

Memphasys Limited (ABN 33 120 047 556)

Corporate Governance Statement

Year Ended 30 June 2020

This statement has been approved by the Board of Memphasys Limited and is current as at 7 September 2020.

Memphasys Limited's approach to Corporate Governance

This Corporate Governance Statement addresses the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' – 4th Edition released in 2019 (referred to as 'ASX Principles or Recommendations').

Memphasys Limited ('Memphasys' 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. Memphasys has monitored and updated the Company's risk management framework including the review and identification of requisite Board skills to ensure that the Company is in a strong and sustainable financial position to achieve its strategic goals.

Memphasys has provided the Appendix 4G (Key to Disclosures – Corporate Governance Council Principles and Recommendations) which has been lodged with ASX together with this Corporate Governance Statement and the Company's 2020 Financial Report. Further to the information contained in the Appendix 4G, details of Memphasys Limited's ongoing adherence to the ASX Corporate Governance Council Principles and Recommendations are outlined below.

Memphasys has adopted the following eight central principles and has implemented the specific recommendations intended to give effect to these principles where possible. Lay solid foundations for management and oversight

1. Structure the Board to be effective and add value
2. Instil a culture of acting lawfully, ethically and responsibly
3. Safeguard the integrity of corporate reports
4. Make timely and balanced disclosure
5. Respect the rights of security holders
6. Recognise and manage risk
7. Remunerate fairly and responsibly

This Corporate Governance Statement reports in detail the Company's progress in adopting, implementing and adhering to the specifics of the ASX Principles and Recommendations.

Principle 1 Lay Solid Foundations for Management and Oversight

1.1 Roles and Responsibilities

Memphasys' Board Function and Board Charter (Board Charter) was adopted in July 2015 and is reviewed periodically as required. The Board Charter is published in the Corporate Governance section of the Company's website at www.memphasys.com. The document clearly outlines the various roles and responsibilities of the Board and management including those items expressly reserved to the Board and those delegated to management.

1.2 Director Selection

During the 2020 reporting period two new non-executive Directors were appointed to the Memphasys' Board, Mr Shane Hartwig (appointed July 2019) and Mr Paul Wright (appointed March 2020).

When appointing a Director, the Company conducts appropriate pre-appointment checks and security holders have the opportunity of reviewing relevant information prior to voting on the appointment at the Annual General Meeting (AGM) usually held in November each year. Mr Hartwig's appointment was ratified at the November 2019 AGM. Mr Wright's appointment will be ratified at the 2020 AGM.

1.3 Terms of Appointment

New Directors receive letters of appointment stating the effective commencement date of their Directorships with Memphasys Limited together with their remuneration details. Directors are also provided with extensive induction material and given the opportunity to consult with the Executive Chairman and other Directors to deepen their overall understanding of the Company and its operations.

Senior Executive employment contracts clearly state the terms of appointment and the expectations of the Company regarding performance including any performance-based incentives. This includes applying claw back provisions for bonuses where key targets are not achieved and ensuring terms and conditions meet best corporate practice.

1.4 Company Secretary

Company Secretarial services are managed by Mr Andrew Metcalfe, an experienced independent Company secretary and governance consultant. Mr Metcalfe was appointed to the position on the 29 November 2016.

Mr Metcalfe is well qualified for the position having been a Company secretary and governance advisor to ASX listed companies for over 20 years.

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

1.5 Diversity Policy

Memphasys' Diversity Policy is available in the Corporate Governance section of the Company's website, at www.memphasys.com. The policy states Memphasys' general principles in relation to diversity within the organisation. Memphasys is an inclusive workplace that values diversity which encompasses nationality, age, religious beliefs, sexual orientation as well as gender diversity.

Directors have not adopted specific gender targets for the Board, senior executives or for employees generally. Memphasys Limited has only 9 employees with an additional three senior consultants. Directors are of the view that specific targets are not necessary given the Company's size and current stage of development. The Board believes that gender diversity has already been achieved with a small professional staff of 5 males (including one consultant) and 7 females (including two consultants), one of whom is the Executive Chairman of the Company. Memphasys is an equal opportunity employer.

