



**This statement has been approved by the Board of Althea Group Holdings Limited and is current as at 22 August 2019.**

## **Althea Group Holdings Limited's approach to Corporate Governance**

This Corporate Governance Statement addresses the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3<sup>rd</sup> Edition' released in 2014 (referred to as 'ASX Principles or Recommendations'). Althea has elected not to adopt the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 4<sup>th</sup> Edition' released in 2019 for the purpose of this Corporate Governance Statement.

Althea Group Holdings Limited ('Althea' or the 'Company') has adopted a program to review and improve its charters, policies and procedures periodically as required to ensure its corporate governance framework remains current and compliant with best corporate practice. Althea has maintained and reviewed the Company's risk management framework including the identification of requisite Board skills for future Board appointments.

Althea has provided the Appendix 4G (Key to Disclosures – Corporate Governance Council Principles and Recommendations) which has been lodged with ASX together with this Corporate Governance Statement and the Company's 2019 Annual Report. Further to the information contained in the Appendix 4G, details of Althea's ongoing adherence to the Corporate Governance Principles and Recommendations – 3<sup>rd</sup> Edition are outlined below.

The eight central principles set out in the ASX Principles and Recommendations are as follows:

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Act ethically and responsibly
4. Safeguard integrity in corporate reporting
5. Make timely and balanced disclosure
6. Respect the rights of security holders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Specific recommendations made in the ASX Principles and Recommendations are intended to give effect to these principles. Althea has adopted the eight central principles and has implemented the specific recommendations wherever possible.

In the remainder of this Corporate Governance Statement, Althea reports in detail its progress in adopting, implementing and adhering to the specifics of the ASX Principles and Recommendations.

## **Principle 1 Lay Solid Foundations for Management and Oversight**

### **1.1 Roles and Responsibilities**

The Althea Board Charter (Board Charter) was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Board Charter is reviewed periodically as required. The Board agreed that no amendments were required to the Board Charter in the 2019 reporting period. The Board Charter is published in the Investor Centre section of the Company's website at <https://www.althea.life>. The document clearly outlines the various roles and responsibilities of the Board and management, including those items expressly reserved to the Board and those delegated to management.

### **1.2 Director Appointment**

Prior to the date of the Company's 2018 Prospectus, the following directors were appointed to the Althea Board:

Mr Andrew Newbold, an independent Non-Executive Director

Mr Alan Boyd, an independent Non-Executive Director

Mr Gregg Battersby, a Non-Executive Director

Ms Penelope Dobson was appointed to the Board in November 2018 as an independent Non-Executive Director and elected by shareholders at the 2018 Annual General Meeting.

When appointing a Director, the Company conducts appropriate pre-appointment checks and security holders have the opportunity of reviewing relevant information prior to voting on the appointment at the Annual General Meeting (AGM) usually held in November each year.

### **1.3 Terms of Appointment**

New directors receive letters of appointment stating the effective commencement date of their directorships with Althea together with their remuneration details. Directors are also provided extensive induction material and the opportunity to consult with the Non-Executive Chairman and other directors to deepen their overall understanding of the Company and its operations. An induction kit in line with best practice procedures is provided to new directors joining the Board.

Employment contracts clearly state the terms of appointment and the expectations of the Company regarding performance and any performance-based incentives.

### **1.4 Company Secretary**

The role of Company Secretary is undertaken by Mr Robert Meissner. Mr Meissner was appointed to the position in April 2019.

The Company Secretary has a direct reporting relationship to the Chairman of the Board.

### **1.5 Diversity Policy**

Althea's Diversity Policy was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Diversity Policy is reviewed periodically as required. The Board agreed that no amendments were required to the Diversity Policy in the 2019 reporting period. The Diversity Policy is published in the Investor Centre section of the Company's website at <https://althea.life>. The policy states Althea's general principles in relation to diversity within the organisation. Althea is an inclusive workplace and a performance-oriented organisation that values diversity which encompasses and does not discriminate against

individuals based upon gender, age, race, religious and political beliefs, sexual orientation and ethnicity and cultural background. Althea is an equal opportunity employer.

