

ALTHEA GROUP HOLDINGS LIMITED

ABN 78 626 966 943

**CORPORATE  
GOVERNANCE  
STATEMENT**

**2021**

## 2021 Althea Group Holdings 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's corporate governance practices are outlined in this Corporate Governance Statement which addresses the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' – 4th Edition released in 2019 (referred to as 'ASX Principles or Recommendations'). Althea has lodged with ASX the Appendix 4G (Key to Disclosures – Corporate Governance Council Principles and Recommendations) together with this Corporate Governance Statement and the Company's 2021 Annual Report.

The Althea Charters and Policies for the Board and its current Board sub-committees referred to in this Corporate Governance Statement are available in the Investor section of Althea's website at <https://www.althea.life>. A copy of the 2021 Annual Report is also available on the Althea website.

The 2021 Corporate Governance Statement is dated 30 August 2021 and covers the corporate governance practices and policies in place during the financial year ending 30 June 2021 and up to the date of this report. The 2021 Corporate Governance Statement was approved by the Board on 30 August 2021.

During the financial year ended 30 June 2021 and to the date of this report, the Board has undertaken a thorough review of its governance charters and policies to strengthen and enhance the company's governance platform. Althea has monitored and updated the Company's risk management framework, including a review and identification of requisite Board skills, to ensure that the Company is in a strong and sustainable financial and operating position to achieve its strategic goals.

The Board Charter, Audit, Risk and Compliance Management Committee Charter and Remuneration and Nomination Committee Charter were all reviewed during financial year 2021 to improve Board and committee governance standards to achieve a higher standard of accountability, transparency and reporting in the company, and also to address the 4<sup>th</sup> edition ASX Corporate Governance Principles and Recommendations. The various Board sub-committees are governed by their respective Charters each of sets out the Committee's purpose, responsibilities, role, membership, meeting process, Board reporting obligations and assessment of performance.

The Board has taken a proactive approach to revising its governance policies and procedures to address the 4<sup>th</sup> edition ASX Corporate Governance Principles by initiating a review of its Code of Business Ethics, Risk Management Policy, Policy for Dealing in Shares, Shareholder Communication Policy, Continuous Disclosure Policy, Diversity Policy, and a company-wide review of internal policies and procedures. The Company's Whistleblower Policy addresses and complies with the amendments to the *Corporations Act 2001* (Cth) and the *Taxation Administration Act 1953* (Cth) that are effective from 1 July 2019.

The Board sub-committees review matters designated within their respective Charters and make recommendations to the Board. The Board and sub-committee composition and attendance are set out in the Directors' Report within the 2021 Annual Report. The qualifications of Board and committee members and attendance at meetings is included in the Directors Report of the 2021 Annual Report.

### Structure and Composition of the Board

The Althea Constitution provides that the number of directors must be not less than 3 nor more than

9.

## **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

### **Recommendation 1.1 – Roles and Responsibilities**

The Board's main responsibilities and reserved decision-making parameters are set out in the Board Charter. The roles and responsibilities of the Board are defined in the Board Charter, and the respective Board sub-committee Charters.

The Board agreed that no amendments were required to the Board Charter in the 2021 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.

### **Recommendation 1.2 – Director selection**

The process of the appointment and removal of Directors is governed by the Althea Constitution.

The Board has a Remuneration and Nomination Committee which has the responsibility for recommending to the Board candidates to be considered or nominated to act as a Director for the Board. Any recommendations are provided to the Board.

If a new Director is appointed by the Board as a casual vacancy or as an addition to the existing Directors during the year, then such appointee is required to stand for election by shareholders at the next Annual General Meeting.

In considering candidates for the selection, election and appointment to the Board, the Remuneration and Nomination Committee and the Board assess a candidate's background, qualifications, industry experience and personal attributes. As part of this process and at regular intervals, the Board will conduct a skills assessment to ensure that Directors possess the appropriate skills, experience and attributes to govern the Company.

