



# WE'RE WITHIN SIGHT

2018 - 2019  
CORPORATE  
GOVERNANCE  
STATEMENT

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Corporate Governance framework for Opthea Limited (Opthea) and its subsidiaries (the Group) is set by the Opthea Board, having regard to compliance with legal requirements, the particular circumstances of the Group and the best interests of the shareholders.

On 27 February 2019, the Australian Securities Exchange (ASX) Corporate Governance Council (Council) released the Corporate Governance Principles and Recommendations (4th Edition) with the change in the reporting requirements applying to the Group's first financial year commencing on or after 1 January 2020. Earlier adoption is encouraged by the Council. The Opthea Board will measure Opthea's governance practices against the recommendations in the 4th Edition from this Corporate Governance Statement onwards.

This Corporate Governance Statement details Opthea's corporate governance practices, including its compliance with the aforementioned requirements. This statement is current as at 18 October 2019 and should be read in conjunction with Opthea's 2019 annual report.

Opthea's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to be effective and add value
Principle 3	Act ethically and responsibly
Principle 4	Safeguard the integrity of corporate reports
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of security holders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Opthea's corporate governance practices were in place throughout the year ended 30 June 2019 and were compliant with the Council's best-practice recommendations. Where new and updated policies and practices have been implemented during the year to comply with recommendations introduced in the 4th Edition, we say so in the Corporate Governance Statement.

For further information on corporate governance policies adopted by Opthea, refer to its website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

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

The Board of Directors is in place to represent and protect the interests of the Company's shareholders. It is responsible for the corporate governance of the Group and guides and monitors the business and affairs of Opthea on behalf of its shareholders.

### Board functions and Charter

The Board Charter sets out the function and responsibilities of the Board in order to facilitate Board and management accountability for Opthea's performance and strategic direction. The matters reserved for the Board and what has been delegated to senior executives is described in the Board Charter, which is available on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

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

Upon appointment of a new director, a formal letter of appointment is provided, as well as an induction pack, which includes details pertaining to the Company and the obligations of the individual acting in their capacity as a director.

Opthea has written agreements with each director and senior executive setting out the terms of their appointment.

In each notice of meeting, security holders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a director.

The responsibility for the operation and administration of the Company is delegated by the Board to the CEO, who in turn may further delegate to senior executive management. The Board ensures that the Senior Executive Management Team (which includes the CEO) is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the senior executive management.

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

To this end, the Board has established the following committees:

- / Audit and Risk (see Principle 4);
- / Nomination and Remuneration (see Principle 8); and
- / Clinical Advisory Board.

The roles and responsibilities of the Audit and Risk and Remuneration committees are discussed throughout this Corporate Governance Statement.

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

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

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

Other functions reserved to the Board include:

- / approval of the annual and half-yearly financial reports;
- / approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- / ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- / reporting to shareholders.

The separation of responsibilities between the Board and management is clearly understood and respected.

### Board and committee performance

Board and committee performance is monitored throughout the year with an annual formal performance evaluation in accordance with the Company's Performance Evaluation Process Policy. The performance evaluation of the non-executive directors is aligned with their responsibilities under the Board Charter and includes areas such as: Board structure, Board role and responsibilities, strategy and planning, monitoring of Company performance and Board culture and relationships (amongst each director and with management).

### Executive performance evaluation

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the executive and non-executive directors and other senior executive personnel. The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high-quality Board and executive team.

The non-executive directors are responsible for evaluating the performance of the Chief Executive Officer and of the other senior executives. The Chief Executive Officer also evaluates the performance of the other senior executives and other management (management).

The performance evaluation of management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved. Specific and measurable qualitative and quantitative performance criteria are used.

Due to the nature of the Company's activities and the stage that it is at with respect to these activities, profitability is not a performance measure for short-term incentives (STIs), although effective management of the Company's resources in achieving value for shareholders is expected. Long-term incentives (LTIs) and key performance indicators (KPIs) for STIs are linked to activities/milestones that are expected to create value for shareholders.

The performance of the Chief Executive Officer and management is monitored throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in July 2019 by the Remuneration Committee. This review was in accordance with the aforementioned process.

A review of performance against KPIs occurred in July 2019 in accordance with the described policy. Further information on the Remuneration Committee can be found in the Remuneration Report section of the Directors' Report in the Annual Report.

