

Remuneration and Nomination Policy

Cynata Therapeutics Limited
ACN 104 037 372

Adopted by the Board on **1 July**
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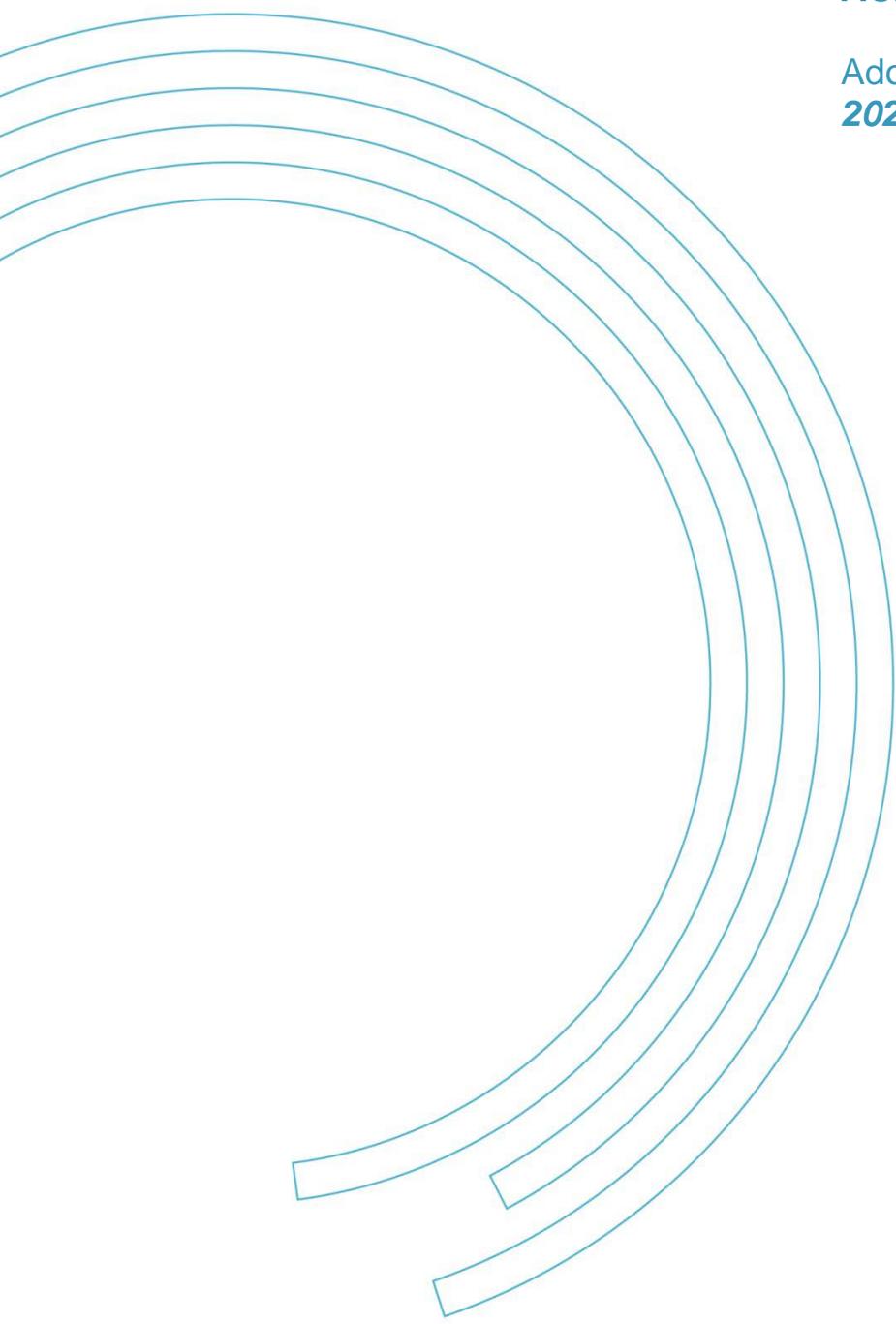




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Remuneration and Nomination Policy

1 Purpose

The purpose of this Remuneration and Nomination Policy (**Policy**) is to clearly set out the policies and processes of Cynata Therapeutics Limited (the **Company**) in respect of:

- (a) the selection, appointment and performance evaluation policies; and
- (b) remuneration policies and practices,

in relation to members of the board of Directors (**Board**) and key employees of the Company.