Directors have not adopted specific gender targets for the Board, senior executives or for employees generally. The Board, or an appropriate committee of the Board, will establish measurable objectives for achieving diversity in the Company, initially in the key areas of gender diversity in senior management and on the Board, and gender and ethnic diversity amongst employees.

The objectives set by the Board and the Company's achievement or progress toward achieving the objectives set by the Board are disclosed in the Directors Report forming part of the 2019 Annual Report.

As at the date of this Corporate Governance Statement, the proportion of women in the organisation is:

Board: 25%

Senior Executive: 50%

Employees/Contractors: 50%

### **1.6 Periodic Board, Committee and Director Evaluation**

Althea has an evaluation process for the Board, committees and directors which is stated in the Board Charter available on the Company's website. An evaluation of the Board, the Remuneration and Nominations and Audit, Risk and Compliance Committees was not undertaken in the 2019 reporting period as the Board deemed it unnecessary given this was the first reporting period of the Company. Directors believe the Board and committees are functioning appropriately and provide suitable forums for discussion of Company business. The Board agreed that formal evaluations would be conducted during the next reporting period.

### **1.7 Performance Evaluation for Senior Executives**

Althea sets key performance indicators for its senior executives and performance is evaluated against these targets annually.

## **Principle 2 Structure the Board to Add Value**

### **2.1 Nomination Committee**

Althea has a Remuneration and Nominations Committee. During the 2019 reporting period, the committee was chaired by Penelope Dobson, an independent Non-Executive Director, in line with ASX recommendations.

Other members of the Remuneration and Nominations Committee are Mr Alan Boyd and Ms Penelope Dobson, both independent Non-Executive Directors, and Mr Joshua Fegan, Managing Director.

The Remuneration and Nominations Committee Charter was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Remuneration and Nominations Committee Charter is reviewed periodically as required. The Board agreed that no amendments were required to the Remuneration and Nominations Committee Charter in the 2019 reporting period. The Remuneration and Nominations Committee Charter is published in the Investor Centre section of the Company's website at <https://althea.life>.

During the 2019 reporting period, the Remuneration and Nominations Committee met once with all members attending.

## 2.2 Skills of Directors

The Board is structured to provide a broad mix of skills and experience in the pharmaceutical and medicinal cannabis industry (representing its main undertaking), law, accounting and marketing, yet also have specific skills and experience pertaining to other key aspects of Althea' business including business strategy, corporate finance, fund raising, investor relations and the commercialisation of intellectual property. Directors have access to executive staff and external experts to provide specialised information as required.

A Board Skills Gap Analysis provides guidance for expanding the skills base of directors to allow for the future needs of the Company. Given this was the first reporting period of the Company, a Board Skills Gap Analysis was not performed in the 2019 reporting period.

## 2.3 Independence of Directors

As at 30 June 2019 and as at the date of this Corporate Governance Statement, the Company has three independent directors (referred to in 1.2 above) of a Board of four directors.

The Board assesses the independence of each of the non-executive directors based on the interests and associations disclosed by the directors and in line with the ASX Principles and Recommendations.

A table setting out the length of service of each of the directors currently serving on the Board and their current status is below:

Director	Date Appointed	Executive or Non-Executive	Independent	Next due for re-election
Joshua Fegan	21 June 2018	Executive	No	N/A
Andrew Newbold	21 June 2018	Non-Executive	Yes	2019
Alan Boyd	21 June 2018	Non-Executive	Yes	2020
Penelope Dobson	30 November 2018	Non-Executive	Yes	2021

## 2.4 Majority should be Independent Directors

During the 2019 reporting period, the Company has followed the ASX recommendation that a majority of Board members should be independent. All directors bring a diverse skill base and are well qualified to represent the Company and its security holders at the present time.

