

Alexium International Group Limited - Corporate Governance Statement

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition

For the year ended 30 June 2019 and approved by the Board as at 12 July 2019

Alexium International Group Limited (**Company** or **Alexium**) is committed to best practice corporate governance and has reviewed all practices in line with ASX Corporate Governance Council's principles of good corporate governance and best practice recommendations.

Throughout the financial year ended 30 June 2019, and as at the date of this statement, the Board has considered the recommendations contained in the ASX corporate governance council's Corporate Governance Principles and Recommendations (3rd edition) (**Recommendations**).

The Board considers and applies the Recommendations taking into account the circumstances of the Company. Where the Company's practice departs from a Recommendation, this corporate governance statement identifies the area of divergence and reasons for it, or the alternative practise adopted by the Company.

The documents that govern the Company's corporate governance framework, including its Constitution, charters and polices are available in the Corporate Governance section on the Company's website - <http://alexiuminternational.com/about/#corpGov>

Recommendations

Current Practice

1.1	<p>A listed entity should disclose:</p> <ul style="list-style-type: none">a. The respective roles and responsibilities of its board and management; andb. Those matters expressly reserved to the board and those delegated to management.	<p>The Company supports a clear segregation of duties between management and the Board. The Board is responsible for the strategic direction of the Company with oversight and review of the management and administration of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer/Managing Director.</p> <p>The respective roles and responsibilities of the Board, its Committees and senior executives are set out in the board and committee charters. These charters are available on the Company's website. Details on the number of meetings held throughout the year and attendance at those meetings can be found in the Company's 2019 Annual Report.</p>
1.2	<p>A listed entity should:</p> <ul style="list-style-type: none">a. Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; andb. 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.	<p>The Board has established policies and procedures that apply to the appointment of new directors, which include checks as to the person's character, experience, education and appropriate background checks. At each annual general meeting, the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Non-Executive Directors are provided a formal letter of appointment which sets out their duties and responsibilities, rights and remuneration entitlements. Senior executives are employed under individual service contracts which set out their terms of employment including details of their duties, responsibilities, rights and remuneration entitlements.</p>
1.4	<p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with proper functioning of the board.</p>	<p>The Company Secretary is directly accountable to the Board, through the Chair, on all matters to do with proper functioning of the board.</p> <p>The Company Secretary is accessible to all Directors. The Board is responsible for the appointment and removal of the Company Secretary.</p>

Recommendations

Current Practice

<p>1.5 A listed entity should:</p> <ol style="list-style-type: none"> Have a diversity policy; Disclose that policy or a summary of it; Disclose the measurable objectives for achieving gender diversity and the its progress towards achieving them; and The respective proportions of men and women. 	<p>The Board has adopted a Diversity Policy which aims to ensure that the Company's workforce, including the Board, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company.</p> <p>The Diversity Policy does not include a requirement for the Board to establish measurable objectives for achieving gender diversity. Given the small size of the Company workforce, the Board has determined that it is not currently practicable to establish measurable objectives in this area.</p> <p>The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2019 are set out in the following table:</p>
<p>1.6 A listed entity should:</p> <ol style="list-style-type: none"> Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and Disclose whether performance evaluations were undertaken. 	<p>The assessment of the Board, each Board Committee and each individual Director was undertaken prior to the date of this statement. An appropriate questionnaire was completed by all Directors. The results were collated and discussed by the Board.</p>
<p>1.7 A listed entity should:</p> <ol style="list-style-type: none"> Have and disclose a process for periodically evaluating the performance of senior management; and Disclose whether performance evaluations were undertaken. 	<p>The Company conducts annual performance evaluations of all staff. Employee performance evaluations were undertaken in April 2019. The Remuneration Committee evaluated the performance of executive management in July 2019.</p> <p>Details on employee and executive management performance incentives and remuneration are contained in the remuneration report section of the Director's Report, in the Company's 2019 Annual Report.</p>
<p>2.1 A listed entity should have a nomination committee which:</p> <ul style="list-style-type: none"> Consists of at least 3 members, a majority of whom are independent directors; Is chaired by an independent director; <p>And disclose:</p> <ul style="list-style-type: none"> The charter of the committee; The members of the committee The number of times the committee met and individual attendance at those meetings <p>If it does not have a nomination committee disclose that fact and the process it follows to address that role.</p>	<p>Reflecting the size and composition of the Board and Company, during the reporting period, the Board elected to carry out the functions of a nomination committee which includes Board renewal, succession planning, induction and evaluation.</p> <p>Post July 2019, the Board commenced delegating nomination committee functions to the new Nomination & Remuneration Committee.</p> <p>The Nomination & Remuneration Committee comprises of the following members, all of whom are independent non-executive Directors:</p> <ul style="list-style-type: none"> Ms Claire Poll (Chair); Mr Stephen Cheney; and Ms Rosheen Garnon. <p>Members' qualifications and experience, together with the number of meetings held throughout the year and attendance at those meetings is set out in the Company's 2019 Annual Report.</p> <p>The new Nomination & Remuneration Committee Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available on the Company's website.</p>
<p>2.2 A listed entity should have and disclose a board skills matrix.</p>	<p>The Board has developed a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve. Prior to the date of this statement, the Board reviewed whether the Directors as a group have the range of expertise, skills, knowledge and operational and technical expertise relevant to the operation of the Company required to address existing and emerging business and governance issues and fulfil their role on the Board and on the Board Committees.</p>