The Board Charter and the Performance Evaluation Process Policy are available from Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

## Diversity Policy

The Company has established a separate Diversity Policy in accordance with Recommendation 1.5 of the ASX Corporate Governance Principles and Recommendations. The policy is available on the Company's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

Opthea's policy is to leverage diversity through the attraction, retention and development of a diverse team of talented people in the Company at all levels, including the Board. This means using diversity to contribute to the achievement of the Company's strategic objectives and corporate goals.

The Remuneration Committee has the responsibility to, at least annually, report on the relative proportion of women and men in the workforce at all levels of the Company. Details of the Company's diversity statistics can be found in the Remuneration Report section of the Directors' Report.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### Structure of the Board

The Board as of 18 October 2019 consists of three directors, one of whom is an executive (Dr Megan Baldwin, CEO and Managing Director) and two of whom are non-executives. The skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are included in the Directors' Report under the section headed 'Directors'. Directors of Opthea are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

In the context of director independence, to be considered independent, a non-executive director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one that impairs or inhibits, or has the potential to impair or inhibit, a director's exercise of judgement on behalf of the Company and its shareholders.

The Board have assessed the independence of its directors in line with the factors set out in Box 2.3 of the Corporate Governance Principles and Recommendations (4th Edition).

In accordance with the assessment of independence above, the following directors of Opthea are considered to be independent (being the majority of the directors) at the date of this report:

Name	Position
Geoffrey Kempler	Chairman, non-executive director
Michael Sistenich	Non-executive director

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

Name	Term in Office
Geoffrey Kempler	3 years 9 months
Megan Baldwin	5 years, 6 months
Michael Sistenich	3 years 9 months

To ensure the Board is well equipped to discharge its responsibilities, it has guidelines for the nomination and selection of directors and for the operation of the Board. The Board's role in the appointment process is to be undertaken by its Nomination Committee. The Nomination Committee Charter can be found on the Company's web site: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

### Director's access to independent professional advice

The Board has procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

### Appointment of directors

To be considered for membership on the Board, a candidate should meet the following criteria:

- / be of proven integrity with a history of relevant achievements that reflect high standards;
- / demonstrate intelligence, wisdom and thoughtfulness in decision-making that usually will be based on broad experience;
- / be able and willing to commit the time and energy necessary to attend to the Company's affairs, including attending Board and Board committee meetings;
- / be committed to building sound, long-term growth in the value of the Company; and
- / be able to objectively review and evaluate management's performance and implementation of strategy.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in line with requirements of the ASX Listing Rules and the *Corporations Act 2001*. Appointment and retirement of directors will be in accordance with the following:

- / the Board will consider from time to time changes that the Board believes to be desirable to the size of the Board or any committee thereof;
- / where a Board vacancy exists (including a vacancy created by an increase in size of the Board), the Board will identify individuals believed to be qualified to become Board members to stand for election as directors at the Annual General Meeting of shareholders. In nominating candidates, the Board shall take into consideration the qualifications of the candidate and the characteristics of the candidate to ensure that directors are of the highest standard. These factors may include judgement, skill, diversity, experience with businesses and other organisations of comparable size, the interplay of the candidate's experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The Board may consider candidates proposed by management, but is not required to do so; and
- / where a vacancy exists on any Board committee, the Board will appoint a director to that committee taking into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate, including, without limitation, applicable legislative requirements, the consistency of the candidate's experience with the goals of the committee and the interplay of the candidate's experience with the experience of other committee members.

The Board is responsible for ensuring that an effective induction process is in place for new directors appointed to the Board as discussed above.

The Board Charter can be found on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

### Code of Conduct

The Opthea Code of Conduct as approved by the Board sets out Opthea's commitment and practices to successfully conduct our business in accordance with all applicable laws while demonstrating and promoting the highest ethical standards. It sets out the standards of conduct in employees' and directors' relationships with each other, with the employer and with all those with whom the directors and employees deal in their work. The Code provides a framework for decision-making and business behaviour that builds and maintains Opthea's corporate integrity and reputation, and identifies responsibilities for reporting and investigating breaches.

The Board updated the Code of Conduct in July 2019 to articulate the Company's values and its policy on bribery and corruption. Pursuant to Recommendation 3.3, the Board also approved a Whistleblower Policy in July 2019 which is consistent with the Company's Code of Conduct.

