors and key executives of a publicly listed Company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- will demonstrate commercial reasonableness in decision-making;
- will not make improper use of information acquired as Directors and key executives;
- will not disclose non-public information except where disclosure is authorised or legally mandated;
- will keep confidential information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or required by law;
- will not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company;
- will not take advantage of Company property or use such property for personal gain or to compete with the Company;
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes;
- will not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company;
- have an obligation to be independent in judgement and actions and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally, towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;
- will encourage fair dealing by all employees with the Company's customers, suppliers, competitors and other employees;
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;
- will give their specific expertise generously to the Company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code of Conduct.

Consistent with Recommendation 3.4, the Board established a formal anti-bribery and corruption policy, available at [btchealth.com.au](http://btchealth.com.au) (Recommendation 3.2) on 16 March 2021, which requires that Board members and employees:

- must not give, offer, promise, accept, request, authorise, assist or cover up any form of bribe, whether directly or indirectly;
- have an obligation, at all times, to report any incident which involves bribery and or corrupt conduct;
- must not engage or participate in victimisation, bullying, harassment or any other action against a person who makes a report under this policy or is cleared of an allegation made under this policy.

The Board has adopted the following controls in its anti-bribery and corruption policy:

- all gifts, entertainment or hospitality valued at \$100 or more must be approved before the gift, entertainment or hospitality is accepted. The offering or acceptance of gifts, entertainment or hospitality must comply with legal restrictions, be done in an open and transparent manner, must not include cash, loans or cash equivalents, and cannot be construed as an attempt to unduly influence business or government decision making;
- all gifts and benefits valued at \$100 or more, must be declared and recorded in the Gift and Entertainment Register;
- political donations shall not be made, whether in cash or kind, in support of any political parties or candidates, or to any political cause or election fund;
- charitable support and donations require approval and the Company must ensure that charitable contributions are not made for the purposes of gaining commercial advantage or concealing bribery.

The Company is committed to complying with all applicable laws and regulations and acting in a manner that is consistent with the principles of honesty, integrity, fairness and respect. The Board established a formal Whistleblower policy, available at [btchealth.com.au](https://btchealth.com.au) (Recommendation 3.4) on 19 October 2020, which provides a safe and secure framework for any persons who are aware of possible wrongdoing with respect to the Company Group, to be able to disclose the wrongdoing in a safe and secure environment with confidence that they will be protected and supported. Employees are encouraged to raise concerns about any issue or suspicion of bribery and corruption at the earliest stage.

#### **Principle 4. Safeguard integrity in financial reporting**

With regards to Recommendation 4.1, The Board has established an Audit Committee, which currently consists of two non-executive Directors, Brendan York and Felicity McNeill. Brendan chairs the Committee and has extensive financial qualifications and experience. The Audit Committee does not comprise a majority of independent Directors and does not have a minimum three members. The Audit Committee met two times during the 2023 financial year and these meetings were attended by all members. The current Committee operates under a charter approved by the Board on the 19 October 2016, a summary of which is available on the BTC health website.

It is responsible for undertaking a broad review of, ensuring compliance with, and making recommendations in respect of, the Company's internal financial controls and legal compliance obligations. It is also responsible for:

- review of audit assessment of the adequacy and effectiveness of internal controls over the Company's accounting and financial reporting systems, including controls over computerised systems;
- review of the audit plans and recommendations of the external auditors;
- evaluating the extent to which the planned scope of the audit can be relied upon to detect weaknesses in internal control, fraud and other illegal acts;
- review of the results of audits, any changes in accounting practices or policies and subsequent effects on the financial statements and make recommendations to management where necessary and appropriate;
- review of the performance and fees of the external auditor;
- oversight of legal compliance including trade practices, corporations law, occupational health and safety and environmental statutory compliance, and compliance with the Listing Rules of the ASX;
- supervision of special investigations when requested by the Board;

In undertaking these tasks, the Audit Committee meets separately with management and external auditors where required.

In accordance with Recommendation 4.2, the Board sought assurances in writing from the Executive Chairman and the Company Secretary that in their opinion the financial records of the Company for the financial year 30 June 2023 were;

- a) properly maintained in accordance with section 286 of the Corporations Act 2001; and
- b) the financial statements, and the notes to the financial statements, of the entity, for the financial year ended 30 June 2023:
  - i. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

- ii. give a true and fair view of the entity's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

The Board received those assurances on 22 August 2023. In accordance with Recommendation 4.3, the Board ensures that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.

## **Principle 5.      Make timely and balanced disclosure**

The Board recognises the importance of communicating effectively with shareholders and providing equal access to information. The Company has established the standards, protocols and requirements expected to comply with continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001. The Board adopted its continuous disclosure policy on 19 October 2020, available at [btchealth.com.au](http://btchealth.com.au) which endeavours to provide communication to third parties that a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Company will disclose to third parties, including but not limited to shareholders, investment community, the media and the ASX which:

- is timely; and
- is factual and accurate; and
- does not omit material or relevant information ; and
- is expressed in a clear manner to ensure third parties are able to assess the impact of information disclosed.