2 Policy operation

2.1 Remuneration and Nomination Committee

The full Board presently performs the function that would otherwise be performed by a separately constituted Remuneration and Nomination Committee. A separate Remuneration and Nomination Committee may be established when appropriate, as the Company's activities develop in size, nature and scope, and where increased efficiency and effectiveness can be derived from having a separate committee.

The Company will comply with any binding obligations in relation to the composition of a Remuneration and Nomination Committee contained in the Fourth Edition of the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (**Corporate Governance Recommendations**). In particular, if the Company is included in the S&P ASX 300 Index at the beginning of a financial year, the Committee will establish a Remuneration and Nomination Committee as necessary to comply with the relevant Corporate Governance Recommendations and any applicable ASX Listing Rules.

2.2 Participation by non-Board members

From time to time, non-Board members may be invited to attend Board meetings when nomination or remuneration matters are being discussed, if it is considered appropriate.

3 Nomination

3.1 Role

The Board is responsible for establishing and overseeing the nomination policies and practices for the Board, the Managing Director (**MD**), senior executives and other persons whose activities, individually or collectively, materially affect the operations of the Company, including:

- (a) succession planning for the Board, the MD and other direct reports to the MD;
- (b) continuing professional development programs for Directors;



- (c) the development and implementation of a process for evaluating the performance of the Board and Directors;
- (d) the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment; and
- (e) the process for re-election of Directors,

with the objective of having a Board of a size and composition and with knowledge of the Company and the industry in which it operates conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole, to bring transparency, focus and independent judgement to decisions regarding the composition of the Board and to add value to the Board.

3.2 Responsibilities

The Board's primary responsibilities in relation to the nomination role set out in clause 3.1 are to:

- (a) review and set requirements in respect of the size and composition of the Board;
- (b) review succession plans for the Board, the Chairperson of the Board, the MD and other direct reports to the MD, having regard to the objective that the Board comprise Directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- (c) review and confirm the criteria for nomination of Directors and Board membership more generally, including:
 - (i) developing a Board skills matrix and appointment process setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
 - (ii) overseeing the process for re-election of Directors, subject to the principle that a Board member must not be involved in making decisions in respect of, or which may impact, their own re-election; and
 - (iii) identifying individuals who are qualified to become Board members, in accordance with the policy outlined in section 3.3;
- (d) ensure that an effective Director induction process is in place and regularly review its effectiveness;
- (e) regularly conduct a formal performance evaluation of the Chairperson, the Board, its committees (if applicable), individual Executive and Non-Executive Directors and senior management in accordance with the policy outlined in section 3.4;
- (f) develop and implement plans for identifying, assessing and enhancing Director competencies, including providing appropriate professional development opportunities for Directors;



- (g) review the Board Charter on a periodic basis, and make any necessary amendments to ensure the Board Charter remains appropriate for the circumstances and position of the Company;
- (h) on an annual basis, review the effectiveness of the Diversity Policy by:
 - (i) assessing the Company's progress towards the achievement of the measurable objectives set under that policy (if any) and any strategies aimed at achieving the objectives; and
 - (ii) make appropriate changes to the measurable objectives, strategies or the way in which they are implemented as necessary; and
- (i) in accordance with the Diversity Policy, on an annual basis, review the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Company, including, if applicable, the Company's most recent indicators as required by the *Workplace Gender Equality Act 2012* (Cth).

3.3 Selection and appointment of new Directors

When discharging its responsibilities in respect of the selection and appointment of new Directors, the Board should, at a minimum, have regard to the following policy and procedure:

(a) Policy

Factors to be considered when reviewing a potential candidate for Board appointment include, without limitation:

- (i) the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- (ii) the existing composition of the Board, having regard to the factors outlined in the Diversity Policy and the objective of achieving a Board comprising Directors from a diverse range of backgrounds;
- (iii) the capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other Board or executive appointments); and
- (iv) potential conflicts of interest and independence.

(b) Procedure

- (i) The identification of potential Director candidates may be assisted by the use of external search organisations as appropriate.
- (ii) A short list of candidates should be prepared for the Board's consideration and interview, containing detailed background information in relation to each potential candidate such as his or her:
 - (A) competencies and qualifications;
 - (B) independence;



- (C) other directorships;
 - (D) time availability;
 - (E) contribution to the overall balance and composition of the Board; and
 - (F) depth of understanding of the role and legal obligations of a director.
- (iii) Appropriate checks should be undertaken before appointing a person, or putting a person forward to shareholders a candidate for election, as a Director, including checks as to a candidate's character, expertise, education, criminal record and bankruptcy history.
 - (iv) An offer of a Board appointment must be made by the Chairperson only after having consulted all Directors, with any recommendations from Board members having been circulated to all Directors.
 - (v) All new Board appointments should be confirmed by letter in the standard format as approved by the Board from time to time.