1.6 Periodic Board, Committee and Director Evaluation

Memphasys 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 People & Culture Committee and Audit and Risk Committee was conducted in June 2018. Directors confirmed that the Board and committees were functioning appropriately and provided suitable forums for discussion of Company business. The Board agreed there was no significant change and that formal evaluations would be conducted during the next reporting period following the addition of two new Board and Committee members during the 2020 reporting period. An evaluation of the Board, the People & Culture Committee and Audit and Risk Committee was conducted in August 2020.

1.7 Senior Executive Performance Evaluation

Memphasys sets key performance indicators for its senior executives and performance is evaluated against these targets annually. During the 2020 reporting period, annual reviews against these targets were conducted.

Principle 2 Structure the Board to Add Value

2.1 People & Culture Committee

Memphasys Limited has a People & Culture Committee, which is currently chaired by independent Non-Executive Director, Mr Paul Wright, who has taken on the chairmanship of this committee in line with ASX recommendations for an independent chair. Prior to Mr Wright's appointment, Mr Marjan Mikel, an independent Non-Executive Director chaired the Committee until his resignation in March 2020.

Other members of the People & Culture Committee are Mr Andrew Goodall, a non-independent Non-Executive Director, Mr Shane Hartwig, an independent Non-Executive Director and Ms Alison Coutts, the Executive Chairman. Two of the four current Committee members are independent.

The People & Culture Committee Charter is published in the Corporate Governance section of the Company's website at www.memphasys.com.

During the 2020 reporting period the People & Culture Committee met once with three of the four members attending.

2.2 Skills of Directors

The Board is structured to provide a broad mix of skills and experience in biotechnology and medical devices (representing its main undertaking), business, law and accounting. Board members also have specific skills and experience pertaining to other key aspects of Memphasys' business including business strategy, corporate finance, capital raising, marketing, investor relations, engineering and the commercialisation of intellectual property. Directors have access to executive staff to provide specialised information as required.

A Board Skills Gap Analysis was undertaken in May 2020. The Board Skills Matrix 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.

Expertise and Experience of Directors		Diversity	
Skills and Qualifications	Corporate Strategy Corporate Finance General Management Biotechnology Medical Devices Commercialisation Legal Investor Relations Business Development and Marketing International sales, branding and marketing Remuneration (including employee share option schemes) Corporate Governance Operational and Project Management of medical devices	Gender	Female: 1 (25%) Male: 3 (75%)
Industries and Markets	Biotechnology / Pharmaceuticals Medical Devices Professional Services Finance Stockbroking and Investment Banking	Nationalities	Australian New Zealand
Geographic Experience	Australia Europe Asia North America New Zealand	Spread of Tenure	< 1 year (2) > 3 years (2)
Skill Gaps Identified* (Although skills of directors cover all gaps identified, there will be opportunities in the future to strengthen the skills base by the appointment of a new director with professional qualifications in the areas identified.)	Gaps previously identified have largely been addressed with the appointment of a new director in March 2020 who has the full suite of medical device development and commercialisation experience including regulatory processes previously identified as a requirement to strengthen the Board. Going forward, Biotechnology /Science/Medical qualifications and experience would enhance Board skills, as management of Key Opinion Leaders including driving international clinical trials as well as IP protection, will be major issues.		

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2.3 Independence of Directors

As at 30 June 2020, the Company had two independent Directors, Mr Shane Hartwig and Mr Paul Wright, of a Board of four Directors. Mr Andrew Goodall is a substantial shareholder and therefore not considered independent; Ms Alison Coutts is the Executive Director and Chairman of Memphasys and also a substantial shareholder and is not considered independent.

The Board assesses the independence of each of the Non-Executive Directors based on the interests and associations disclosed by the Directors and in-line with the ASX Principles and Recommendations.