Recommendations

Current Practice

Skills and Experience of Directors	
Strategy	Strategic planning & execution experience in developing, implementing, measuring and reporting strategic objectives that succeed in delivering long term sustainable shareholder value.
Executive Management	Experience at an executive level including the ability to: appoint and evaluate the performance of the CEO and senior executive managers; oversee strategic human resource management including workforce planning, and employee and industrial relations; and oversee large scale organisational change.
Corporate Governance	Previous experience as either an executive or non-executive director that demonstrates sound understanding of Corporate Governance Principles in an ASX listed Company.
Commercial Framework Development	Ability to identify key issues and opportunities for the Company and develop appropriate policies to define the parameters within which the organisation should operate.
Financial Performance	Qualifications and experience in accounting and/or finance and the ability to: analyse key financial statements; critically assess financial viability and performance; contribute to strategic financial planning; oversee budgets and the efficient use of resources; oversee funding arrangements and accountability; business unit and corporate finance reporting; and capital markets experience in sourcing funding from either debt or capital markets.
Risk and Compliance Oversight	Ability to identify key risks to the organisation in a wide range of areas including legal and regulatory compliance, and monitor risk and compliance management frameworks and systems.
Marketing	Marketing and distribution strategies for B2B. Marketing experience in key business areas.
Innovation and Entrepreneurial	Proven success as an innovator. The required entrepreneurial mindset to ensure success in a fast-moving market environment. R & D experience in chemical formulations.
Human Resources	Staff engagement & executive remuneration experience in staff engagement principles and executive remuneration packaging, KPI management and reporting.
Legal	Legal experience in, or awareness of, legal obligations under the <i>Corporations Act 2001</i> , tax, ASX Listing Rules and the equivalent US laws. Application for and management of patents and other intellectual property.
Supply Chain Management	Logistics and operational experience in supply chain management.

Further details regarding the skills and experience of each Director are included in the Director’s Report within the 2019 Annual Report.

