

# Stemcell United Limited

## CORPORATE GOVERNANCE STATEMENT

### 1. Introduction

The Board of Directors of Stemcell United Limited (“**Company**”) is responsible for the Company's corporate governance framework, as set out in this Corporate Governance Statement. This Corporate Governance Statement and supporting materials have been prepared by reference to the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations, third edition.

This Corporate Governance Statement has been approved by the Directors and is current as at 22 May 2017.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board considers the recommendation to be appropriate for its corporate governance practices. Where the Company's corporate governance practices does not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company adopts instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at [www.scu.com.sg](http://www.scu.com.sg) under the section marked "Corporate Governance"

- Constitution
- Corporate Governance Statement
- Board Charter
- Code of Conduct
- Continuous Disclosure Policy
- Diversity Policy
- Risk Management and Internal Compliance and Control Policy
- Performance Evaluation Policy
- Remuneration Policy
- Securities Trading Policy
- Shareholder Communications Policy

### 2. Roles and responsibilities of the Board and Company Secretary (Recommendations: 1.1,1.4)

The functions reserved to the Board, and those delegated to senior executives are set out in the Board Charter.

The Board is responsible for promoting the success of the Company through its overseeing the management of the Company, providing corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management developing corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company Secretary supports the Board by monitoring that Board policy and procedures are followed, and by coordinating the completion and dispatch of Board agendas, minutes, registers and briefing papers. The Company Secretary is accountable to the Board via the Chair.

Senior executives are responsible for supporting the Chief Executive Officer and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters at first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, directly to the Chair or the lead independent Director, as appropriate.

### **3. Selection and Appointment of Directors (Recommendation: 1.2, 1.3, 2.6)**

In determining candidates to join the Board the Board will evaluate the mix of skills, experience, expertise and diversity of the existing Board. In particular, the board will seek to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration will also be given to the balance of independent Directors. Any appointment made by the Board will be subject to ratification by shareholders at the next general meeting.

Prior to the appointment of a new director the Board will undertake appropriate checks to ensure that the person's character, experience and education are appropriate for the position which will include criminal history and bankruptcy checks.

Each Board member will have a written letter of appointment or executive contract setting out the terms of his or her appointment. New Directors will be familiarised with the Company by undertaking an induction program, which shall be arranged by the Company Secretary.

### **4. Diversity (Recommendation: 1.5)**

The Company has established a Diversity Policy, which provides the Board with objectives for achieving diversity that are appropriate for the Company.

The Company presently has only a small number of full time employees. The Board considers due to the size of the Company setting measurable diversity objectives is not appropriate with its practice currently being to hire the most appropriate candidate for the position to be filled having regard to the activities to be undertaken in the role. As the Company increases in size the board will consider setting measurable objectives.

The Company will report on the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board in its Annual Report.

### **5. Performance evaluation of the Board, its committees and individual directors (Recommendations: 1.6) and Senior executives (Recommendations: 1.7)**

The Chair has the overall responsibility for evaluating the Board, any committees established and, when appropriate, individual directors on an annual basis.

The method and scope of the performance evaluation will be set by the Chair and which may include a Board self-assessment checklist to be completed by each Director. The Chairperson may also use an independent adviser to assist in the review.

The Chief Executive Officer will review the performance of the senior executives. The Chief Executive Officer will conduct a performance evaluation of the senior executives by meeting individually with each senior executive on a yearly basis to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against key performance indicators (KPI's) set for the senior executive set by the Chief Executive Officer or the Board.

The performance of Executive Directors and the Chief Executive Officer, will be reviewed by the Board. The Board (or Directors nominated by the board) will conduct a formal performance evaluation of any Executive Directors annually to review performance against KPIs set for the previous year, and to establish KPIs for the forthcoming year.

### **6. Nomination Committee (Recommendations: 2.1) Audit Committee (Recommendations: 4.1) Risk Committee (Recommendation (7.1) Remuneration Committee (Recommendations: 8.1)**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time preferring to manage the Company through the full board of Directors.

Matters typically dealt with by a Nomination, Audit, Remuneration and Risk committee will be dealt with by the full Board in accordance with adopted policies and procedures.

If the Company's activities increase in size, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

## **7. Skills, experience, expertise and period of office of each Director (Recommendation: 2.2)**

A profile of each Director setting out their skills, experience, expertise and period of office will be included in the Company's Annual Report.

The mix of skills and diversity for which the Board is looking to achieve in its membership is represented by the current Board. The Board comprises directors with significant experience as directors of public companies; marketing experience; accounting and financial expertise; experience in the management and growth of businesses and extensive experience in the industry in which The Company operates. The Board considers that these skills and experience are appropriate for The Company.

Each Director other than the Chief Executive Officer, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or one third of the total number of Directors (rounded down) retiring by rotation. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

## **8. Director independence and Professional Development (Recommendations: 2.3, 2.4, 2.5)**

The Board has a majority of directors who are independent.

The Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. These skills include members with significant experience as directors of public companies, relevant experience in the management and growth of businesses together with extensive experience in the industry in which the Company operates.

The Board will review its composition as the Company's circumstances change. The Board will have regard to the Company's Diversity Policy and the balance of independence on the Board in identifying appropriate candidates for any appointments for the Board.

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations and the Company's materiality thresholds.

The Chair of the Board is independent.

