

## Corporate Governance Statement

The Board of Directors of Adherium Limited (**Adherium** or **the Company**) is responsible for the corporate governance of the Company and its subsidiaries. The Board guides and monitors the business and affairs of Adherium on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Principles and Recommendations.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

	Corporate Governance Council Recommendation	Compliance	Disclosure
1.1	A listed entity should disclose: (a) The respective roles and responsibilities of its board and management; and  (b) those matters expressly reserved to the board and those delegated to management.	Complies	The Board is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. Directors are accountable to the shareholders for the Company's performance. The Board's overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders, whilst ensuring that the Company is properly managed. Directors must fulfil their fiduciary obligations to shareholders, but will also take into consideration the interests of other stakeholders in the Company, including employees, customers, creditors and others with a legitimate interest in the Company's affairs. The Board reviews and approves the Company's business plans and guiding policies. Day to day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the Chief Executive Officer and by him to other senior executives.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and  (b) 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.	Complies	(a) The Board is responsible for ensuring it is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and the best standards of governance.  (b) This will necessarily include undertaking background and other checks before appointing a person or putting them forward to security holders as a candidate for election as a Director, as well as providing all material information relevant to a decision for election as a Director. The qualifications, experience and special responsibilities of the Board members are set out in the Directors Report within the Annual Report for the period ended 30 June 2016.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	The Directors and senior executives have entered into written agreements setting out the terms of their appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board,	Complies	The Joint Company Secretaries are appointed by the Board and are responsible for developing and maintaining the appropriate governance systems and processes for the Board to fulfil its role and are responsible to the Board for ensuring compliance with Board procedures and governance

	<p>through the chair, on all matters to do with the proper functioning of the board.</p>		<p>matters. The Joint Company Secretaries are also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Joint Company Secretaries are Mark Licciardo and Rob Turnbull.</p>
<p>1.5</p>	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>Complies</p>	<p>(a) The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. Diversity drives the Company's ability to attract, retain and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business.</p> <p>In addition to business policies, practices and behaviours that promote diversity and equal opportunity and create an environment where individual differences are valued, the Board adopted a Diversity policy in July 2015. This policy set out minimum expectations to be met by the Group on workforce diversity. Appointments are made on merit but with regard to the Company's Diversity policy and its objectives.</p> <p>(b) A copy of the Policy is available on the Investor section of the Group's website: <a href="http://www.adherium.com">www.adherium.com</a>. The strategies outlined below aim to achieve the objectives of this Policy by:</p> <ul style="list-style-type: none"> <li>• setting measurable objectives relating to gender at all senior management and leadership levels;</li> <li>• broadening the field of potential candidates for senior management and board appointments; and</li> <li>• increasing the transparency of the board appointment process.</li> </ul> <p>(c) The Board has set a number of objectives under the Policy, namely to:</p> <ul style="list-style-type: none"> <li>• Continue to review gender diversity on the Board.</li> <li>• continue to work to develop a balanced ratio of female management</li> <li>• optimise local talent in senior management and the workforce in established international markets; and</li> <li>• establish an effective measurement and reporting framework. The Policy objectives, and the Group's progress in achieving them, will be assessed on an annual basis.</li> </ul>

			<p>(1) As a measurement of gender diversity, the proportion of women employees in the consolidated entity as at the date of this statement are as follows:</p> <p style="padding-left: 40px;">Women on the Board: 0%</p> <p style="padding-left: 40px;">Women in senior executive roles: 0%</p> <p style="padding-left: 40px;">Women in management position: 60%</p> <p style="padding-left: 40px;">Women in the organisation: 30%</p> <p>(2) The Company is not a relevant employer under the Workplace Gender Equality Act.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Complies	<p>(a) A structured process has been established to review and evaluate the performance of the Board. The Chairman will have individual meetings with each director and selected senior executives to assess their views on these issues and to identify any areas of concern or opportunity for improvement of performance of the Board and/or individual directors. The Chairman will provide a summary of his findings to the Nomination and Remuneration Committee and to the full Board and is responsible for ensuring that agreed actions are implemented. It is recognised that some findings will be of a sensitive nature and will not be included in the Chairman's report but will be acted upon by the Chairman on a one to one basis. This process occurs at least annually.</p> <p>(b) A performance evaluation was not undertaken during this reporting period as the board was newly formed in July 2015.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Complies	<p>(a) The Board will regularly review the performance of its senior executives and address any issues that may emerge from that review. The Board has authority to develop key performance indicators for management to assess the performance of each senior executive according to key performance criteria agreed to within the context of each executive's employment contract.</p> <p>(b) A performance evaluation was undertaken during this reporting period</p>

**PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE**

<p>2.1</p>	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose the charter of the committee, the members of the committee; and</li> <li>3. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings: <u>OR</u></li> </ol> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Complies</p>	<p>The Nomination and Remuneration Committee is responsible for reviewing the remuneration of Directors and senior management and evaluation of senior management, making recommendations to the Board on share and option schemes, incentive performance packages, superannuation entitlements, composition of the Board and the process and criteria for selection of new Directors. The Committee also has the responsibility to oversee the Company’s general remuneration strategy.</p> <p>Remuneration levels are competitively set to attract the best qualified and experienced Directors and key management personnel appropriate to the size and stage of development of the Company. The Committee is authorised to obtain independent advice on the appropriateness of remuneration packages.</p> <p>Details of the amount of remuneration, and all monetary and non-monetary components, for each of the (non-Director) key management personnel and all Directors remuneration during the period is included in the Directors’ Report within the Annual Report. Termination entitlements for key management personnel, if any, are also contained in the report.</p> <p>The Nomination and Remuneration Committee is responsible for identifying qualified individuals for appointment to the Board. In identifying candidates, the Nomination and Remuneration Committee will have regard to the selection criteria set out in the board appointment process, which will include:</p> <ul style="list-style-type: none"> <li>▪ skills, expertise and background that add to and complement the range of skills, expertise and background of the existing Directors;</li> <li>▪ diversity; and</li> <li>▪ the extent to which the candidate would fill a present need on the Board</li> </ul> <p>Remuneration levels are competitively set to attract the best qualified and experienced Directors and key management personnel appropriate to the size and stage of development of the Company. The Committee is authorised to obtain independent advice on the appropriateness of remuneration packages.</p> <p>(a)</p> <ol style="list-style-type: none"> <li>1. The Nomination and Remuneration Committee is comprised of Bryan Mogridge (Chair), Jeremy Curnock Cook and John Mills – and does have a majority of independent Directors.</li> <li>2. The Nomination and Remuneration Committee is chaired by an independent Director</li> </ol>
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			3. The number of meetings held by the Committee are detailed in the Directors Report within the Annual Report.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Does not fully comply	The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider Directors attributes prior to any appointment. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report and their attendance at Board and Committee meetings is included in the Directors' Report within the Annual Report. It is anticipated that a Board Skills review will be carried out during the forthcoming financial year in conjunction with the Board performance evaluation.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Complies	a) The names of independent directors is disclosed in the Director's Report within the Annual Report. b) N/A c) The length of service is detailed in the Director's Report within the Annual Report.
2.4	A majority of the board of a listed entity should be independent directors.	Complies	The majority of the Board's Directors are considered independent.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Complies	Dr John Douglas (Doug) Wilson was Chairman of the Company until 1 September 2016 and was considered independent. On 1 September 2016 Mr Thomas Lynch was appointed Chairman of the Company and is considered independent. Mr Garth Sutherland is an executive director and the Chief Executive Officer of the Company.

2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Complies	The Board's induction program provides incoming Directors with information that will enable them to carry out their duties in the best interests of the Company. New directors are encouraged to spend time with the management team and receive Information Packages and documentation pertinent to the role. This includes supporting ongoing education of Directors for the benefit of the Company. Members of the Board are able to take independent professional advice at the expense of the Company.
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**PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Complies	(a) The Board has adopted a Code of Conduct. The code establishes a clear set of values which emphasise a culture encompassing strong corporate governance, sound business practices and good conduct from an ethical stand point.  (b) The code is available on the Company's website <a href="http://www.adherium.com">www.adherium.com</a> .
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**PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

4.1	The board of a listed entity should: (a) have an audit committee which: 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board; and disclose: 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and (b) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b> (c) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate	Complies	(a) The Board has established an Audit and Risk Committee to focus on issues relevant to the integrity of the Company's financial reporting and provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.  1. The Audit and Risk Committee is comprised of Bruce McHarrie (Chair), Jeremy Curnock Cook, John Mills – and does have a majority of independent Directors.  2. The Audit and Risk Committee is chaired by an independent Director  3. The Audit and Risk Charter is available on the Company's website <a href="http://www.adherium.com">www.adherium.com</a>  4. In accordance with the information suggested in <i>Guide to Reporting on Principle 4</i> , the Company has disclosed full details of its Directors in the Directors' Report within the Annual Report including each director's qualifications, and their membership of the committee.  (b) The number of meetings held and attendance by the Committee is detailed in the Directors Report
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	reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO 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.	Complies	Following a recommendation by the Audit and Risk Committee to the Board of Directors to approve the annual and half year financial accounts, the Chief Executive Officer and Chief Financial Officer state in writing to the Board that the Company's Financial Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies	The external auditors are requested to attend the Annual General Meeting and are available to answer shareholders' questions about the conduct of the audit and preparation of the Auditor's Report.

**PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

5.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	Complies	<ul style="list-style-type: none"> <li>(a) The Company has adopted a Board Charter which contains the Continuous Disclosure policy. The policy ensures that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.</li> <li>(b) the Company's Board Charter which contains the Continuous Disclosure policy is available on the Company's website <a href="http://www.adherium.com">www.adherium.com</a>.</li> </ul>
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**PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Company has adopted a shareholder communication strategy. The Company uses its website <a href="http://www.adherium.com">www.adherium.com</a> , annual report, market disclosures and media announcements to communicate with its shareholders, as well as encourages participation at general meetings.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Company is committed to: <ul style="list-style-type: none"> <li>ensuring that shareholders and the financial markets are provided with full and timely information about the Company’s activities in a balanced and understandable way through the annual and half yearly reports, ASX releases, general meetings and the Company’s website <a href="http://www.adherium.com">www.adherium.com</a>;</li> <li>actively responding to shareholder’s direct enquiries;</li> <li>complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia; and</li> <li>encouraging shareholder participation at general meetings.</li> </ul>
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.	Complies	The Board encourages full participation of shareholders at the Company’s annual general meetings and any general meetings to ensure a high level of accountability and identification with the Company’s strategy. The external auditor will also be invited to attend the annual general meeting of shareholders and will be available to answer any questions concerning the conduct, preparation and content of the auditor’s report.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies	The Company’s registrar, Computershare, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account at <a href="https://www-au.computershare.com/investor">https://www-au.computershare.com/investor</a> .

**PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

7.1	The board of a listed entity should: <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>has at least three members, a majority of whom are independent directors; and</li> <li>is chaired by an independent director, and disclose the charter of the committee; the members of the committee; and</li> <li>as at the end of each reporting period, the number of times the</li> </ol>	Complies	Ultimate responsibility for risk oversight and risk management rests with the Board and risk management issues are considered at every Board meeting. <p>(a) The Audit and Risk Committee is responsible for ensuring that risks and mitigation of these risks are identified on a timely basis and that the Group’s objectives and activities are aligned with the risks and opportunities identified by the Committee and the Board of Directors.</p> <ol style="list-style-type: none"> <li>The Audit and Risk Committee is comprised of Bruce McHarrie (Chair), Jeremy Curnock Cook, John Mills – and does have a majority of independent Directors</li> <li>The Audit &amp; Risk Committee is chaired by an independent Director</li> <li>The number of meetings held by the Committee is detailed in the Directors Report</li> </ol>
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	<p>committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(4) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>		<p>A copy of the Audit &amp; Risk Committee Charter is available on the Company's website <a href="http://www.adherium.com">www.adherium.com</a>.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Complies	<p>(a) The Company has undertaken a critical analysis of its current policy on risk oversight and management designed to promote a culture of risk control throughout the Company. The Board reviews and oversees the operation of systems of risk management at least annually to ensure that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with. The Board monitors risk management with assistance from the Audit and Risk Committee.</p> <p>(b) During the period under review the risk management framework was reviewed by the Board.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; <b>OR</b></p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes.</p>	Complies	<p>The internal audit function is to provide an independent assessment of risk and compliance with internal controls, with processes to ensure that appropriate follow up actions are taken in relation to significant audit findings and identified areas of risk. The Audit and Risk Committee's internal audit responsibilities include:</p> <ul style="list-style-type: none"> <li>• reviewing the internal auditor's mission, charter and resourcing (including qualifications, skills, experience, funding and equipment);</li> <li>• reviewing and approving the scope of the internal audit plan and work program;</li> <li>• monitoring the progress of the internal audit plan and work program and considering the implications of internal audit findings for the control environment;</li> <li>• monitoring and critiquing management's responsiveness to internal audit's findings and recommendations;</li> <li>• evaluating the process which the Company has in place for monitoring and assessing the effectiveness of the internal auditor;</li> <li>• overseeing the co-ordination of the internal auditor with the external auditor; and</li> <li>• providing the opportunity for Audit and Risk Committee members to meet with the internal auditors without management personnel being present at least once a year.</li> </ul>

7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complies	<p>The Company has identified key risks within the business. There are no material identified economic, environmental or social sustainability risks, however in the ordinary course of business, management monitor and manage business risks.</p> <p>Key operational and financial risks are presented to and reviewed by the Board.</p>
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**PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	Complies	<p>The Board has a Nomination and Remuneration Committee as referenced in item 2.1.</p> <ol style="list-style-type: none"> <li>1. The Committee does have a majority of independent Directors.</li> <li>2. The Nomination and Remuneration Committee is chaired by an independent Director.</li> <li>3. A copy of the Nomination and Remuneration Committee Charter is available on the Company's website <a href="http://www.adherium.com">www.adherium.com</a>.</li> <li>4. The Nomination and Remuneration Committee is composed of Bryan Mogridge (Chair), Jeremy Curnock Cook and John Mills,– and does have a majority of independent Directors.</li> <li>5. The number of meetings held by the Committee is detailed in the Directors Report within the Annual Report.</li> </ol>
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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.	Complies	The details of the remuneration paid to Directors and Officers is included in the Remuneration Report section of the Annual Report.
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Complies	<p>(a) The Company has a Policy for dealing in securities and Directors and employees must not create, enter into or deal in derivatives, a derivative arrangement or margin calls in relation to Company securities at any time.</p> <p>(b) A copy of the Policy for dealing in securities is available on the Company's website <a href="http://www.adherium.com">www.adherium.com</a>.</p>

Unless otherwise indicated, Adherium's corporate governance practices were in place for the financial year ended 30 June 2016 and to the date of signing the Directors' Report within the Annual Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company, refer to our website [www.adherium.com](http://www.adherium.com).