

# Corporate Governance Statement

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The Board of Directors of Cogstate Limited is responsible for the corporate governance framework of the Group having regard to the ASX Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations (Recommendations). The Board guides and monitors the business and affairs of Cogstate Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

## Principle 1 - Lay solid foundation for management and oversight

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit, Risk and Compliance
- Remuneration and Nomination.

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- Reporting to shareholders.

The Board has a written agreement with each director and senior executive setting out the terms of their appointment.

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

## **Diversity policy**

The Company is committed to gender diversity in our workforce. Given the Company's size, there are no guidelines in place regarding the monitoring of gender diversity. The Company will endeavour to select the appropriate candidates for any position, regardless of gender. As at 30 June 2019, Cogstate Limited had 54% female employees. There are currently four females in senior management roles, out of a total of eight positions. There is currently one female on the Board of Directors.

## **Performance**

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative factors. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Cogstate Limited. Assessment of key executives' performance is based on agreed and documented factors and is performed formally on an annual basis. Assessment of the performance of the Board, its Committees and individual directors is performed by the Board on an ongoing basis.

During the reporting period:

- the Nomination Committee conducted a performance evaluation of the Chief Executive's performance against specific and measurable qualitative and quantitative performance criteria. This evaluation was in accordance with the process disclosed above;
- the Chief Executive Officer conducted performance appraisals of other key executives' performances against specific and measurable qualitative and quantitative performance criteria and this review was overseen by the Nomination Committee. This evaluation was in accordance with the process disclosed above;
- the Board conducted ongoing review of its performance and that of its Committees and individual directors against criteria relevant to the interests of the Company and its stakeholders, including assessment of its performance against best practice. This evaluation was in accordance with the process disclosed above.

Directors whose performance is consistently unsatisfactory may be asked to retire.

## Principle 2 - Structure of the Board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Cogstate Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with - or could reasonably be perceived to interfere with - the exercise of their unfettered and independent judgment.

In accordance with the definition of independence above, Richard van den Broek (non-executive director), Richard Mohs (non-executive director) and Jane McAloon (non-executive director) are considered to be independent.

Martyn Myer (non-executive Chairman) is not considered to be an independent director due to the substantial Cogstate Limited shareholding controlled by him.

David Dolby (non-executive Director) is not considered to be an independent director due to the substantial Cogstate Limited shareholding controlled by him.

The Recommendations suggest that the Chairperson should be an independent director. Despite his substantial shareholding in Cogstate Limited, the Board views Mr Myer as the best person to fulfill this role and discharge the associated duties at this stage of the company's development, notwithstanding his position as a substantial shareholder. Mr Myer brings to the Board extensive experience gained as a director of developing technology oriented companies and both large and small public companies.

Jane McAloon (independent non-executive director) is the Chairperson of the Audit, Risk and Compliance Committee.

The Recommendations suggest that a majority of the Board of Directors should be independent. As described above, three of the six Cogstate directors, are independent.

Cogstate Limited has the ability to draw on an excellent range of skills and experiences from the diverse backgrounds of its existing Board. The Board does not maintain a Board skills matrix due to the nature and size of Cogstate operations.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in Office</b>
M Myer	19 years 8 months
B O'Connor	13 years 9 months
R van den Broek	9 years
D Dolby	5 years 7 months
R Mohs	2 years 7 months
J McAloon	2 years 7 months

## Principle 3 - Act ethically and responsibly

### Code of Conduct

A summary of the Company's employment code of conduct is as follows:

- employees are expected to avoid personal situations, which might be construed as a conflict of interest.
- employees without prior approval may not engage in any other business activity if pursued for gain, profit or other advantage during normal business hours.
- employees that are contemplating additional employment that may not be a conflict of interest must inform their Manager as this employment may place a burden on the individual or cause a conflict with possible emergency coverage required as part of their employment with Cogstate.
- employees are expected to adhere to all applicable international, federal, state and local laws and regulations.
- all employees must sign confidentiality agreements at the commencement of employment.