It is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice. Where it is the Chair who is seeking the independent professional advice, the role of the Chair to consider and provide approval as set out above will be carried out by the independent Directors.

It is the Board's policy that directors be encouraged to develop their skills and knowledge needed to perform their role as directors effectively and will pay the reasonable expenses of directors who wish

to participate in professional development activities.

#### **9. Code of Conduct (Recommendation: 3.1)**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### **10. Integrity of Financial Reporting (Recommendations: 4.2, 4.3)**

The full Board has responsibility for verifying and safeguarding the integrity of its corporate reporting. The full Board will assess any proposal to appoint or remove the auditor and will ensure that the engagement partner rotates in accordance with the Corporations Act.

The Chief Executive Officer and the Chief Financial Officer will provide a declaration to the Board in accordance with section 295A of the Corporations Act and will assure the Board that such declaration is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

A representative of the Company's auditor will be present at the Annual General Meeting and to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report

#### **11. Continuous Disclosure (Recommendation: 5.1)**

The Company has established a written policy designed to ensure compliance with ASX Listing Rules disclosure requirements and accountability at a senior executive level for that compliance.

#### **12. Shareholder Communication (Recommendations: 6.1, 6.2, 6.3, 6.4)**

The Company has designed a communications policy for promoting effective communication with shareholders, receive communities from shareholders, including by electronic means, and encouraging shareholder participation at general meetings and at the annual general meeting.

#### **13. Risk Management Recommendations: (7.2, 7.3, 7.4)**

The Company has not established an internal audit function.

The Board has adopted a Risk Management, internal Compliance and Control Policy., which sets out the Company's risk management and control framework. Under the policy, the Board is responsible for the oversight of the Company's risk management and control framework and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks.

In fulfilling the duties of risk management, the Chief Executive Officer may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board will receive a periodic report from management as to the effectiveness of the Company's management of identified risks, including identified weaknesses or incidents and will review the Company's risk framework, at least annually to satisfy itself that it continues to be sound and appropriate for the Company's size and levels of operations.

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

#### **14. Remuneration of Directors and Executives (Recommendations 8.2, 8.3)**

Details of remuneration, including the Company's policy on remuneration, will be contained in

the "Remuneration Report" which will form part of the Company's Annual Report.

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to individual performance. From time to time the Company may grant performance rights or to non-executive Directors. The grant of performance rights or options is designed to attract and retain suitably qualified non-executive Directors. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

Executive remuneration consists of a base salary and performance incentives.

Short term performance incentives may be paid in cash and may be subject to the successful completion of performance hurdles agreed by the board.

Long term performance incentives may include options, performance rights, or other equity based products granted at the discretion of the Board subject to obtaining the relevant approvals. The grant of equity based products is designed to recognise and reward efforts as well as to provide additional incentive to continue those efforts for the benefit of the Company, and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies), which are reviewed at least annually to ensure market competitiveness.

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

## 15. ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations:

<b>Principles and Recommendations</b>		<b>Comply</b>
<b>Principle 1: Lay solid foundations for management and oversight</b>		<b>(Yes/No)</b>
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Background checks and information to be given for elections.	Yes
1.3	Written contracts of engagement.	Yes
1.4	Company Secretary accountable to board through Chairperson	Yes
1.5(a) and (b)	Diversity Policy	Yes
1.5(c)	Measurable Objectives in Diversity Policy	No
		The Board considers that due to the size of the Company setting measurable diversity objectives is not appropriate with its practice currently being to hire the most

	appropriate candidate for the position to be filled having regard to the activities to be undertaken in the role
1.6 Evaluation of Board	Yes
<b>Principle 2: Structure the Board to add value</b>	
2.1 The Board should establish a nomination committee	No
2.2 Skills Matrix	Yes
2.3 Disclose independence and length of service	Yes
2.4 A majority of the Board should be independent directors.	Yes
2.5 The chair should be an independent director.	Yes
2.5 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.6 Induction and professional development of directors	Yes
<b>Principle 3: Promote ethical and responsible decision-making</b>	
3.1 Companies should establish a code of conduct	Yes
<b>Principle 4: Safeguard integrity in financial report</b>	
4.1 The Board should establish an audit committee.	No  Due to its current size the Company has not established an audit committee. The full Board will undertake the activities normally undertaken by an audit committee
4.2 Declaration from chief executive officer and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act.	Yes
4.3 External Auditor to be available at AGM	Yes
<b>Principle 5: Make timely and balanced disclosure</b>	

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements	Yes
<b>Principle 6: Respect the rights of shareholders</b>		
6.1	Information of website	Yes
6.2	Investor relations program	Yes
6.3	Facilitate participation at general meetings	Yes
6.4	Facilitate electronic communications	Yes
<b>Principle 7: Recognise and manage risk</b>		
7.1	The Board should establish a risk committee	No  Due to its current size the Company has not established a risk committee. The full Board will undertake the activities normally undertaken by a risk committee
7.2	Conduct annual risk review	Yes
7.3	Internal audit function	No
7.4	Disclose exposure to sustainability risks	Yes
<b>Principle 8: Remuneration fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee	No  Due to its current size the Company has not established a remuneration committee. The full Board will undertake the activities normally undertaken by a remuneration committee
8.2	Disclose remuneration policy	Yes
8.3	Disclose policy on hedging equity incentive schemes	Yes