The Board undertakes appropriate checks before appointing a new Director including reference checks, criminal and bankruptcy checks and academic qualifications checks to ensure they meet the Director qualifications under the Althea Constitution.

### **Recommendation 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 and conditions of appointment and the expectations of the Company regarding performance and any performance-based incentives.

### **Recommendation 1.4 – Company Secretary**

The Company Secretary has access to all Board members. The role of the Company Secretary is outlined in the Board Charter. The Company Secretary assists and advises the Board on governance and compliance matters.

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.

#### **Recommendation 1.5 – Diversity Policy**

Diversity within Althea is created by an inclusive working environment. Althea has published its Diversity Policy in the Investor Centre section of the Company’s website at <https://www.althea.life>, which promotes diversity of religion, race, ethnicity, gender, disabilities, age, cultural background, socio-economic background, sexual orientation, perspective, experience and other areas of difference.

In respect of the diversity strategy the Board and Management:

- promote diversity in the Althea workplace.
- support equal opportunity in the recruitment, selection and promotion of employees from different backgrounds, knowledge, gender and experience. The Althea recruitment process is structured to provide equality in recruitment and unbiased selection and promotion decisions.

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 2021 Annual Report.

As at the date of this Corporate Governance Statement, 43% of Althea’s employees is made up of women employed across all sites and locations. Althea is committed to a diversity strategy aimed to promote the appointment of qualified, experienced and diverse Directors, Management and Employees to achieve Althea’s objectives on diversity.

#### **Recommendation 1.6 – Board and Committee Performance and 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 Nomination and Audit, Risk and Compliance Management Committees was not undertaken in the 2021 reporting period and the Board agreed that formal evaluations would be conducted during the next reporting period.

The Board conducts periodic evaluations of its performance and the performance of its Board sub-committees. The process of performance review enables the Board to identify areas for improvement. The Board performance evaluation, amongst other things, is based on Althea’s performance against long term objectives, the business plan and budgeted performance.

An external performance and evaluation of the Board and its Board sub-committees was not undertaken in the reporting period due to the size of the Company.

#### **Recommendation 1.7 – Senior Management Performance and Evaluation**

Senior Management are evaluated against individual performance and business measures on an ongoing basis. 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**

### **Recommendation 2.1 – Nomination Committee**

Althea has established a Remuneration and Nomination Committee to assist the Board in reviewing succession planning, remuneration policies and practices. The Remuneration and Nomination Committee Charter sets out the Committee’s responsibilities, structure, access to resources and information, meeting processes and performance evaluation.

The primary function of the Remuneration and Nomination Committee is to assist the Board in fulfilling its corporate governance responsibilities that:

- ensure the Company has the appropriate ethical standards and corporate governance policies and practices in place in order to protect and enhance shareholder returns.
- ensure, so far as possible, that policies are properly embedded within the Company’s operations and that all who work for and with the Company embrace these policies and standards as a normal and necessary element of managing the Company to maximise value for shareholders.
- establish appropriate remuneration levels and policies including incentive policies for senior executives; and
- identify and select appropriate individuals for nomination as members of the Board.

The Committee’s Charter provides that the Committee meets at least twice per annum and its members comprise of at least three (3) members, a majority of whom are independent directors.

### **Recommendation 2.2 – Skills of Directors**

The Board composition requirements under the Althea Constitution aims to achieve a 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.

The composition is reviewed annually by the Board with the qualifications and experience of each Director set out in the Directors Report of the 2021 Annual Report.

A Board Skills Analysis was undertaken during the 2021 reporting period and the following table sets out the mix of skills the Board currently has while providing guidance for expanding the skills base of Directors for the future needs of the Company.