- 2.3 A listed entity should disclose:
- The names of the directors considered by the board to be independent directors and length of service.
 - If a director has an interest / association / relationship that meets the factors of assessing independence.
- The independence of Directors was measured during the reporting period having regard to the defining characteristic set out in Box 2.3 of the Recommendations.
- The following table sets out the Directors of the Company during the reporting period, including their non-executive and independent status

Name	Appointment date	Resignation date	Non – executive?	Independent?
Ms Rosheen Garnon	19 September 2018	N/A	Yes	Yes
Mr Stephen Cheney	15 April 2015	N/A	Yes	Yes
Ms Claire Poll	10 December 2017	N/A	Yes	Yes
Dr Robert Brookins	13 July 2018	N/A	No	No
Ms Susan Thomas	10 December 2017	29 March 2019	Yes	Yes
Mr Craig Metz	1 December 2014	14 November 2018	Yes	Yes
Ms Karen Thurman	2 March 2017	14 November 2018	Yes	Yes

Recommendations

Current Practice

2.4	A majority of the board should be independent directors.	In accordance with the Board Charter, the majority of Directors are independent. Only the MD & CEO is not considered independent, by virtue of him being an Executive of the Company.
2.5	The chair should be an independent director and should not be the same person as the CEO.	Ms Rosheen Garnon is an independent non-executive Chair. The roles of the Chair and CEO/MD are not exercised by the same individual. The Board Charter sets out distinct responsibilities of each role.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for Directors.	<p>New Directors are provided with a formal letter of appointment and introductory materials.</p> <p>The Board Charter provides that the Company Secretary is responsible for arranging an induction program for any new director.</p> <p>Directors are encouraged and given the opportunity to broaden their knowledge of the Company by visiting Alexium's operational office. During the reporting period, Directors made a number of visits to the Company's operational site.</p> <p>Directors are encouraged to undertake professional development opportunities as and when required in order to further develop and maintain their skills and knowledge.</p>
3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> - have a code of conduct; and - disclose the code or a summary of it. 	<p>The Company has established a Code of Conduct which applies to all Directors, senior executives and staff. Employees are responsible for actively reporting any breaches of the Code of Conduct and are encouraged to follow the steps outlined in the Whistle-blower Policy.</p> <p>The Code of Conduct and the Whistle-blower Policy are available on the Company's website.</p>
4.1	<p>The board of a listed entity should have an audit committee which:</p> <ul style="list-style-type: none"> - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. <p>Disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The relevant member qualifications; - The number of times the committee met and individual attendance at those meetings. 	<p>The Audit & Risk Committee (ARC) comprises of the following members, all of whom are independent non-executive Directors:</p> <ul style="list-style-type: none"> • Ms Rosheen Garnon (Chair); • Ms Claire Poll; and • Mr Stephen Cheney. <p>In addition to the ARC members, the MD & CEO, CFO, external auditor and Company Secretary regularly attend ARC meetings.</p> <p>The Board is in the process of reviewing its composition and skills, with view to ensuring that the ARC is chaired by an independent chair, who is not the Chair of the Board.</p> <p>Members' qualifications and experience, together with the number of meetings held throughout the year and attendance at those meetings is set out in the Company's 2019 Annual Report.</p> <p>The ARC Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available on the Company's website.</p>
4.2	The board should receive declarations for CEO & CFO in accordance with S.295A of Corporations Act before approving financial statements.	Prior to Board approval of the Company's annual financial reports, the Chief Executive Officer and Chief Financial Officer provide the Board with declarations required under section 295A of the Corporations Act 2001 (Cth) and Recommendation
4.3	A listed entity should ensure its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company's external audit function is performed by Grant Thornton. Representatives of Grant Thornton will attend the Company's 2019 Annual General Meeting and will be available to answer shareholder questions regarding the conduct of the audit and preparation and conduct of the Independent Auditor's Report.
5.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> - Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and - disclosure that policy or a summary of it. 	<p>The Company has adopted a Price Sensitive Information Policy which sets out the processes and practices that ensure its compliance with the continuous disclosure requirements under the ASX Listing Rules and Corporations Act 2001 (Cth).</p> <p>The Price Sensitive Information Policy is available on the Company's website.</p>