(c) **Disclosure**

Each year, Board will provide shareholders with any material information in the Company's possession which is relevant to a decision on whether or not to elect or re-elect a Director in the meeting materials for the general meeting at which said decision will be made.

3.4 Annual review process

- (a) Each year, the Board will review:
 - (i) the performance of the Chairperson, the Board, its committees (if applicable), individual Executive and Non-Executive Directors and senior management, both collectively and individually;
 - (ii) whether the Directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and on Board committees effectively and, where any gaps are identified, consider what training or development could be undertaken to fill those gaps; and
 - (iii) in respect of each of the Directors who are seeking re-election, their independence, the result of their performance review, the Company's succession plans and any other factors considered relevant to the Director's contribution to the Board, and consider whether the Board will formally support the Director's re-election.
- (b) When reviewing the performance of the Board as a whole, the Board may, at its discretion, have regard to the following factors:
 - (i) comparison of the performance of the Board against the requirements of the Board Charter;



- (ii) assessment of the performance of the Board over the previous twelve months, having regard to the corporate strategies, operating plans and the annual budget;
 - (iii) the Board's interaction with management;
 - (iv) identification of any particular goals and objectives of the Board for the next year; and
 - (v) identification of any necessary or desirable improvements to the Board Charter, committee charters (if applicable) or other corporate governance policies.
- (c) When conducting individual performance reviews, the Board may, at its discretion, have regard to the following factors:
- (i) time required from individuals in discharging their duties efficiently, and whether the person is meeting those time requirements;
 - (ii) contribution to Company strategy;
 - (iii) in respect of Directors:
 - (A) contribution to Board discussion and function;
 - (B) degree of independence including relevance of any conflicts of interest;
 - (C) availability for, and attendance at, Board meetings and other relevant events; and
 - (D) suitability to Board structure and composition; and
 - (iv) in respect of the MD:
 - (A) financial measures of the Company's performance;
 - (B) the extent to which key operational goals and strategic objectives are achieved;
 - (C) development of management and staff;
 - (D) compliance with legal and Company policy requirements; and
 - (E) achievement of key performance indicators.
- (d) Members of the Board must not participate in any review or assessment of their own individual performance (but may participate in a review of the Board's collective performance).
- (e) Where the Chairperson, following a performance appraisal, considers that action must be taken in relation to a Director's performance, the Chairperson must consult with the remainder of the Board regarding whether a Director should be counselled to resign, not seek re-election, or in exceptional



circumstances, whether a resolution for the removal of a Director be put to shareholders.

- (f) Each year, the Board must disclose to shareholders whether a performance evaluation has been undertaken in respect of each of the members of the Board and senior management.

4 Remuneration

4.1 Role

The Board is also responsible for establishing and overseeing the remuneration policies and practices for the Board, the MD, senior executives and other persons whose activities, individually or collectively, materially affect the operations of the Company.

The policies and practices in this area are designed to:

- (a) enable to the Company to attract, retain and motivate Directors, executives and employees who will create value for shareholders, by providing remuneration packages that are equitable and externally competitive;
- (b) be fair and appropriate having regard to the performance and financial resources of the Company and the performance of the relevant Director, executive or employee;
- (c) foster exceptional human talent and motivate and support employees to pursue the growth and success of the Company in alignment with the Company's values; and
- (d) equitably and responsibly reward employees, having regard to the performance of the Company, individual performance and statutory and regulatory requirements.

4.2 Responsibilities

The responsibilities of the Board in relation to remuneration are to:

- (a) review and recommend arrangements for the Executive Directors (including the MD) and the executives reporting to the MD, including:
 - (i) remuneration, recruitment, retention and termination policies and procedures and any major changes to those policies and procedures;
 - (ii) contract terms, annual remuneration and participation in the Company's short and long term incentive plans;
 - (iii) total remuneration packages for the MD and senior management (including base pay, incentive payments, equity based awards and superannuation);
- (b) review and oversee the remuneration arrangements for the Chairperson of the Board and the Non-Executive Directors, including fees, travel and other benefits:



- (c) review major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for the Company;
- (d) review and assess whether there is any gender or other inappropriate bias with respect of the remuneration of Directors, senior executives or other employees;
- (e) approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth) (**Corporations Act**), if appropriate;
- (f) take appropriate action to ensure that the Board and management have available to them sufficient information and external advice to ensure informed decision-making regarding remuneration;
- (g) include in the annual directors' report a remuneration report prepared in accordance with the Corporations Act; and
- (h) review and facilitate shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices.