Director background & experience	Director’s Name
Industry	Penelope Dobson, Joshua Fegan
Accounting & Corporate Finance	Alan Boyd
Capital Markets and trading	Alan Boyd, Andrew Newbold
Management & Leadership	Penelope Dobson, Alan Boyd, Andrew Newbold and Joshua Fegan

Risk Management	Alan Boyd, Andrew Newbold and Penelope Dobson
Governance and compliance	Alan Boyd and Andrew Newbold
Strategy	Penelope Dobson, Alan Boyd, Andrew Newbold and Joshua Fegan

### Board composition and length of service

The Board Charter does not set a maximum term of continuous service for each Director however re-election must occur every 3 years for each Non-Executive Director, in addition to the retirement provisions contained in the Althea Constitution and the ASX Listing Rules.

The Board composition, experience and skills is reviewed annually and as at the date of this Corporate Governance Statement, comprises 3 Non-Executive Directors.

Name	Position	Appointment Date	Last Re-Election
Andrew Newbold	Chairman & Non-Executive Director	21 June 2018	N/A
Alan Boyd	Non-Executive Director	21 June 2018	2019 AGM
Penelope Dobson	Non-Executive Director	30 November 2018	2020 AGM
Joshua Fegan	Executive Director	21 June 2018	N/A

Details of each Director including skills, experience and expertise are included in the 2021 Annual Report which is available on the Althea website at <https://www.althea.life>.

### Recommendation 2.4 - Majority should be Independent Directors

The Board supports the principle that a majority of the Board should be independent. When determining the independent status of a Director, the Board considers whether the Director:

- is a substantial shareholder of Althea or an officer of, or otherwise associated directly with, a substantial shareholder of Althea,
- is employed, or has previously been employed, in an executive capacity by Althea or another member of the Althea Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board,
- has within the last three years been a principal of a material professional adviser or a material consultant to Althea or another member of the Althea Group, or an employee materially associated with the service provided,
- is a material supplier or customer of Althea or another member of the Althea group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with Althea or another member of the Althea Group other than as a director.

The Board, when assessing materiality, considers a qualitative approach rather than setting quantitative thresholds. In accordance with the Althea governance policies, a relationship will be assessed as “material” in context of the nature, circumstance and activities of Althea and the

Director's activities or its affiliates' activities.

The Board recognises the need to have a majority of independent Directors but additionally that Board members must add value to the Company. The Board further recognises the need for the Board to comprise Directors who have a strong understanding of the Althea business and the pharmaceutical industry, however with the ability to bring independent views and judgement to Board decision making and deliberations.

### **Conflicts of Interest**

Importantly, the Board has in place a process to ensure that conflicts of interest are managed.

The Code of Conduct provides that Directors must act in the best interests of the Company and must avoid participating in decisions and activities which may conflict, or be perceived to conflict, with their duties and responsibilities to Althea.

The Directors must not enter into any arrangement or participate in any activity that would conflict with Althea's best interests or would be likely to negatively affect Althea's reputation.

If a potential conflict arises, the Director must immediately advise the Board of the conflict of interest. If a potential conflict arises or is notified by the Director to the Board then the relevant Director with the conflict-of-interest issue must not participate in the discussion of the matter, receive Board papers on the matter and must leave the Board meeting whilst the matter is being considered. A review of Directors interests is made at every Board and sub-committee Meeting.

### **Recommendation 2.5 - Chairperson should be Independent and not CEO**

The Board Charter provides that the Chairperson is an independent director and not the CEO. Mr Andrew Newbold is the Chairman and a Non-Executive Director.

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

### **Recommendation 2.6 - Induction program for New Directors**

Althea has a program and induction process for new Directors. New and existing Directors are offered professional development opportunities and training internally and externally. Each Director may take independent legal advice at the expense of Althea.

## **PRINCIPLE 3: INSTILL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1 – Company Values**

The Company's core values and commitments are:

- (a) Act with **Integrity** – We are committed to act with fairness, honesty and integrity in all our activities, both internally and externally. We work with business partners and suppliers who demonstrate comparable ethical and responsible business practices.
- (b) Always act with **Respect** – We treat people equally by listening and respecting their ideas and cultures, and treating everyone equally. Together we create an equal workplace and world.
- (c) Focused on **Safety** – We are committed to providing a safe working environment for all of our employees, contractors, partners, suppliers, and any persons who visits our workplace or with whom we work with, as required by law.