Recommendations

Current Practice

<p>6.1 A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>The Company's website - http://alexiuminternational.com/ - provides detailed information about its business and operations.</p> <p>Shareholders can find information about the Company's corporate governance practices on the website within the Corporate Governance section under About. This includes the Company's Constitution, Board and Committee Charters and the Company's other corporate governance and policies.</p>
<p>6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>The Company has adopted a Shareholder Communication and Participation Policy which outlines the range of media used to communicate with shareholders and the types of information provided. The Company encourages participation by shareholders at the Company's general meetings, investor presentations and via the contact details provided on the Company's website.</p> <p>The Shareholder Communication and Participation Policy is available on the Company's website.</p>
<p>6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The Company views general meetings as an important forum for reciprocal communication between itself and shareholders. The Company provides a direct voting facility to allow security holders to vote ahead of general meetings without having to attend or appoint a proxy. Shareholders are encouraged to participate in general meetings and are given the opportunity to ask questions of the Company and its auditors at the annual general meeting.</p>
<p>6.4 A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.</p>	<p>The Company provides shareholders with the option of receiving communications from, and sending communications to, the Company and Share Registry electronically. The Company provides a printed copy of the Annual Report only to those shareholders who have specifically elected to receive a printed copy. Other shareholders receive the Annual Report via email and are advised that it is available on the Company's website.</p> <p>Shareholders are encouraged to register on the Company website to receive email alerts of ASX announcements and media releases.</p> <p>The Company's share register is managed by Automic Pty Ltd. Shareholders can access their shareholding details or make enquiries about their shareholding electronically through the Automic Investor Centre.</p>
<p>7.1 The board of a listed entity should have a committee to oversee risk, which:</p> <ul style="list-style-type: none"> - Has at least three members all of whom are non-executive directors and a majority of independent directors; and - Is chaired by an independent chair, who is not chair of the board. <p>Disclose:</p> <ul style="list-style-type: none"> - The charter of the committee; - The members of the committee; and - The number of times the committee met and individual attendance at those meetings <p>If it does not have a risk committee disclose that fact and the process it follows to address that role.</p>	<p>The Audit and Risk Committee (ARC) has the responsibility to establish policies on the system of internal control and identification and management of material risks in accordance with the Company's Risk Management Policy. A copy of the Risk Management Policy is available on the Company's website.</p> <p>Further details regarding the ARC and its membership are set out in response to Recommendation 4.1.</p>

Recommendations

Current Practice

<p>7.2 The board or a committee of the board should:</p> <ul style="list-style-type: none">- Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and- Disclose whether such a review has taken place.	<p>The Audit and Risk Committee (ARC) is responsible for reviewing the Company's risk management framework to ensure the Company's governance processes and practices continue to be sound and that Alexium manages risk within the Board approved risk appetite.</p> <p>The ARC conducted its review prior to the date of this statement and concluded that controls over risk management processes were considered adequate and effective.</p> <p>In addition to meetings of the ARC, the Board is updated on material business and financial risks on an on-going basis.</p>
<p>7.3 A listed entity should disclose:</p> <ul style="list-style-type: none">- If it has an internal audit function, how the function is structured and what role it performs;- If it does not have an internal audit function, disclose that fact and the process it follows to address that function.	<p>The Company currently does not retain a dedicated internal audit position. Management and the Board consider this is appropriate, taking into consideration the stage of the Company's life cycle, the scale and relative simplicity of its current operations, and size of its finance function. The internal audit function is performed by senior management and reviewed by the board. Currently this function comprises:</p> <ul style="list-style-type: none">• regular review and testing of the adequacy of controls for risks identified as presenting the highest overall exposure;• management's periodic confirmation that the assessment of these identified risks and their controls remain appropriate;• identification and review of any newly identified risks that may develop resulting from changes to the business; and• regular and recurring review of any deficiencies identified as part of an external audit and the subsequent actions taken to mitigate these risks. <p>Where considered appropriate, external guidance may be sought on specific risks or controls. The Audit and Risk Committee regularly discusses the appropriateness of controls with the external auditor and if considered necessary would initiate an audit of a particular function.</p>
<p>7.4 The entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages those risks.</p>	<p><i>Economic Sustainability</i></p> <p>Managing economic sustainability is central to the Company's operation and ongoing viability. The most significant risk currently being managed is cash resources, and the Company's ability to secure additional revenue streams. The Company ensures its organizational structure includes appropriate resources to manage these risks. A key focus of senior executives is on securing sustaining financial resources and optimizing existing cash resources and, where required, external advisors will be engaged to assist senior executives.</p> <p><i>Environmental Sustainability</i></p> <p>A key focus of Alexium's product portfolio is the environmentally friendly nature of these. With this, Alexium can ensure that the environmental impact by its customers products are minimal and acceptable. Additionally, Alexium's manufacturing partners are selected in part based on their adherence to established environmental standards as well as compliance with manufacturing standards such as ISO 9001.</p> <p><i>Social Sustainability</i></p> <p>Social sustainability is an important aspect of Alexium's culture. Alexium values diversity in the workplace and has worked to have a diverse staff based on social, economic, and ethnic backgrounds. The staff's compensation and promotion structure is designed to encourage long-term careers. Alexium also strives to work with suppliers and consultants in our local community. For our markets as a whole, Alexium is actively engaged in key organizations for our suppliers and customers.</p>