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

Director	Date Appointed	Executive or Non-Executive	Independent	Next due for re-election
Ms Alison Coutts	29 Nov 2013	Executive	No	2021
Mr Andrew Goodall	14 Mar 2012	Non-Executive	No	2020
Mr Shane Hartwig	31 July 2019	Non-Executive	Yes	2022
Mr Paul Wright	13 Mar 2020	Non-Executive	Yes	2020*

**Mr Wright's appointment will be ratified at the 2020 AGM*

2.4 Majority should be Independent Directors

Due to the size and stage of development of Memphasys, the Company has not been able to follow the ASX recommendation that a majority of Board members should be independent. Mr Andrew Goodall is not considered independent as he is a substantial shareholder; Ms Alison Coutts is also a substantial shareholder and performs a pivotal role in her executive leadership position within Memphasys. Mr Shane Hartwig and Mr Paul Wright have been appointed as independent Directors, and with a ratio of two non-independent Directors to two independent Directors, the Company considers that it has made significant progress towards meeting the ASX recommendation that the majority of Board members be independent. All Directors bring a diverse skill base and are well qualified to represent the Company and its security holders at the present time.

2.5 Chair should be Independent and not CEO

During the 2020 reporting period, Memphasys was unable to follow the ASX recommendation that the Chair and CEO be independent as the Company had an Executive Chairman. This was a measure taken initially to deal with an immediate need to fill the CEO position, a decision by the Board to keep costs to a minimum and due to the biotechnology and medical device knowledge and experience that Ms Coutts brings to a complex and challenging business environment.

Memphasys 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. Memphasys will consider appointing an independent chairman in the future when the Company's circumstances change and an appropriate candidate has been identified.

2.6 Induction Program for New Directors

Directors are provided with substantial information about Memphasys Limited when commencing their Directorships. Memphasys supports additional professional education to assist a Director in their role.

Principle 3 Instil a Culture of Acting Lawfully, Ethically and Responsibly

3.1 Company Values

The Company's core values and commitments are:

- a) **Integrity** – We act honestly, fairly and with integrity in all our dealings, both internally and externally. We deal honestly and fairly with suppliers and customers. We commit to only dealing with business partners who demonstrate similar ethical and responsible business practices.
- b) **Respect** – We respect the human rights of all people, their ideas and cultures and our words and actions must reflect this respect, treating fellow directors, senior executives and employees with respect and not engage in bullying, harassment or discrimination
- c) **Safety** – We are committed to providing and maintaining a safe and non-discriminatory working environment to safeguard the health and safety of our employees, consultants, contractors, customers, suppliers and other persons who visit our workplace, or who we work with, as required by law.
- d) **Community Standards** – We act in a manner that aims to preserve and protect the Company's reputation consistent with reasonable expectations of our investors and the broader community in which we operate, acting ethically and responsibly and complying with all laws and regulations that apply to the entity and its operations.
- e) **Environment** – We are committed to act responsibly towards the environment and comply with legislation in respect of licenses held as part of the Company's operations.

3.2 Code of Conduct

Memphasys' Code of Conduct policy is published in the Corporate Governance section of the Company's website at www.memphasys.com.

The Code of Conduct provides a framework for decisions and actions and the Company's minimum standards of conduct and integrity to be observed by all staff members. The Code's focus is to ensure that all Directors, executives, and employees act with the utmost integrity and fair dealing. This involves acting ethically, sustainably and responsibly in conducting the Company's business affairs, as well as displaying and exercising a duty of care to all employees, clients and stakeholders carrying out their duties and responsibilities while striving at all times to enhance the reputation and performance of the Company. The ethical and responsible conduct of the affairs of the Company ultimately depend upon the understanding and judgment of its staff, having regard to their sense of honesty, fairness and decency.

This code applies to anyone who works for the Company including all directors of the Board, senior executives and employees, joint venture partners as well as temporary and contract staff (including subcontractors). Any material breaches of the Code of Conduct by a Director or member

of management or any material breaches of the code that call into question the culture of the organisation will be brought to the attention of the Board.

The Staff Handbook, as well as training sessions for staff, also emphasise the expectations of the Company regarding conduct of staff and executives in maintaining ethical standards.