The Code of Conduct and Whistleblower Policy applies to all employees and directors and can be found on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

## PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

### Audit and Risk Committee

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

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements. All members of the Audit and Risk Committee are independent non-executive directors. The members who served on the Audit and Risk Committee during the 2019 financial year were Michael Sistenich and Geoffrey Kempler.

The Audit and Risk Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half-year statutory review. The Audit and Risk Committee Charter can be found on the Company's website ([www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)) and contains the procedures for the selection, appointment and rotation of external audit engagement partners.

### Qualifications of Audit and Risk Committee members

Michael Sistenich was appointed non-executive director of Opthea in November 2015 and is Chairman of the remuneration and audit & risk committees. He has advised a wide range of global institutions, high net worth individuals and companies on healthcare investments over the past 20 years. He is a healthcare specialist in international investment management and investment banking, and led the Bell Potter team that advised the Company through the November 2014 capital raising.

Michael Sistenich is currently chairman of the board of Enlitic Inc and previously served as director of International Equities and Head of Global Healthcare Investments at DWS Investments, Deutsche Bank Frankfurt. Michael has long standing capital market connections and experience in the global healthcare investment community.

Geoffrey Kempler was appointed Chairman and Non-executive Director of Opthea in December 2015. He has extensive experience in the global biopharmaceutical industry having led Alterity Therapeutics, a company he founded, for over 20 years.

His investment markets experience includes a strong domestic and international network of specialist and sophisticated investors. He was responsible for the listing of Alterity Therapeutics on both the ASX and NASDAQ and has raised approximately \$150 million in capital via traditional equity transactions and value accretive alternative financing models.

Geoffrey Kempler has been responsible for setting Alterity's operational and commercial objectives including multiple global patient trials. Geoffrey is a qualified psychologist and holds a B.Sc degree in science from Monash University and Grad. Dip. App. Soc. Psych. degree from Swinburne University.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report in the Annual Report under the section headed 'Directors' Meetings'.

### CEO and CFO Certification

In accordance with section 295A of the *Corporations Act 2001*, the CEO and Chief Financial Officer (CFO) have provided a written statement to the Board that:

- / their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control that, in all material respects, implements the financial policies adopted by the Board; and
- / the Company's risk management and internal compliance and control systems are operating effectively in all material respects.

### External auditor

The Company's external auditor, currently Deloitte, attends the Annual General Meeting and is available to answer questions from security holders relevant to the audit.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Opthea Continuous Disclosure Policy as approved by the Board sets out the key obligations of the Board and management to ensure compliance under the disclosure obligations under the ASX listing rules and the *Corporations Act 2001*, and ensures that the obligations of employees and directors with respect to the Continuous Disclosure Policy are clear.

The Board has overall responsibility for supervision of the Company and must ensure that the Company meets its disclosure obligations. The Board has appointed the Company Secretary as Disclosure Officer to ensure that continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001* are adhered to.

The Board receives copies of all material market announcements promptly after they have been made by the Disclosure Officer. Any new and substantive investor or analyst presentations are released on the ASX Market Announcements Platform ahead of the presentation and placed on the Opthea website.

The general rule, contained in the Listing Rules, requires the Company to immediately notify the ASX of any information concerning the Company that a reasonable person would expect to have a material effect on the price or value of securities of the Company. In certain circumstances, however, the applicable Listing Rules permit the Company not to disclose material information.

The Continuous Disclosure Policy is available on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

The Opthea Communications Policy, as approved by the Board, "is designed to describe the processes Opthea has in place to promote communication with its investors and encourage shareholder participation at AGM". The policy advocates communication with shareholders and other stakeholders in an open, regular and timely manner to ensure that all stakeholders have sufficient information to make informed decisions on the operations and results of the Company. The policy provides for the use of systems involving technologies that ensure a regular and timely release of information about the Company.

Mechanisms employed include:

- / all information released to the ASX (including annual reports, half-yearly reports, and notices of general meetings and their associated explanatory material) is posted on Opthea's website as soon as practicable following confirmation of receipt by the ASX;
- / annual reports (if requested) and notices of general meetings with explanatory material are emailed or mailed to investors; and

- / regular briefings provided to investors and analysts by Opthea's Chief Executive Officer, with whom Opthea acknowledges the importance of its relationship. A copy of any presentation material provided at briefings are posted on Opthea's website.

Opthea security holders are given the option to receive communications from, and send communications to, the Group and our security registry electronically.

Starting with Opthea's 2019 Annual General Meeting, pursuant to Recommendation 6.4, all substantive resolutions at a meeting of security holders will be decided by a poll rather than by a show of hands.