Recommendations**Current Practice**

<p>8.1 The board of a listed entity should:</p> <ul style="list-style-type: none">- have a remuneration committee which has at least three members all of whom are non-executive directors and a majority of independent directors; and- Is chaired by an independent director; and <p>Disclose:</p> <ul style="list-style-type: none">- The charter of the committee;- The members of the committee; and- The number of times the committee met and individual attendance at those meetings <p>If it does not have a remuneration committee disclose that fact and the process it follows to address that role.</p>	<p>The Remuneration Committee comprises of the following members, all of whom are independent non-executive Directors:</p> <ul style="list-style-type: none">• Ms Claire Poll (Chair);• Mr Stephen Cheney; and• Ms Rosheen Garnon. <p>In addition to the Remuneration Committee members, the MD/CEO, CFO and Company Secretary regularly attend Remuneration Committee meetings.</p> <p>Members' qualifications and experience, together with the number of meetings held throughout the year and attendance at those meetings is set out in the Company's 2019 Annual Report.</p> <p>Post July 2019, the Board commenced delegating nomination committee functions to the new Nomination & Remuneration Committee. The composition of the Committee remains the same as the previous Remuneration Committee.</p> <p>The new Nomination & Remuneration Committee Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available on the Company's website.</p>
<p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives</p>	<p>Non-executive Directors are paid fees from an aggregate sum approved by shareholders of the Company. Non-executive Directors are remunerated at a fixed fee for their time and responsibilities and their remuneration is not linked to the operating performance of the Company. There are no termination or retirement benefits for Non-executive Directors other than superannuation.</p> <p>During the reporting period, additional fees were paid to previous Chair, Ms Susan Thomas, in connection with performance of extra services and special exertions on behalf of the Company pursuant to section 13.9 of the Constitution.</p> <p>As approved by shareholders at the 2018 AGM, some Non-executive Directors elected to salary sacrifice their non-executive cash remuneration (or part of) and elected to be paid an equivalent number of performance rights. This is consistent with the Recommendations given the performance rights are not subject to performance-based vesting conditions.</p> <p>Remuneration of the CEO/MD and senior executives consist of a base salary, fringe benefits (including medical insurance) and performance incentives.</p> <p>Details of remuneration are contained in the Remuneration Report, which forms part of the Directors' Report in the Company's 2019 Annual Report.</p>
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none">- Have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme;- Disclose that policy or a summary of it.	<p>The Company's Securities Dealing Policy prohibits Directors and key management personnel from entering into transactions in associated products which operate to limit the economic risk of holding securities in the Company. Further, any Director or key management personnel of the Company who enters into margin lending arrangements or otherwise encumbers their securities of the Company is required to provide details of those security arrangements which may be subject to prohibitions on dealing as contained in the Securities Dealing Policy.</p>