

Acrux Ltd

CORPORATE GOVERNANCE STATEMENT

This Statement has been approved by the Board of Acrux Ltd and is current as at 25 August 2021

The Australian Securities Exchange (“ASX”) Corporate Governance Council has developed its Corporate Governance Principles and Recommendations 4th edition (“ASX Principles”) for entities listed on the ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations.

This Corporate Governance Statement outlines the key aspects of the Acrux Ltd’s corporate governance framework and practices which are consistent with the ASX Principles and which have been in place for the financial year ended 30 June 2021 unless stated otherwise.

The Directors are committed to maintaining good standards of corporate governance . Acrux’s corporate governance framework is outlined on the Company’s website (www.acrux.com.au), and includes the following policies:

- Statement of Corporate Governance Principles
- Code of Conduct
- Board Charter
- Audit and Risk Committee Charter
- Human Capital and Nomination Committee Charter
- Continuous Disclosure and Shareholder Reporting Policy
- Share Trading Policy
- Whistleblower Policy
- Diversity Policy
- Anti-bribery Corruption and Fraud Policy

The Board of Directors is responsible for the overall corporate governance of Acrux Ltd. In conducting business within these objectives, the Board seeks to ensure the Company is appropriately managed to protect and enhance shareholder interests and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance. The framework includes adopting relevant internal controls, risk management processes and corporate governance policies and practices that the Board considers is appropriate for the Company and which have been designed to promote responsible management and conduct of the Company.

Principle	Comply	Disclosure
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
<p>1.1 A listed entity should have and disclose a board charter setting out:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>Yes</p>	<p>The Board Charter outlines the Board’s role and responsibilities, the expected relationship and interaction between the Board and management and authorities which are delegated by the Board to management and Board Committees. The Board Charter can be viewed in the corporate governance section of the Company website. https://investors.acrux.com.au/investor-centre/?page=corporate-governance</p> <p>The Board is responsible for management, oversight and performance of the Company, including but not limited to:</p> <ul style="list-style-type: none"> a) evaluating, approving and monitoring strategic and financial plans, performance objectives, annual budgets and business plans, major capital expenditure, capital management, all major corporate transactions; b) monitoring external reporting and communications in line with continuous disclosure provisions; c) evaluating and approving the annual and half year financial reports; d) appointment of external auditors; e) management of the Board including appointment of the Chair, composition of Board Committees, nomination of Directors, evaluation of Board and individual Director performance; f) monitoring performance of management and overseeing the Company’s remuneration framework; g) appointment, managing performance, succession planning and potential removal of the Chief Executive Officer; h) overseeing and ratifying the terms of appointment of Senior Management. i) monitoring effectiveness and compliance of corporate governance practices; and j) approving and monitoring the risk management strategy, internal controls and accountability systems and their effectiveness. <p>The Board delegates day to day management to the Chief Executive Officer including but not limited to:</p> <ul style="list-style-type: none"> a) developing business plans, budgets and company strategies for Board consideration and, to the extent approved by the Board, implementing those plans, budgets and strategies; b) operating the business of the Company within parameters determined by the Board and keeping the Board informed of material developments; c) where proposed transactions, commitments or arrangements exceed limits authorised by the Board, referring the matter to the Board for consideration and approval; d) identifying and managing operational risks and formulating strategies for managing those risks; e) managing the Company’s financial and other internal reporting mechanisms; f) ensuring the Board is provided with sufficient and timely information in relation to Company business, in particular, Company performance, financial condition, operating results and risks to enable the Board to discharge its duties; and g) implementing corporate governance policies and Codes of Conduct as approved by the Board.

Principle	Comply	Disclosure
1.2	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.	Yes The Human Capital and Nomination Committee is responsible for ensuring appropriate background checks are performed before a Director or senior executive is appointed. Checks include but are not limited to good name and character, experience and education. When putting someone forward for election or re-election as a Director, security holders are provided in the Notice of Meeting with all material information in the Board's possession and relevant to a decision on whether or not to elect or re-elect a Director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes New Directors receive a letter of appointment which outlines the terms of appointment as well as the Company's expectations of the director. Senior executives sign an employment agreement which outlines the key terms of their appointment. New letters are issued in the event of a material change to terms of employment.
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.	Yes The Company Secretary is accountable directly to the Board, through the Chair, on all matters associated with the proper functioning of the Board.