## 2.5 Chair should be Independent and not CEO

During the 2019 reporting period, Althea was able to follow the ASX recommendation that the Chair and CEO of a Company be independent.

Althea acknowledges that a separation of roles between the Chair and CEO is best practice corporate governance to minimise the possibility of a lack of transparency and promote constructive debate at Board level.

## 2.6 Induction Program for New Directors

As previously stated, the directors are provided with substantial information about Althea Group Holdings Limited when commencing their directorships. Given Althea's current size, stage of

development, and the significant business and management experience of its directors, there is limited necessity to provide additional education for directors.

### **Principle 3 Act Ethically and Responsibly**

Althea's Code of Business Ethics (Code of Conduct) was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Code of Business Ethics is reviewed periodically as required. The Board agreed that no amendments were required to the Code of Business Ethics in the 2019 reporting period. The Code of Business Ethics is published in the Investor Centre section of the Company's website at <https://althea.life>.

The focus of the Code of Business Ethics is to ensure that all directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

The Code of Business Ethics also emphasises the expectations of the Company regarding conduct of staff and executives in maintaining ethical standards.

### **Principle 4 Safeguard Integrity in Corporate Reporting**

#### **4.1 Audit Committee**

Althea has an Audit, Risk and Compliance Management Committee which oversees the integrity of financial reporting, audit functions of the Company, and ensures risks are identified and managed. One of the key responsibilities of the Audit, Risk and Compliance Management Committee is to oversee Althea's relationship with the external auditor and the external audit function generally.

Mr Alan Boyd, an independent Non-Executive Director, who has financial expertise and is a qualified accountant, chaired the committee in line with ASX recommendations.

The Audit, Risk and Compliance Management Committee Charter was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Audit, Risk and Compliance Management Committee Charter is reviewed periodically as required. The Board agreed that no amendments were required to the Audit, Risk and Compliance Management Committee Charter in the 2019 reporting period. The Audit, Risk and Compliance Management Committee Charter is published in the Investor Centre section of the Company's website at <https://althea.life>.

The Audit, Risk and Compliance Management Committee met twice during the 2019 reporting period with all committee members attending.

#### **4.2 Financial Statement Confirmation**

Before the Board approves the Company's financial statements for a financial period, it receives a declaration from the CEO and CFO that, in their opinion, the financial records of Althea Group Holdings Limited have been properly maintained, that its financial statements comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and

performance and that the Company's system of risk management and internal control is operating effectively in relation to financial reporting.

#### **4.3 Auditor Attendance at AGM**

Althea's external auditor attends the AGM and is available to answer any questions in respect of the audit from security holders.

## **Principle 5 Make timely and Balanced Disclosure**

### **5.1 Continuous Disclosure**

Althea has a Continuous Disclosure Policy which describes the Company's continuous disclosure obligations and how they are managed. The Board has appointed the Company Secretary to act as the Disclosure Officer to monitor the Company's compliance with disclosure obligations.

The Continuous Disclosure Policy was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Continuous Disclosure Policy is reviewed periodically as required. The Board agreed that no amendments were required to the Continuous Disclosure Policy in the 2019 reporting period. The Continuous Disclosure Policy is published in the Investor Centre section of the Company's website at <https://althea.life>.

## **Principle 6 Respect the Rights of Security Holders**

### **6.1 Information to Investors via Website**

Information on Althea as well as its governance policies and procedures is available in the Investor Centre section of the Company's website at <https://althea.life>.

### **6.2 Investor Relations**

Althea has an Investor Relations page on the Company's website at <https://althea.life>, with links to the various documents and announcements the Company issues to the ASX. Contact details are also provided on the website for investors wishing to contact Althea directly in Australia and the United Kingdom.

### **6.3 Participation at General Meetings**

Security holders are encouraged to participate in general meetings via announcements issued to the ASX, information on the Company's website and by mailouts to all security holders prior to a meeting of shareholders.