### Trading Policy

Under the Company's Securities Trading Policy, an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Executives and Directors are notified in writing by the Company Secretary of times when it is appropriate to trade in securities of the Company. There is no trading in the securities of the Company by Executives or Directors outside of this prescribed time.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

A copy of the Company's Securities Trading policy can be found [<here>](#).

## Principle 4 - Safeguard integrity in corporate reporting

### Audit, Risk & Compliance Committee

The Board has established an Audit, Risk and Compliance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the company to the Audit, Risk & Compliance committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit, Risk & Compliance committee are non-executive directors.

The members of the Audit, Risk & Compliance Committee during the year were:

- M Myer
- R Mohs
- J McAloon

Two of the three current committee members detailed above are independent directors.

The Recommendations suggest that the company should structure the Audit, Risk & Compliance Committee with an independent Chairperson, who is not the Chairperson of the Board. The Chairperson, Ms McAloon is considered to be an independent Chairperson.

For details of the qualifications of those appointed to the Audit, Risk & Compliance Committee, and their attendances at meetings of the committee, refer to the Directors' Report in the Annual Report.

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and Finance Director a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company ensures that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

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

The Company has written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

ASX listing rules are complied with, a copy of the Company's continuous disclosure policy can be found on the Company website. Senior executives are aware of, and periodically reminded of, their accountability for compliance. Given the relatively small size of the organisation, this is regarded as a reasonable approach.

## Principle 6 - Respect the rights of shareholders

The Company communicates with its shareholders publicly by:

- providing timely and relevant business updates to the market via release to the ASX;
- placing all ASX releases on the Company website as soon as practicable after their release to the market;
- placing on the Company website all previous full year and half year financial reports; and
- placing on the Company website links to previous analyst reports and other external reports about the Company

The Company maintains an investor relationship program and facilitates two-way communications with investors.

The Company holds an AGM each year and incorporates a period of time to participation of security holders during and following the meeting.

The Company gives security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

## Principle 7 - Recognise and manage risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls;
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations;
- preparation of reliable published financial information.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control and such a review has taken place for the period ended 30 June 2019.

The Company does not have an internal audit function, due to the size of the Company. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Audit, Risk & Compliance Committee. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

Management reports to the Audit, Risk & Compliance Committee at each Audit, Risk & Compliance Committee meeting on the status of the company's risk management arrangements, including whether material business risks are being managed effectively. The Audit, Risk & Compliance committee keeps the Board apprised as to these matters.

For details of the qualifications of those appointed to the Audit, Risk & Compliance Committee, and their attendances at meetings of the committee, refer to the Directors' Report in the Annual Report.

The Company does not have any material exposure to economic, environmental and social sustainability risks.

## Principle 8 - Remunerate fairly and responsibly

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and Nomination Committee links the nature and amount of directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company
- Performance incentives which allow the executives to share the rewards of the success of Cogstate Limited.

For details regarding the policies and practices as well as the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all directors, refer to the Directors' Report in the Annual Report. Bonus and long term incentive payments have been made to key management personnel during the year. In relation to the grant of options, discretion is exercised by the Board, having regard to the overall performance of Cogstate Limited and the desire to motivate the individual. Following a change in policy during the 2018 financial year, non-executive directors will not be granted any options other than those previously approved by shareholders at an Annual General Meeting of Cogstate shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.



The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established the Remuneration and Nomination Committee to make recommendations to the Board. The Remuneration and Nomination Committee comprises five non-executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

- M Myer
- R van den Broek
- D Dolby
- R Mohs
- J McAloon

Three of the five current directors detailed above are independent directors.

The Recommendations suggest that the company should structure the Remuneration and Nomination Committee with an independent Chairperson, who is not the Chairperson of the Board. Mr M Myer, the Chairperson of the Remuneration & Nomination Committee, is not considered to be an independent director due to the substantial Cogstate Limited shareholding that he holds and he is also the Chairman of the Board. However the Board views Mr Myer as the best person to fulfill this role due to his extensive experience gained as a director of developing technology oriented companies and both large and small public companies.

For details on the number of meetings of the Remuneration and Nomination Committee held during the year and the attendances at those meetings, refer to the Directors' Report in the Annual Report.