



**SKIN ELEMENTS LIMITED**

**ACN 68 047 794**

**CORPORATE GOVERNANCE STATEMENT**

**15 NOVEMBER 2021**



## CORPORATE GOVERNANCE STATEMENT

Skin Elements Limited (**SKN** or the **Company**) and its related entities (collectively the **SKN Group**) is committed to achieving and demonstrating the highest standards of corporate governance to protect and enhance shareholder interests.

This Corporate Governance Statement reports against the ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) (**ASX Principles**). The principles detailed in this Corporate Governance Statement are current as at 15 November 2021 and covers activities and practices in the 2021 financial year of the Company.

Commensurate with the spirit of the ASX Corporate Governance Principles and Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Corporate Governance Recommendations, the Board sets out its "if not, why not" report.

Corporate governance policies and practice of the Company are reflective of the Company's current position. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures.

A description of the Company's main corporate governance practices are set out in this statement. Copies of the Company's corporate governance policies are available on the website at <http://www.skinelementslimited.com/investors/corporategovernance>.

**PRINCIPLE 1: THE BOARD LAYS SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT****Board Roles and Responsibilities**

The Board operates pursuant to a formal Board charter, which sets out the roles and responsibilities of the Board and management of the Company, and is available in the corporate governance section of the Company's website <http://www.skinelementslimited.com/investors/corporategovernance>.

The Board Charter is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of management in setting the direction, management and the control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles.

The purpose of this Board Charter is to document the policies upon which the Board has decided to meet its legal and other responsibilities.

The Company's Board Charter has four major sections:

- Part A – Defining Governance Roles;
- Part B – Board Processes;
- Part C – Key Board Functions; and
- Part D – Continuing Improvement.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of Senior Management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- providing and demonstrating leadership to the Company;
- overseeing the development and implementation of an appropriate strategy;
- the instilling of the Company's values and performance;
- overseeing the control and accountability systems;
- ensuring corporate accountability to the shareholders;
- ensuring the integrity of the Company's accounting systems including the external audit;
- ensuring robust and effective risk management;
- appointing, and where necessary removing and/or replacing, the Chair;
- being responsible for the Company's senior management and personnel;
- ensuring that the Company's Remuneration & Nomination policy is aligned with the entity's purpose, values, strategic objectives and risk appetite.
- delegating appropriate powers to the CEO/MD, management and committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers;
- ensuring Directors receive briefings on material developments in laws, regulations and accounting standards relevant to the Company;
- where required, challenging management and holding it to account; and
- making all decisions outside the scope of these delegated powers.

**Board Committees**

The Board has established two committees to assist it in discharging its role and responsibilities:

- Audit and Risk Committee
- Nomination and Remuneration Committee

The role and responsibilities of the committees are set out in each Board Committee Charter and are summarised in this corporate governance statement and are located in full on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.

**Diversity**

SKN is committed to workplace diversity and inclusion at all levels of the Company regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience. This policy reflects the Company's values of respect.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce.

The Company's general policy when choosing employees is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company has minimal operational staff but expects to expand its workforce as its business operations continue to expand.

The Company's Diversity Policy is located on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.

**Board Evaluation**

The performance of the Board (as a whole), each standing Board Committee and Board members are reviewed at least annually, and at times decided upon by the Board, against measurable and qualitative benchmarks as may reasonably be determined from time to time by the Board having regard to accepted, sound corporate standards in accordance with the Company's Performance Evaluation Policy, which is located in full on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.

The Nomination and Remuneration Committee charter outlines the Committee's responsibility to review the processes for evaluating the performance of the Board, its committees and individual directors and ensuring that a fair and responsible reward is provided to executives and directors having regard to their performance evaluation.

Due to the current size and scope of the Company, external reviews are not conducted.

**PRINCIPLE 2: THE BOARD IS STRUCTURED TO BE EFFECTIVE AND TO ADD VALUE****Board Composition**

The Board of SKN currently has three Directors, one of whom is the Executive Chairman, Peter Malone, and the rest are Non-Executive Directors. The Board considers that the current size of the Board is appropriate to discharge its duties effectively.

The Directors in office at the date of this statement are as follows:

Name	Role	Term in office
Peter Malone	Executive Chairman	Appointed: 4 September 2015 – no fixed term
Filippo (Phil) Giglia	Non-Executive Director	Appointed: 23 November 2017 – no fixed term
Lee Christensen	Non- Executive Director	Appointed: 31 August 2021 – no fixed term

The names, qualifications, experience and tenure of each director are set out in the annual report and on the Company's website: <http://www.skinelementslimited.com/investors/directors>.

The Board is assisted by the Nomination and Remuneration Committee and the Audit and Risk Committee.

**Executive Chairman**

The Board is Chaired by Executive Chairman, Peter Malone. This is a departure from ASX Corporate Governance Recommendations 2.5 as the Chairman is not independent from the Company and its operations.