The Company's obligation to disclose price-sensitive information does not apply if, and only if, each of the following conditions is and remains satisfied:

- a reasonable person would not expect to be disclosed (because, for example, the result of disclosure would be unreasonably prejudicial to the Company); and
- the information is confidential; and
- one or more of the conditions apply: it would be a breach of law to disclose the information; and/or the information concerns an incomplete proposal or negotiation; and/or information is insufficiently definite to warrant disclosure; and/or information is generated for internal management purposes; and or the information is a trade secret.

The Board may request a trading halt where confidential information is inadvertently made public and further time is required to enable the Company to prepare an appropriate public announcement; or the Company is preparing to make a major announcement. The Company will provide information to the ASX under Listing Rule 3.1B to prevent or correct a false market.

## **Principle 6.      Respect the rights of shareholders**

The Board strives to communicate effectively with shareholders, give them ready access to balanced and understandable information about the business and make it easy for them to participate in shareholder meetings.

In accordance with Recommendation 6.1, comprehensive information about the Company and its governance is provided via the website [www.btchealth.com.au](http://www.btchealth.com.au). This includes information about the Board, as well as corporate governance policies. All announcements, presentations, financial information and meetings materials disclosed to the ASX are placed on the website, so that current and historical information can be accessed readily.

The Company's investor relations program facilitates effective two-way communication with investors (Recommendation 6.2). The Chairman interacts with institutional investors, private investors, analysts and media on an ad hoc basis, conducting meetings in person or by teleconference and responding personally to enquiries. The Board seeks practical and cost-effective ways to promote informed participation at shareholder meetings (Recommendation 6.3). This includes providing access to clear and comprehensive meeting materials and electronic proxy voting. In accordance with Recommendation 6.4, shareholders are provided with and encouraged to use electronic methods to communicate with the Company and with the share registry.

## **Principle 7. Recognise and manage risk**

The Directors have not considered it necessary to form a separate Risk Committee. The Board thus retains direct responsibility, oversight and management for material business risks. (Recommendation 7.1)

The multiple risks inherent in operating the Company and managing its investments are managed by a number of means designed to avoid or minimise any adverse material financial impact. These include:

- reviews by the Board of the scope, practical application and thoroughness of the system of internal control and the Company's means of recognising and protecting itself against material business risk;
- reports from the Company's insurance broker concerning the adequacy of insurance cover;
- reports and recommendations received from the external auditor during the process of reviewing the accounts and internal controls.

Given that the Company's business focus is to provide patient equity capital to new Australian enterprises endeavouring to exploit commercial opportunities in the life-sciences field, the major financial risk is that the Company's investment will be lost or will materially lose value. This could occur under a variety of circumstances including where the underlying enterprise subsequently fails, or commercially suffers in a significant way, e.g. due to marketing difficulties or delays, product failure, serious management or funding problems, etc. The innovative nature of the investee enterprises also tends to increase the investment risk involved.

The Board endeavours to reduce investment risk by a number of means, including:

- requiring all investments to be made in full compliance with the Pooled Development Funds Act 1992 and the general rationale of the PDF Program;
- ensuring proper evaluation of new investment opportunities by means of a thorough due diligence assessment;
- ensuring investees have taken proper steps to secure their intellectual property rights;
- ensuring each investee has a proper business plan, financial budgets and has established clear, achievable, commercial goals;
- diversifying investment over a number of different companies, each aiming at a different potential market area or niche;
- appointing a Director to the board of an investee Company when possible.

The Board reviewed the Company's risk management framework and satisfied itself that it continues to be sound on 22 August 2023. (Recommendation 7.2)

The Board considers that it is not necessary to have an internal audit function. The Board processes described above are adequate, given the size and complexity of the business (Recommendation 7.3).

The Company does not have a material exposure to economic, environmental or social sustainability risks. (Recommendation 7.4)

## **Principle 8. Remunerate fairly and responsibly**

Due to the current size and structure of the Company, the Board has not considered it necessary to form a Remuneration Committee (Recommendation 8.1) and any remuneration matters are dealt with by the Board. Particulars concerning Directors' remuneration are set out in the Directors' Report. The Company's current policy is that non-executive Directors receive only fixed cash remuneration.

The total remuneration pool for non-executive Directors is approved by shareholders. There is currently only one executive Director and his executive fee has been determined and agreed upon by the Board. The level of the fee was determined by the Directors based on professional experience, market forces and the amount of time required to execute the role.

In accordance with Recommendation 8.3, any participants in an equity-based remuneration scheme are not permitted to enter into any transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.