Principle	Comply	Disclosure
<p>1.5 A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(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</p> <p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(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</p> <p>(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 that Act.</p> <p>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p>Partial</p>	<p>The Company's Diversity Policy can be viewed on the Company website https://investors.acrux.com.au/investor-centre/?page=corporate-governance .</p> <p>Furthermore, the Company's Code of Conduct reinforces Acrux's commitment to providing a fair and safe workplace that is free of bias and discrimination</p> <p>The Board supports the view that a diverse workplace attracts, retains and motivates employees from a wide pool of available talent. At all levels, Acrux promotes and recruits talent which is aligned to the qualifications and experiences required to perform the role. Flexible workplace initiatives have been adopted to assist employees effectively balance work, family and other responsibilities.</p> <p>Acrux is committed to building and maintaining a diverse workplace across all levels of the company but measurable gender diversity targets are not set. Acrux is not required to report to the Workforce Gender Equality Agency because it has fewer than 100 employees nor is it in the S&P/ASX 300 Index.</p> <p>At the date of this report, more than 50% of Acrux's workforce are female. The Executive Leadership Team comprises three female members and three male members, while the five Board members are male.</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 for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>Yes</p>	<p>The Board Charter and the Charters of the Audit and Risk Committee and the Human Capital and Nomination Committee provide that a performance evaluation of the Board, its committees and individual directors is to be completed at least once in each financial year.</p> <p>A review of the performance of the Board and its Committees was undertaken and discussed at the Human Capital and Nomination Committee on 22 June 2021. No areas of under-performance requiring immediate remedial action were identified.</p>

Principle	Comply	Disclosure
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(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.</p>	<p>The Chief Executive Officer is responsible for evaluating the performance of senior executives and the results are subject to the further review by the Chair of the Human Capital and Nomination Committee. Performance reviews are conducted annually with performance assessed against predetermined, objectively measurable and agreed KPIs. At the same time personal goals and development plans for the next financial year are set and aligned with Company objectives.</p> <p>These reviews are typically conducted at the end of the financial year and have been conducted in respect of the period.</p> <p>The review of the Chief Executive Officer's performance is conducted by the Human Capital and Nomination Committee and the Committee's remuneration recommendations were in turn approved by the Board. A performance evaluation in accordance with this process was undertaken in respect of the year ended 30 June 2021 at the Human Capital and Nomination Committee meeting held on 22 June 2021.</p>

Principle	Comply	Disclosure
PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE		
2.1	Partial	<p>The Company's Human Capital and Nomination Committee ('HCNC') advises the Board on remuneration and incentives practices and recommends remuneration and other terms of employment for Directors, senior executives and other employees. The Committee's Charter is available on the Company's website at: http://investors.acruX.com.au/investor-centre/?page=corporate-governance</p> <p>Through the period, AcruX's HCNC was comprised of two independent directors and was chaired by an independent director. HCNC members: Tim Oldham (Chair), Geoff Brooke, with Don Brumley appointed on 22 June 2021. HCNC met twice during FY21 with both Mr Oldham and Mr Brooke in attendance at both meetings. By convention all directors attend HCNC meetings.</p> <p>AcruX complies with this requirement at the time of writing but did not maintain HCNC membership of at least three members for the full reporting period.</p>
2.2	Yes	<p>A board skills matrix is maintained to provide an overview of the current skills of the Board and is used when evaluating skills that the board is looking to achieve in its membership.</p> <p>Refer Appendix 1 for more details of the Company's Board Skills Matrix.</p> <p>The qualifications and experience of individual directors is disclosed in the Directors Report of the Company's Annual Report.</p>
2.3	Yes	<p>The Board assesses the independence of each Director, and has determined the only Director that is not independent is the Chief Executive Officer and Managing Director.</p> <p>The board is currently comprised;</p> <ul style="list-style-type: none"> • Mr Ross Dobinson, independent director, Chair, director since 1998 • Mr Geoff Brooke, independent director, director since 2016 • Mr Don Brumley, independent director, director since 2021 • Mr Tim Oldham, independent director, director since 2013 • Mr Michael Kotsanis, Chief Executive Officer and Managing Director, director since 2014. <p>No director has an interest, position, affiliation or relationship of the type described in Box 2.3.</p>
2.4	Yes	<p>The majority of board members are independent directors.</p>