### **6.4 Communicating Electronically**

The Investor Relations page on the Company's website provides email addresses for security holders to communicate electronically with Althea directly. Security holders are offered the option of receiving information electronically from Althea via the Share Registry.

## **Principle 7 Recognise and Manage Risk**

### **7.1 Risk management policies**

As well as overseeing the finance, audit and compliance functions of Althea, the Audit, Risk and Compliance Management Committee ensures potential risks are identified and managed. During the 2019 reporting period the committee met twice, all committee meetings were chaired by Mr Alan Boyd, an independent non-executive director, with all members attending the meetings.

The Risk Management Policy was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Risk Management Policy is reviewed periodically as required. The Board agreed that no amendments were required to the Risk Management Policy in the 2019 reporting period. The Risk Management Policy is published in the Investor Centre section of the Company's website at <https://althea.life>

### **7.2 Risk Management Framework**

Althea manages risk through its Audit, Risk and Compliance Management Committee and the Althea Board. The Board is responsible for determining the nature and extent of the significant risks it is willing to tolerate and manage in achieving its strategic objectives and the conduct of its business activities.

The Company's risk register provides a framework for risk identification and monitoring, and the register was reviewed and updated during the 2019 reporting period. The Risk Matrix was also reviewed and updated to ensure immediate identification and reporting of risk.

Management team meetings also provide forums for discussing and monitoring risk. Any suggested mitigation strategies are considered at the Audit, Risk and Compliance Management Committee, and by the Althea Board as appropriate.

### **7.3 Internal Audit**

In preparing for a listing of the Company's securities on the ASX, Althea conducted an internal due diligence review of its financial and operating systems.

Additionally, management has implemented risk and internal control systems for assessing, monitoring and managing strategic, operational, financial reporting and compliance risks for the Company. The systems are based upon policies, guidelines, delegations and reporting by qualified personnel. The internal processes are reviewed by the Company's external auditors during their regular audits.

The Board believes the control framework of formal audits and Company policies and procedures is well suited to the current size, operations and stage of development of the business.

### **7.4 Risk Exposure**

Althea manages risk through its Audit, Risk and Compliance Management Committee and the Althea Board. Risk is also discussed and monitored in management team meetings where mitigation strategies are devised as appropriate.

During the 2019 reporting period, the main exposure to economic risk for Althea was the risk of interruption to product supply. The Board and the Audit, Risk and Compliance Committee continually

monitor the Company's cash flow position and adopt an appropriate strategy to maintain solvency in the face of any economic risk.

## **Principle 8 Remunerate Fairly and Responsibly**

### **8.1 Remuneration Committee**

Althea has a Remuneration and Nominations Committee. During the 2019 reporting period, the committee was chaired by Penelope Dobson, an independent Non-Executive Director, in line with ASX recommendations.

Other members of the Remuneration and Nominations Committee are Mr Alan Boyd and Ms Penelope Dobson, both independent Non-Executive Directors, and Mr Joshua Fegan, Managing Director.

The Remuneration and Nominations Committee Charter was adopted in August 2018, a summary of which was published in the Company's Initial Prospectus Offer (Prospectus) dated 22 August 2018. The Remuneration and Nominations Committee Charter is reviewed periodically as required. The Board agreed that no amendments were required to the Remuneration and Nominations Committee Charter in the 2019 reporting period. The Remuneration and Nominations Committee Charter is published in the Investor Centre section of the Company's website at <https://althea.life>.

During the 2019 reporting period, the Remuneration and Nominations Committee met once with all members attending.

### **8.2 Remuneration Policy**

Althea has an Executive Remuneration Policy which is included in the Remuneration and Nominations Committee Charter. The Board agreed that no amendments were required to the Executive Remuneration Policy in the 2019 reporting period.

### **8.3 Equity Based Remuneration Scheme**

Althea has not yet developed an Equity Based Remuneration Scheme (ESOP).

There is no policy regarding employees entering into transactions which limit the economic risk of participating in the scheme.