3.3 Whistleblower Protection Policy

Memphasys has a Whistleblower Protection Policy which is published on the Company's website. The Board will be advised of any material incidents reported under the policy.

The Whistleblower Protection Policy is underpinned by a strong commitment to building a culture in Memphasys that reflects sound governance and promotes ethical behaviour in the detection and management of fraudulent, corrupt or improper conduct.

Memphasys values ethical behaviour, integrity and respect. Memphasys considers that working with integrity, honesty and respect includes encouraging employees and stakeholders to speak up in relation to conduct that does not align with this code of conduct or with the law and taking steps to protect the identity of that person when they do.

Memphasys encourages Employees and Stakeholders to speak up without fear of intimidation or reprisal in relation to conduct that does not align with Memphasys corporate policies or the law and Memphasys will protect disclosers when they do.

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

A copy of the Whistleblower Protection Policy is available on Memphasys website and is intended to be accessed by anyone.

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

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

Principle 4 Safeguard Integrity of Corporate Reports

4.1 Audit and Risk Committee

Memphasys has an Audit and Risk Committee which oversees the audit functions of the Company and ensures risks are identified and managed. One of the key responsibilities of the Audit and Risk Committee is to oversee Memphasys' relationship with the external auditor and the external audit function generally.

Mr Shane Hartwig an independent Director, chaired the Committee during the reporting period in line with ASX recommendations for an independent chair, whose qualifications are reported in the company's annual report.

Other members of the Audit and Risk Committee are Mr Andrew Goodall, a non-independent Non-Executive Director, Mr Paul Wright, an independent Non-Executive Director and Ms Alison Coutts, the Executive Chairman.

Due to the size and stage of development of Memphasys, the Company has been unable to follow the ASX recommendation that all members of the Audit and Risk Committee be independent. Two of the four Committee members are independent. However, during the 2020 reporting period each of the committee members, because of their experience in business and finance, was able to significantly contribute to the work of the committee.

The Charter is published in the Corporate Governance section of the Company's website at www.memphasys.com.

The Audit and Risk Committee met twice during the 2020 reporting period with all committee members attending.

4.2 Financial Statement Confirmation

Before the Board approves the Company's financial statements for a financial period, it receives a declaration from the CEO and CFO that, in their opinion, the financial records of Memphasys Limited have been properly maintained, that its financial statements comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance and that the Company's system of risk management and internal control is operating effectively in relation to financial reporting.

4.3 Integrity of Corporate Reports

Memphasys' auditors review the Company's Half Year Report and Annual Report prior to publication. Apart from these documents, there are no other periodic Company reports.

Principle 5 Make timely and Balanced Disclosure

5.1 Continuous Disclosure

Memphasys has a Continuous Disclosure Policy and Communication Strategy which describes the Company's continuous disclosure obligations and how they are managed. The policy states that:

"The Board recognises its duty to ensure that shareholders are informed of all major developments affecting the state of affairs of Memphasys Limited".

"In accordance with legal, statutory and ASX listing requirements (particularly Listing Rule 3.1), Memphasys Limited will disclose all information concerning it, of which it is or becomes aware, that a reasonable person would expect to have a material effect on the price or value of its securities."

A copy of the policy can be viewed in the Corporate Governance section of the website at www.memphasys.com.

5.2 Market Announcements

The Board automatically receives a copy of market announcements immediately after they have been made.

5.3 Investor Presentations

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

Principle 6 Respect the Rights of Security Holders

6.1 Information to Investors via Website

Information on Memphasys, as well as its governance policies and procedures, is available to investors on the Company's website at www.memphasys.com.

6.2 Investor Relations

Memphasys has an Investor Relations page on the Company's website, www.memphasys.com, with links to the various documents and announcements the Company issues to the ASX. Contact details are also provided on the website for investors wishing to contact the Company's Share Registry or Memphasys directly.

6.3 Participation at Meetings

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

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6.4 Substantive resolutions by Poll, not show of hands

Memphasys security holders are given the opportunity to vote on all substantive resolutions at the Company's AGM or at a General Meeting. Notices of meeting are sent out in advance of the meeting with voting sheets attached.