Principle		Comply	Disclosure
2.5	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.	Yes	Mr Ross Dobinson is the chair of Acrux's board. He is an independent director and is not the CEO.
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.	Yes	Acrux has a program to induct new directors and periodically reviews the requirement for professional development of existing directors to maintain their skills and knowledge required to effectively perform their roles.
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	Yes	Company values are outlined in the Code of Conduct at: http://investors.acrux.com.au/investor-centre/?page=corporate-governance
3.2	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.	Yes	The Company's Code of Conduct applies for directors, senior executives and employees and is disclosed at: http://investors.acrux.com.au/investor-centre/?page=corporate-governance Material breaches of the code of conduct are referred to the Board via the Chair or the CEO.
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	The Company's Whistleblower Policy is disclosed at: http://investors.acrux.com.au/investor-centre/?page=corporate-governance This policy provides a framework for investigating and reporting material incidents, provides for the protection of persons who raise such concerns and an ongoing program of communication and education in relation to the policy.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	Yes	The Company's Anti-bribery Corruption and Fraud policy is disclosed at: http://investors.acrux.com.au/investor-centre/?page=corporate-governance The Policy prohibits Acrux, its Employees and business partners from engaging in activity that constitutes Bribery, Corruption, Fraud or other related improper conduct. Employees are encouraged to report breaches, suspected breaches or suspicious activities or payments in accordance with Acrux's Code of Conduct or Whistleblower Policy. Processes are in place to ensure reports are logged, investigated and appropriate action taken. Material breaches are reported to the Board.

Principle	Comply	Disclosure
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS		
4.1	Yes	<p>The Company has an Audit and Risk Committee and its Charter is disclosed at http://investors.acrux.com.au/investor-centre/?page=corporate-governance</p> <p>Through the reporting period, the Audit and Risk Committee was comprised of Geoff Brooke (Chair), Ross Dobinson and Tim Oldham. The Board resolved on 22 June 2021 that Ross Dobinson stand aside from the Audit and Risk Committee in favour of Don Brumley.</p> <p>All committee members are independent directors and the committee held two meetings through the year, attended by all committee members.</p> <p>Qualification and experience of Audit and Risk Committee members is outlined in the Directors' Report within the Annual Report 2021.</p>
4.2	Yes	<p>Before it approves the financial statements for a financial period, the Board receives from the CEO and CFO a declaration that, in their opinion, financial records have been properly maintained, that the financial statements comply with appropriate accounting standards and give a true and fair view of the entity's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control.</p>
4.3	Not applicable	<p>Acrux prepares audited Half Year and Annual Reports but is not required to submit other periodic corporate reports.</p>

Principle		Comply	Disclosure
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	Yes	The Continuous Disclosure and Shareholder Reporting Policy has been written to support compliance with continuous disclosure obligations. The policy is located at http://investors.acrux.com.au/investor-centre/?page=corporate-governance
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	Material market announcements are approved by the Board before they have been made.
5.3	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.	Yes	Any new or substantive investor presentation is released to the ASX ahead of presentation.
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	Information about the Company and governance is provided in the Investor Relations section of the Company's website at: https://www.acrux.com.au/
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Yes	Further to information announced in accordance with the ASX's continuous disclosure requirements, Acrux encourages two-way communication with investors. Investor briefings are conducted and the latest investor presentation is announced to the ASX and posted to the Company's website. All material announcements contain a direct contact point for further information. Interested parties may register to receive email alerts and the website also provides facility for stakeholders to ask questions. Investors are encouraged to attend General Meetings where they have the opportunity to ask questions and meet directors and senior management.
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Yes	The Company adopts ASX guidance for the design and content of notices of meeting and the conduct of shareholder meetings. The Company uses general meetings to communicate to shareholders and the meetings provide an opportunity for informed shareholder participation. Refer also Continuous Disclosure and Shareholder Reporting Policy at: http://investors.acrux.com.au/investor-centre/?page=corporate-governance
6.4	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.	Yes	All resolutions put forward at a meeting of security holders are decided by poll.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Security holders have the option to receive communications from and send communications to the Company and share registry electronically.

Principle	Comply	Disclosure
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1	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.	Yes The Company has an Audit and Risk Committee and its Charter is disclosed at http://investors.acrux.com.au/investor-centre/?page=corporate-governance Through the reporting period, the Audit and Risk Committee was comprised of Geoff Brooke (Chair), Ross Dobinson and Tim Oldham. On 22 June 2021 the Board resolved that Ross Dobinson stand aside from the Audit and Risk Committee in favour of Don Brumley. All committee members are independent directors and the committee held two meetings through the year, attended by all committee members.
7.2	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.	Yes Through the Audit and Risk Committee, the Board is responsible for satisfying itself that management have developed and implemented a sound system of risk management, compliance and internal control with due regard to the risk appetite set by the Board. The Company's Risk register is presented to each meeting of the Audit and Risk Committee and more frequent updates are provided to the Board in the event of a material shift in the risk environment.
7.3	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.	No Due to the Company's size, Acrux does not have an internal audit function. Internal controls such as segregation of duties and management review are in place to protect against fraud and error. Financial statements are independently audited.
7.4	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.	Yes The Company's material exposure to and management of environmental and social risks are detailed in the Directors Report within the Annual Report for the year ended 30 June 2021.