- (d) Upholding the highest **Community Standards** – We act in a manner that holds us in high regards and consistently meets the expectations of our investors and the broader communities we operate in. We act ethically and responsibly to ensure we protect the reputation of our Company.

### **Recommendation 3.2 – Code of Business Ethics**

The Code of Business Ethics guides and applies to the Directors, the CEO, management, employees and third parties dealing with Althea. The purpose of the Code of Business Ethics is to provide a framework for decisions and actions in relation to ethical and responsible conduct in employment. It underpins the Company's commitment to integrity and fair dealing, to act ethically and responsibly in its business affairs, and to display and exercise a duty of care to all employees, clients and stakeholders. The Board has adopted the Code of Business Ethics and is committed to upholding the Company's core values and ensuring that all business affairs of Althea must be conducted legally, ethically, honestly and with integrity, and which also sets out the conduct and behaviour expected for employees, consultants, contractors and business partners of Althea. The Code of Business Ethics addresses Althea's position on personal and professional behaviour, ethical standards and policies, conflicts of interest, anti-bribery and corruption, dealings with external parties, confidentiality, privacy, fair dealing, discrimination/bullying/harassment/vilification, health and safety, compliance with laws and regulations, responsibility to shareholders and the financial community. A copy of the Althea Code of Business Ethics is available on the Althea website at <https://www.althea.life>.

### **Recommendation 3.3 - Whistleblower Policy**

Althea has adopted a Whistleblower Protection Policy that complies with the amendments to the *Corporations Act 2001* (Cth) and the *Taxation Administration Act 1953* (Cth) that are effective from 1 July 2019.

The Policy is underpinned by a strong commitment to building a culture in Althea that reflects sound governance and promotes ethical behaviour in the detection and management of fraudulent, corrupt or improper conduct. The Whistleblower Protection Policy provides protection to whistleblowers by establishing a mechanism for concerns to be raised on a confidential basis without fear of intimidation or reprisal.

The Whistleblower Protection Policy applies to any individual who is either a current or former officer and director, employee, contractor, supplier, unpaid worker, or relative, dependent or spouse of any officer, employee, contractor and supplier, collectively, Employees and Stakeholders.

Whistleblowers perform a vital role in the community in exposing fraud, corruption and other misconduct, and whistleblowing ensures that corporate entities and organisations are held to account and operate within the confines of the law.

Employees and Stakeholders can raise any misconduct and unethical behaviour in relation to Althea to the Chair of the Audit, Risk and Compliance Management Committee, or a person authorised by Althea to receive disclosures that may qualify for protection (Whistleblower Protection Officer).

Employees and Stakeholders can also raise misconduct and unethical behaviour in relation to Althea via a dedicated phone number and email address available to Employees and Stakeholders, and can choose to remain anonymous to allay fear of retribution. A whistleblower cannot be subject to any civil, criminal or administrative liability (including disciplinary action) for making a protected disclosure. A whistleblower cannot be subjected to any detriment or a threat of detriment because they made, or are believed to have made, a protected disclosure.

A copy of the Whistleblower Protection Policy is available on the Althea website at

<https://www.althea.life>.

### **Recommendation 3.4 - Anti-bribery and Corruption Policy**

Australia has strict laws against bribery and corruption. The anti-bribery laws of some countries including Australia, the United States and United Kingdom can apply to actions carried out in other countries (i.e. wide-reaching extra-territorial effect). You must comply with and uphold all laws against bribery, corruption and related conduct applying to the Company in all the jurisdictions where the Company operates.