The Board has determined that the appointment of Peter Malone in the role of Executive Chairman is appropriate and in the best interests of the Company given his extensive experience, knowledge and expertise of the Company's technologies, development programs and commercialisation opportunities.

**Independent Directors**

The Board's policy is that the majority of Directors shall be independent, non- executive Directors at a time when the size of the Company and its activities warrants such a structure.

The Board has adopted the definition of independence set out in the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition).

The Board will assess the independence of Directors on an ongoing basis. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at the expense of the Company. However, prior approval from the Chair is required, which may not be unreasonably withheld.

**Board Skills Matrix**

The Board will review capabilities, technical skills and personal attributes of its directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required.

**PRINCIPLE 3: THE BOARD INSTILLS A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY****Code of Conduct**

SKN is committed to conducting business in a lawful, ethical and responsible way and accordingly has adopted a Code of Conduct.

The purpose of this Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment with the Company. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees, directors and management

The Code of Conduct is located on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.

**Security Trading Policy**

SKN has in place a Securities Trading Policy which sets out the procedures and prohibitions for the dealing in securities by its directors, officers, employees, consultants and contractors (irrespective of location).

This policy is designed to help provide a summary of the law on insider trading in Australia and to prevent the misuse of unpublished information which could materially affect the value of such securities.

The Security Trading Policy is located on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.

**Whistleblower Policy and Anti-Bribery and Corruption Policy**

The Whistleblower Policy supports the commitment of SKN in creating and maintaining a culture of proper conduct and fair and honest dealing in its business activities.

SKN encourages the reporting of any instances of suspected unethical, illegal, fraudulent, or undesirable conduct involving the Company and provides protections and measures so that those persons who make a report may do so confidentially and without fear of intimidation or reprisal.

SKN has a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings.

The Anti-Bribery and Corruption Policy applies at all times to all employees, executive management, suppliers, consultants, customers, joint venture partners (where they agree to be bound by the Policy) as well as temporary and contract staff (including subcontractors) and must ensure that they do not become involved, in any way, in the payment of bribes or kickbacks, whether in the public or commercial sector.

The Whistleblower Policy and Anti-Bribery and Corruption Policy are located on the Company's website: <http://www.skinelementslimited.com/investors/corprategovernance>.

**PRINCIPLE 4: THE BOARD SAFEGUARDS THE INTEGRITY IN CORPORATE REPORTING**

The Board is responsible for overseeing that appropriate monitoring and reporting mechanisms are in place and is supported by the Audit and Risk Committee.

**Audit and Risk Committee**

The Audit and Risk Committee has been established under a Charter which is detailed on the Company's website: <http://www.skinelementslimited.com/investors/corporategovernance>.

The Audit and Risk Committee's role in safeguarding the integrity in corporate reporting includes the:

- monitoring and reviewing the integrity of the Audited Annual Reports and Half Year Report;
- monitoring and reviewing related party transactions;
- oversee the appointment of external auditors and the conduct and reporting on the annual and half year audit of the financial statements;
- monitoring and reviewing the effectiveness of internal audit function and financial controls;
- the policies on risk oversight and management;

Before the financial statements for the full year and half year are approved, the Board receives a declaration as required under section 295A of the *Corporations Act 2001* from the Executive Chairman and Chief Financial Officer.

**External Auditor**

SKN has appointed BDO Audit as its external auditor.

BDO Audit reviews SKN's financial reporting and provides an opinion on whether SKN's financial report gives a true and fair view of SKN's financial position and financial performance and whether it complies with Australian Accounting Standards and Corporations Regulations 2001.

BDO Audit attends each Audit and Risk Committee meeting.

BDO Audit has confirmed that there are no contraventions of the auditor's independence requirements of the *Corporations Act 2001*.

BDO Audit's director will attend the Company's Annual General Meeting to answer any questions related to the external audit.

**PRINCIPLE 5: THE BOARD MAKES TIMELY AND BALANCED DISCLOSURE****Continuous Disclosure Policy**

SKN is committed to:

- complying with its disclosure obligations under the Corporations Act and ASX Listing Rules;
- the promotion or investor confidence by ensuring that all investors have equal and timely access to material information concerning the Company, including material information about its financial position, performance, ownership and governance; and
- providing announcements that are accurate, balanced and expressed in a clear and objective manner.

The Company has in place a Continuous Disclosure Policy which describes the process for Directors and Executive Management who become aware of material information which may require disclosure under ASX Listing Rules.

The Continuous Disclosure Policy is detailed on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.

**Social Media Policy**

SKN has adopted a Social Media Policy (**Policy**) to regulate the use of social media by people associated with Skin Elements.