The Communications Policy is available on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is designed to manage the Company's material business risks and report on whether those risks are being managed effectively.

Material business risks are those risks that are the most significant areas of uncertainty or exposure that could adversely impact on the achievement of Company objectives.

Management, as part of their responsibility for the operations of the Company, is also responsible for ensuring that risks are identified in a prospective manner, controls implemented to mitigate those risks and appropriate review procedures established to ensure that the controls in place are operating effectively. If new material risks are identified or if controls over existing risks are not operating effectively, these should be reported to the Board for consideration along with recommendations by management, covering new or existing controls and review processes, which would mitigate the risks.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management.

At the Company's Audit and Risk Committee meeting held in July 2019, management presented their annual risk review. As is required by the Board, management is required to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of these controls and processes.

The report was considered by the Audit and Risk Committee and noted by the Board at the Board meeting held in July 2019.

Management, with the assistance of its insurance broker, undertook an annual review, in November 2018, of the Company's insurance requirements to ensure appropriate coverage.

The Board and senior management continue to identify the general areas of risk, including:

- / economic outlook and share market activity;
- / changing government policy (Australian and overseas);
- / competitors' products/research and development programs;
- / market demand and market prices for therapeutics/diagnostics;
- / legal proceedings commenced against the Company (if any);
- / environmental regulations;
- / ethical issues relating to pharmaceutical research and development;
- / other government regulations, including those specifically relating to the biotechnology and health industries; and
- / occupational health and safety and equal opportunity law.

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

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

### Internal audit function

The board has determined that, consistent with the size of the Company and its activities, an internal audit function is not currently required. The board has adopted an Audit and Risk Committee and a Risk Management Policy. The processes noted above are appropriate to the size of the Company to manage its material business risks and to ensure regular reporting to the Board on whether those risks are being managed effectively in accordance with the controls that are in place.

The Group does not have material exposure to environmental or social risks.

The Risk Management Policy is available on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### Performance

Policies and procedures in place with respect to monitoring the performance of the Board are set out in the Directors' Report under the section headed 'Remuneration Report' as well as under 'Principle 2 – Structure the Board to add value' in this report.

Also see details under 'Remuneration Committee' below.

### Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant market conditions.

To assist in achieving this objective the Remuneration Committee remunerates directors and executives having regard to their performance and the performance of the Company. The expected outcomes of the remuneration policies and practices are to enable the Company to motivate, retain and attract directors and executives who will create value for shareholders.

Details relating to policy for performance evaluation, policy for remuneration and the amount of remuneration (monetary and non-monetary) paid to each director and to the non-director executives are set out in the Directors' Report under the section headed 'Remuneration Report'.

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

The members of the Remuneration Committee during the year were Michael Sistenich and Geoffrey Kempler, whom are independent directors.

Details relating to performance evaluation are set out in the section of the Directors' Report headed 'Remuneration Report'. For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report under the section headed 'Directors' Meetings'.

The Remuneration Committee Charter can be found on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)

### Securities Trading Policy

The Company has in place a Securities Trading Policy that details the trading policy with respect to the buying and selling of shares by directors and relevant employees.

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

A Designated Officer should not deal in securities of Opthea without receiving clearance from an Approving Officer(s) who has ensured that there is no unpublished price sensitive information.

A Designated Officer means a director or person engaged in the management of the Group, whether as an employee or consultant.

An Approving Officer means:

- (a) for a Designated Officer who is not a director, the Chief Executive Officer (CEO);
- (b) for a director (except the Chairman of the Board), the Chairman of the Board and the CEO; and
- (c) for the Chairman of the Board, the Chairman of the Audit Committee and the CEO.

Generally, a Designated Officer must not be given clearance to deal in any securities of Opthea during:

- (a) any closed period (that is for the period of one month before the publication of annual and half-yearly financial results);
- (b) any period when there exists any matter that constitutes unpublished price sensitive information in relation to Opthea's securities; or
- (c) any period when the person responsible for the clearance otherwise has reason to believe that the proposed dealing is in breach of this policy.

At no time have any directors or management of the Company limited the risk of participating in unvested entitlements under an equity-based remuneration scheme. A policy to this effect is incorporated into the Securities Trading Policy.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. The Securities Trading Policy is available on Opthea's website: [www.opthea.com/corporate-governance/](http://www.opthea.com/corporate-governance/)