6.5 Communicating Electronically

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

Principle 7 Recognise and Manage Risk

7.1 Risk management

As well as overseeing the audit functions of Memphasys, the Audit and Risk Committee ensures potential risks are identified and managed. During the 2020 reporting period the committee met three times, all committee meetings were chaired by independent Director, Mr Shane Hartwig, with all members attending the meetings.

Other members of the Audit and Risk Committee are Mr Andrew Goodall, a non-independent Non-Executive Director, Mr Paul Wright, an independent Non-Executive Director and Ms Alison Coutts, the Executive Chairman. Two of the four Committee members are independent.

The Charter is published in the Corporate Governance section of the Company's website at www.memphasys.com.

7.2 Risk Management Framework

Memphasys manages risk through its Audit and Risk Committee and the Memphasys Board. The Company's risk register provides a framework for risk identification and monitoring and the register was reviewed regularly and updated during the 2020 reporting period. The Risk Matrix is also reviewed regularly and updated to ensure immediate identification and reporting of risk.

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

7.3 Internal Audit

Memphasys conducted an internal audit of its Quality Management System during the 2020 reporting period. Additionally, management has implemented risk and internal control systems for assessing, monitoring and managing strategic, operational, financial reporting and compliance risks for the Company. The systems are based upon policies, guidelines, delegations and reporting 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.

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

7.4 Risk Exposure

Memphasys manages risk through its Audit and Risk Committee and the Memphasys' Board. Risk is also discussed and monitored in management and research & development team meetings where mitigation strategies are devised as appropriate.

During the 2020 reporting period, the main exposure to economic risk for Memphasys was the possibility of a major economic downturn which could impact the Company's ability to raise capital. While this occurred due to the Covid-19 pandemic, the Company had a favourable cash position and was not required to raise capital during this time. The Board and the Audit and Risk Committee continually monitor the Company's cash flow position and adopt the appropriate strategy to maintain solvency in the face of any economic risk.

During the reporting period the Company was engaged solely in research and development and considers that with its research and development activities it does not have any notable social sustainability risks.

Principle 8 Remunerate Fairly and Responsibly

8.1 Remuneration Committee

Memphasys Limited has a People & Culture Committee, which is chaired by Non-Executive Director, Mr Paul Wright. Mr Wright is an independent Director who has taken on the chairmanship of this committee in line with ASX recommendations for an independent chair. Prior to Mr Wright's appointment, Mr Marjan Mikel, an independent Non-executive Director chaired the Committee until his resignation in March 2020.

Other members of the People & Culture Committee are Mr Andrew Goodall, a non-independent Non-Executive Director, Mr Shane Hartwig, an independent Non-Executive Director and Ms Alison Coutts, the Executive Chairman. Two of the four current Committee members are independent.

The People & Culture Committee Charter is published in the Corporate Governance section of the Company's website at www.memphasys.com.

During the 2020 reporting period the People & Culture Committee met once with three of the four members attending.

8.2 Remuneration Policy

Memphasys has a Remuneration Policy for non-executive directors, senior executive and professional staff is published in the Corporate Governance section of the Company's website at www.memphasys.com. Fees for non-executive directors are reviewed annually by the People & Culture Committee and subsequently approved by the Board. For senior executive and professional staff, the Remuneration Policy aligns the Company's business objectives with individual key performance indicators (KPIs), the company's performance and its market position. The policy is

underpinned by a number of principles designed to promote and further develop the interests of the company, its shareholders and employees by adopting good corporate governance practice in line with the recommendations of the ASX.

8.3 Equity Based Remuneration Scheme

Memphasys has an Equity Based Remuneration Scheme in the form of an Incentive Option Plan (ESOP) which was revised and approved by shareholders at the 2018 Annual General Meeting. A copy of the ESOP is available upon request by Memphasys employees. Options were issued to non-executive directors, senior executive and professional staff in November 2019. A Participant must not enter into any arrangement for the purpose of hedging or that may otherwise affect their economic exposure to their option.

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