Corrupt conduct involves the dishonest or partial use of power or position which results in one person/group being advantaged over another. Corruption can take many forms including, but not limited to:

- (a) official misconduct;
- (b) bribery and blackmail;
- (c) unauthorised use of confidential information;
- (d) fraud; and
- (e) theft.

Accordingly, Althea has a strict policy not to offer or receive secret commissions or bribes to further its business interests.

Althea is committed to adopting effective systems to counter bribery and related improper conduct and to monitor and enforce these systems.

### **Policy for Dealing in Shares**

The Board has adopted a Policy for Dealing in Shares which regulates dealing in Althea securities by Designated Persons including Directors, Key Management Personnel, employees, contractors and consultants of Althea and their related parties. Designated Persons must not (i) deal in Althea securities if they are in possession of price sensitive information which would, if the information were publicly known, be likely to have a material effect on the price or value of Althea Securities; or (ii) influence persons who commonly invest in Securities in deciding whether or not to deal in Althea Securities. Under the Policy for Dealing in Shares, Designated Persons must not buy, sell or subscribe for Althea securities except during permitted periods.

The Policy for Dealing in Shares provides that Designated Persons may not deal in Althea securities during the following periods:

- a) the period from the end of the Company's financial year (30 June) until close of normal trading on the first trading day after the announcement of the full year financial results for Althea are received and announced to the general market by the ASX;
- b) the period from the end of the Company's half year (31 December) until close of normal trading on the first trading day after the announcement of the half year financial results for Althea are received and announced to the general market by the ASX;
- c) the period of two (2) trading days after the issue of any release to the ASX marked as price sensitive;
- d) the period of two (2) weeks prior to the Company's Annual General Meeting, and any other meeting of the Company's shareholders, until close of normal trading on the first trading day after the relevant meeting; and
- e) at any other time for a specified period as determined by the Board of Althea.

A breach of the Policy for Dealing in Shares will be regarded by Althea as serious misconduct which may lead to disciplinary action and/or dismissal.

A copy of the Policy for Dealing in Shares is available on the Althea website at <https://www.althea.life>.

#### **PRINCIPLE 4: SAFEGUARD INTEGRITY OF CORPORATE REPORTS**

##### **Recommendation 4.1 – Audit, Risk and Compliance Management Committee**

The Board has established an Audit, Risk and Compliance Management Committee which is governed by the Audit, Risk and Compliance Management Committee Charter and whose primary responsibility is to oversee the audit functions of the Company and ensures that risks are identified and managed.

The Committee's Charter sets out its authority, objectives, structure, responsibilities, membership, meeting protocols, access to Company personnel and information, reporting requirements and performance evaluation.

The Committee's Charter provides that the Committee will meet as frequently as required in order to undertake its role effectively but must, at a minimum, meet once in each financial quarter. Additionally, the Committee's Charter requires its members to comprise of at least three (3) non-executive directors, including an independent chairperson. The qualifications of members of the Committee and attendance at meetings is included in the Directors Report of the 2021 Annual Report. All Committee members must be financially literate and at least one member of the Committee should have accounting or related financial management expertise and at least one member should have a detailed understanding of the industry in which Althea operates.

During the 2021 financial year, the CEO and CFO also attended Committee meetings.

The Committee's primary functions are to:

- Review the integrity of Althea's financial information and systems, internal and external reporting.
- Review the internal controls, policies and procedures that Althea uses to identify and manage business risks.
- Review the external Auditor's annual audit of the financial statements.
- Review and assess the external Auditor's activities, scope and independence.
- Review and assess the internal auditor's activities, scope and independence.
- Review the management process for the identification of significant business risks and exposures (including fraud), and review and assess the adequacy of management information and internal control structures.
- Obtain regular updates from management on matters that may have a material impact on the Company's activities.
- Communicate with specified external stakeholders with respect to its role. External stakeholders are current and potential external auditors and internal auditors as well as parties nominated by the Board.