Principle	Comply	Disclosure
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	Partial	<p>The Company's Human Capital and Nomination Committee ('HCNC') advises the Board on remuneration and incentives practices and recommends remuneration and other terms of employment for Directors, senior executives and other employees.</p> <p>The Committee's Charter is available on the Company's website at: http://investors.acrux.com.au/investor-centre/?page=corporate-governance</p> <p>The Group's remuneration policies are outlined in the Directors Report within the Annual Report for the year ended 30 June 2021.</p> <p>Through the period, the HCNC was comprised two independent directors and was chaired by an independent director. HCNC members: Tim Oldham (Chair), Geoff Brooke, with Don Brumley appointed on 22 June 2021. The HCNC met twice during FY21 with both Mr Oldham and Mr Brooke in attendance at both meetings. By convention all directors attend HCNC meetings.</p> <p>Acrux complies with this requirement in full at the time of writing but did not maintain HCNC membership of at least three members for the full reporting period.</p>
8.2	Yes	The policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives are outlined in the Directors Report, within the Annual Report for the year ending 30 June 2021.
8.3	Yes	<p>The Company has an equity based remuneration scheme. The scheme is approved by shareholders at least every three years and details are publicly available via the ASX and disclosed in the Directors Report, within the Annual Report for the year ending 30 June 2021.</p> <p>Participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p>
ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES		
9.1	n/a	Not applicable

Principle		Comply	Disclosure
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	n/a	Not applicable
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	n/a	Not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	n/a	Not applicable
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	n/a	Not applicable

Appendix 1

Principle 2.2 - Board Skills Matrix

The mix of skills assessed when considering Board membership are outlined in the following table.

Acrux Board Skills Matrix
<p>Skills assessment is based on number of years experience in roles where a) the relevant skill was a core requirement to execute the role or b) the role included direct budget, personnel or operating decision-making authority in the field</p> <p>Y(es) => 5 years experience S(ome) = 3-5 years experience N(a) = <3 years experience</p>
Skills or experience required of all directors
<p>A. Knowledge of corporate governance requirements and practices and risk management is important because we are a publicly listed company and must ensure our integrity, values and the way in which we assess and manage risk are set from the top</p>
<p>B. Significant leadership and strategy experience over extended periods is important because it helps identify these qualities in the management team and brings a practical understanding of organisations and how to drive change and growth</p>
<p>C. Fit and balance within board is important to ensure that the board can build effective team work</p>
<p>D. Demonstrates Company Values is important because the values drive standards, behaviour and how we should interact. The Company values are "Round the clock", "Innovation", "Openness", "Standout"</p>
Skills or experience required to be represented on the board as a whole in light of Acrux's current and expected future business needs.
<p>1. Financial management is important because it assists understanding and oversight of financial reporting and controls, because our corporate structures are complex.</p>
<p>2. Investor/investment management and capital markets experience is important to ensure strong alignment with our investors and to review distribution of, or raising of capital</p>
<p>3. Technology or project selection experience is important because we are choosing to invest in new projects which require allocation of capital, assessment of risk and financial returns</p>
<p>4. Pharmaceutical industry experience is important in understanding and reviewing our strategy and investment decisions and managing our risks</p>
<p>5. Legal or contract or IP experience is important in understanding strategy related to intellectual property and reviewing and managing alliances governed through contractual relationships</p>
<p>6. Sectoral experience relevant to corporate strategy is important because our competitive advantage is based on know-how; our pipeline is dependent on making good product selections.</p>
<p>7. Product development experience is important as our projects will usually involve the coordination of clinical trials which are pivotal to regulatory assessment and approval of products that Acrux develops.</p>
<p>8. International experience is important because the products Acrux develops will have a greater market potential outside the local Australian market and potential partners will most likely be based outside Australia</p>
<p>9. Alliance management or partner management experience is important because all of our development projects and commercialised products are intended for marketing through partnerships making alliance management a critical success factor for Acrux.</p>
<p>10. Organisation and talent development experience is important because we are a highly skilled organisation making talent acquisition, development and retention a critical success factor</p>
Demographics
a) Tenure
b) Diversity
c) Independent