The rationale for the Social Media Policy is to operate in conjunction with the Continuous Disclosure Policy and manage the risks associated with the use of technology platforms. This Policy will apply to the wide range of technologies commonly referred to as 'social media' which fundamentally are no different to other forms of communication but do represent a risk as well as an opportunity because they can connect large numbers of people with relative ease.

The Social Media Policy is detailed on the Company's website:

<http://www.skinelementslimited.com/investors/corprategovernance>.



**PRINCIPLE 6: THE BOARD RESPECTS THE RIGHTS OF SECURITY HOLDERS****Shareholder Communication**

SKN respects the rights of its security holders and recognises the value of providing current and relevant information to its shareholders.

The Company has adopted a Shareholder Communications Policy which sets out how the Company communicates relevant information to its shareholders.

**Website**

The Company's website [www.skinelementslimited.com](http://www.skinelementslimited.com) provides information about itself and its business. The website includes a section dedicated to investors which includes copies of:

- ASX announcements made by the Company
- Periodic reports made by the Company
- Details of Directors
- Corporate Governance statements and Policies

**Investor Relations Program**

The Company encourages shareholders to receive communications electronically. Electronic communications allows SKN to communicate with shareholders quickly and more cost effectively. The Company's share registry emails shareholders when important information becomes available such as Annual reports and Notice of Meetings.

Shareholders who receive postal communications can log onto [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) to provide their email address and elect to receive communications electronically.

**Annual general Meeting**

The Annual General Meeting is an opportunity for shareholders to communicate with the Board and external auditor.

Detailed information on how shareholders can participate in the Annual General Meeting is set out in the Notice of Annual General Meeting that is sent to shareholders and announced to the market when the meeting is called.

All resolutions put to the Annual general Meeting are decided by way of poll which supports the principle of 'one share – one vote'.

**PRINCIPLE 7: THE BOARD RECOGNISES AND MANAGES RISK****Audit & Risk Committee**

The Audit and Risk Committee has been established under a Charter which is detailed on the Company's website: <http://www.skinelementslimited.com/investors/corporategovernance>.

The purpose of the Committee with respect to audit is to assist the Board of Directors of the Company in fulfilling its corporate governance and oversight responsibilities by Monitoring and reviewing:

- the integrity of financial statements;
- the effectiveness of internal financial controls;
- the independence, objectivity and competency of internal and external auditors;
- the policies on risk oversight and management; and
- making recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

The Committee is also to assist the Board in fulfilling its responsibilities relating to the risk management and compliance practices of the Company.

Due to the Company's size and that of the Board, the Committee currently consists of two members one of which is a non-executive independent Director. As the Company grows in size, the Company will appoint additional members.

Details of the skill and experience of the committee members are detailed in the Directors' report.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to the Directors' Report.

**Economic, Environmental and Social Sustainability Risks**

Skin Elements has reviewed its economic, environmental and social sustainability risks. These risks have been identified as unlikely to occur. The Company will continue to review its risks and take steps to mitigate the risk should the risk rating increase.

**PRINCIPLE 8: THE BOARD REMUNERATES FAIRLY & RESPONSIBLY****Remuneration Committee**

The Board has an established Nomination and Remuneration Committee whose primary purpose is to support and advise the Board in fulfilling its responsibilities to shareholders as set out below:

The Remuneration and Nomination Risk Committee has been established under a Charter which is detailed on the Company's website:

<http://www.skinelementslimited.com/investors/corporategovernance>.

The functions of the Nomination and Remuneration Committee include the following:

- assisting the Board in examining the selection & appointment practices of the Company;
- ensuring remuneration arrangements are equitable and transparent and enable the Company to attract and retain executives and Directors who will create sustainable value for members and other stakeholders;
- ensuring the Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- reviewing Board succession plans and Board renewal;
- reviewing the processes for evaluating the performance of the Board, its committees and individual Directors and ensuring that a fair and responsible reward is provided to executives and Directors having regard to their performance and evaluation;
- reviewing levels of diversity within the Company and Board and reporting on achievements pursuant to any diversity policy developed by the Board; and
- reviewing the Company's remuneration, recruitment, retention and termination policies for Board and senior executives.

Due to the Company's size and that of the Board, the committee consists of two members, one of which is a non-executive Director. As the Company grows in size, the Company will consider appointing additional members.

For details of Directors' attendance at meetings of the Nomination and Remuneration Committee, please refer to the Directors' Report in the Annual Report.

For details on Directors and Key Management's remuneration please refer to the Remuneration Report which is audited and contained in the Directors' Report in the Annual Report.

**PRINCIPLE 9: ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES****Language Other Than English**

SKN is established in Australia and holds meetings and prepares key documents in English. The Board and its sub-committees are composed of Directors whose primary language is English.

**Entities established outside Australia**

SKN is established in Australia and holds meetings of security holders in Australia at a reasonable place and time.

**Entities externally managed**

SKN is established in Australian and managed internally in Australia in accordance with the Corporations Act and ASX Listing Rules.