4.3 Remuneration policy

- (a) In discharging its responsibilities, the Board must have regard to the following remuneration policy objectives:
 - (i) to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders, having regard to relevant Company policies without rewarding conduct that is contrary to the Company's values or risk appetite;
 - (ii) to attract and retain skilled executives;
 - (iii) to structure short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
 - (iv) to ensure any termination benefits are justified and appropriate.
- (b) Further, the Board should ensure that Non-Executive Director remuneration and incentive policies and practices:
 - (i) are not performance-based;
 - (ii) reflect the time commitment and responsibilities of the role;
 - (iii) are within the aggregate amount approved by shareholders, and the Board should periodically consider the need for increases to this aggregate amount at the Company's annual general meeting;
 - (iv) do not include retirement benefits other than statutory superannuation entitlements; and
 - (v) are aligned with the Group's vision, values and overall business objectives.



- (c) Non-Executive Directors are not entitled to participate in equity-based remuneration schemes described for executives without due consideration and appropriate disclosure to the Company's shareholders. To the extent that Non-Executive Directors do participate in equity-based remuneration schemes, they are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.
- (d) In the discharge of the Board's responsibilities, no Director or executive should be directly involved in determining their own remuneration or the specific remuneration policies that are applicable to them.
- (e) The Board must at all times have regard to all legal and regulatory requirements, including any necessary shareholder approvals.

4.4 Incentive schemes and equity-based remuneration

With regards to the Company's employee incentive schemes, the Board's responsibilities are to:

- (a) review and approve short term incentive strategy, performance targets and bonus payments;
- (b) review and determine the performance hurdles applicable to the Executive Directors, the executives reporting to the MD and senior management;
- (c) review and approve the proposed terms of, and authorise the making of, offers to eligible employees of the Company, including determining:
 - (i) the eligibility criteria applying in respect of an offer, in respect of a financial year; and
 - (ii) whether the delivery of shares in satisfaction of offers made should be via shares purchased on market, or whether a new issue of shares in the Company is to be made for the satisfaction of the offer, taking into account the Company's capital management processes;
- (d) review and approve, within the parameters of the schemes, amendments to the terms of existing schemes;
- (e) review and approve the terms of any trust deed applying in relation to the schemes and of any amendment to any such trust deed, including authorising the execution of any such trust deed or amending deed on behalf of the Company; and
- (f) administer the operation of the schemes, including but not limited to determining disputes and resolving questions of fact or interpretation concerning the various schemes.

5 Reporting and disclosure

- (a) The Board will:
 - (i) comply with the provisions of the Audit, Risk and Compliance Policy in relation to the Company's remuneration-related reporting in its



financial statements and the remuneration report required by the Corporations Act; and

- (ii) include an annual remuneration report containing information on the Company's remuneration policy, practices and the frequency of remuneration discussions at Board meetings in the Company's annual report.
- (b) Directors in attendance at the Company's annual general meetings will respond to any shareholder questions on the Company's compliance with this Remuneration and Nomination Policy and, if appropriate, the Company's remuneration arrangements.

6 Consultancy services

The Board will undertake such enquiries as are necessary to seek to ensure that the Company only enters into an agreement for the provision of consultancy or similar services by a Director or member of management or by a related party of a Director or member of management:

- (a) if it has independent advice that:
 - (i) the services being provided are outside the ordinary scope of their duties as a Director or member of management (as applicable);
 - (ii) the agreement is on arm's length terms; and
 - (iii) the remuneration payable under it is reasonable; and
- (b) with full disclosure of the material terms to shareholders.

7 Access to information and advisers

The Company will provide the Board with direct access to all resources necessary to discharge its duties and responsibilities, including engaging counsel, accountants or other experts as it considers appropriate. This may include requesting management, or engaging external remuneration consultants, to provide information to the Board.

The Board also has the authority to conduct or direct any investigation required to fulfil its responsibilities.

Directors must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

8 Review

The Board will, at least once in each year, review this Policy to determine its adequacy for current circumstances.

This Policy may be amended by resolution of the Board.