- Review any reports of misconduct made in accordance with the Company's Whistleblower Protection Policy.

The Audit, Risk and Compliance Management Committee receives updates from the CEO, CFO and the external Auditor.

#### **Recommendation 4.2 - Financial Statement Confirmation**

Prior to approving Althea's 2021 Financial Statements (30 June 2021), the Board received from the CEO and the CFO a declaration that in their opinion the financial records of the consolidated entity had been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Althea, and that the opinion had been formed on the basis of a sound system of risk management and control which is operating effectively.

#### **Recommendation 4.3 - Integrity of Corporate Reports**

Althea's Auditor reviews the Company's Half Year Report and Annual Report prior to publication. Apart from these documents, there are no other periodic Company reports. The Auditor's independence declaration forms part of the Directors' Report.

The external Auditor is invited to the Althea Annual General Meeting to be available to answer questions from Shareholders on matters pertaining to the audit.

### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Recommendation 5.1 – Continuous Disclosure**

The Board is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001.

Althea's Continuous Disclosure Policy has been adopted to ensure:

- the promotion of investor confidence by ensuring that all investors have equal and timely access to material information concerning the Company, including material information about its financial position, performance, ownership and governance; and
- that announcements are accurate, balanced and expressed in a clear and objective manner.

Althea's website contains copies of ASX releases covering such publications as market updates, annual and half yearly financial statements and material business updates. ASX announcements that are considered material and price sensitive are approved by the Board.

The Althea Continuous Disclosure Policy establishes guidelines to facilitate compliance with the ASX Listing Rules by:

- identifying the requirements and types of information subject to disclosure under the ASX Listing Rules;
- providing quantitative and qualitative materiality guidance on whether information should be considered material;
- giving guidance on whether information is subject to the ASX Listing Rules Confidentiality Exception; and
- establishing procedures and processes for evaluating whether information is market sensitive and which may require disclosure.

The Continuous Disclosure Policy is available on the Althea website at <https://www.althea.life>.

#### **Recommendation 5.2 - Market Announcements**

The Board automatically receives a copy of market announcements immediately after release to ASX.

#### **Recommendation 5.3 - Investor Presentations**

Althea releases a copy of any substantive investor presentation on the ASX Market Announcements Platform ahead of the presentation.

### **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

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

The Board and management are committed to Shareholders being informed and kept up to date with Althea's activities. Althea has established a Continuous Disclosure Policy which is available on the Althea website. The Continuous Disclosure Policy requires communication with Shareholders in an open, balanced and timely manner in order for market participants to make informed decisions on Althea. The Board is committed to improving Shareholder communication practices by adopting technological developments and regulatory changes.

Information on Althea, as well as its governance policies and procedures, is available to investors on the Company's website at <https://www.althea.life>.

#### **Recommendation 6.2 - Investor Relations**

All information released to the ASX is posted to the Althea website at <https://www.althea.life>. Althea's Annual Report is issued to Shareholders who have requested one.

#### **Recommendation 6.3 - Participation at Meetings**

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

Notices of General Meetings are provided to Shareholders and posted on the Althea website and Shareholders are encouraged to attend the Annual General Meeting. The Board is committed to enabling Shareholders to effectively participate in General Meetings by adopting ASX Corporate Governance Principles and Guidelines for improving Shareholder communication and participation.

#### **Recommendation 6.4 - Substantive resolutions by Poll, not show of hands**

Althea Shareholders are given the opportunity to vote on all substantive resolutions at the Company's AGM or at a General Meeting by way of Poll. Notices of meetings are sent out in advance of the meeting with proxy voting forms attached.

#### **Recommendation 6.5 - Communicating Electronically**

The Company's website provides contact details for Shareholders to communicate with either the Company's Share Registry or Althea directly at <https://www.althea.life>. Shareholders are offered the option of receiving information from Althea electronically via the Share Registry.

### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

#### **Recommendation 7.1 – Risk Management**

The Board recognises that risk management is a continuous and ongoing process. The CEO and CFO

provided a written statement on the financial accounts to the Board that:

- Althea's financial statements are prepared on the basis that there are appropriate internal controls and that there is sufficient compliance with their control to ensure no material misstatement of Althea's affairs and financial position; and
- Althea's risk management and control systems are operating effectively in all material aspects.

The CEO and CFO has each given the Board their declaration in accordance with section 295A of the Corporations Act 2001. The CEO and CFO confirmed that the declarations are founded on a sound system of risk management and internal control and also that the system is operating effectively in all material respects in relation to financial risks.

The Board has established the following sub-committees to review the integrity of Althea's risk management systems:

- The Audit, Risk and Compliance Management Committee oversees the audit function as well as compliance with financial and risk management policies of the Company.

### **Recommendation 7.2 - Risk Management Framework**

Althea is committed to identifying and managing economic, environment, and social sustainability risks which may create material exposure for Althea in the short, medium and long term.

Althea has established policies for the management and governance of material business risks for Althea. The risk management framework for Althea covers:

- financial risk – risks associated with financial outcomes. These risks include market risk, credit risk, liquidity risk;
- operational risk – risks associated with normal operations. These risks include project management, systems, fraud and day to day operating risks; and
- regulatory and compliance risk – failure to comply with legislative requirements both corporate and operational.

Althea's Board sub-committees are responsible for the following risk areas:

The Audit, Risk and Compliance Management Committee oversees the audit function as well as compliance with financial and risk management policies of the Company and is responsible for review and oversight of risk management policies and the framework for Althea and to make recommendations to the Board.

### **Recommendation 7.3 - Internal Audit**

Althea does not currently have an internal audit function. The Board considers that due to the size of Althea, such function would not be cost effective. The Audit, Risk and Compliance Management Committee ensures that internal policies and controls are in place and are being adhered to. The Board may engage an independent third party to undertake an internal audit if necessary, at any time.

Althea 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 as well as the selection and training of 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.

#### **Recommendation 7.4 - Risk Exposure**

During the 2021 reporting period, the main exposure to economic risk for Althea was the risk of interruption to product supply. The CEO, CFO and Board continually monitor the Company's cash flow position and adopt an appropriate strategy to maintain solvency in the face of any economic risk.

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

### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

#### **Recommendation 8.1 - Remuneration Committee**

Althea has established a Remuneration and Nomination Committee to assist the Board in reviewing Althea's remuneration policies and practices. In addition, the Board has adopted an Executive Remuneration Policy which is included in the Remuneration and Nomination Committee Charter.

The Remuneration and Nomination Committee conducts an annual assessment of the performance of the Board, Committees, the Directors, the CEO and Executive General Managers.

It is the Board's responsibility to ensure that Althea has the appropriate remuneration policies in place, which are designed to meet the needs of Althea and enhance corporate and individual performance.

#### **Recommendation 8.2 - Remuneration Policy**

Althea is committed to ensuring that remuneration packages for Directors and management are fair and reasonable.

Details of Althea's Executive Remuneration Policy are included in the Remuneration and Nomination Committee Charter and also set out in the Remuneration Report of the 2021 Annual Report, which is available on the Althea website.

Althea may pay retirement benefits to Directors in accordance with the ASX Listing Rules and Corporations Act 2001.

Senior Executive remuneration is reviewed on an annual basis. The Remuneration and Nomination Committee may seek benchmarking from external advisers to assist in Director or Senior Executive remuneration reviews.

#### **Recommendation 8.3 - Equity Based Remuneration Scheme**

Althea has an Equity Based Remuneration Scheme in the form of a Performance Rights Plan which was approved by shareholders at the 2019 Annual General Meeting. A copy of the Performance Rights Plan is available upon request. Rights were issued to the CEO, CFO and senior executives in September 2020. Specific share price hurdles have been put in place for recipients to be eligible for rights when they vest.