



## CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement of SomnoMed Limited (the 'Company') has been prepared in accordance with the 4<sup>th</sup> Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the Company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the Company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Company has not followed a recommendation and any related alternative governance practice adopted.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is contained on our website at <https://somnomed.com/au/about-us/corporate-governance/>.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the Company's Board of Directors ('Board') and is current as at 30<sup>th</sup> September 2024.

The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below.

### Principle 1: Lay solid foundations for management and oversight

**Recommendation 1.1 - A listed entity should have and disclose a board charter setting out:**

- (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.**

The Company recognises that corporate governance is fundamental to the effective operation of the Company. The Board is the pivotal element of corporate governance, and the Company desires its Board to be effective, independent, representative of stakeholders and valuable to the organisation.

The Board's role is to provide governance of the Company in the best interests of shareholders, having regard to the interests of all stakeholders of the Company. The specific responsibilities of the Board include:

- the overall corporate governance of the Company including its strategic direction, financial objectives, and overseeing (or supervision) of control and accountability systems;
- development and approval of strategic plans and goal and performance objectives, key operational and financial matters, as well as major investment and divestment proposals;
- being accountable for the performance of the Company;
- providing leadership and setting the strategic objectives of the Company;
- appointing the Chair and/or the "senior independent director";
- appointing, and when necessary, replacing, the co-Chief Executive Officers ('co-CEOs') and other senior executives including the Company Secretary;
- assessing the performance of the co-CEOs and overseeing succession plans for senior executives;
- approving the nominations of directors to the Board;
- overseeing management's implementation of the Company's strategic objectives;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- ensuring that the Company has in place an appropriate risk management framework (for both financial and non-financial risks) and setting the risk parameters within which the Board expects management to operate;
- satisfying itself that an appropriate framework exists for relevant information to be reported by management to the board;
- when required, challenging management and holding it to account;
- approving the Company's remuneration framework and satisfying itself that the entity's remuneration policies are aligned with the entity's purpose, values, strategic objectives and risk appetite;
- monitoring the effectiveness of the Company's governance practices;

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

- reporting directly to or supervising communications with shareholders;
- the approval of the annual and half yearly financial report; and
- monitoring the performance of the Company.

The Board has delegated the day-to-day management of the Company to the CEO and other senior executives ('management'). The Company's management is responsible for the following:

- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the Company;
- managing the Company's reputation and operating performance in accordance with parameters set by the Board;
- day-to-day running of the Company;
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.
- The Board charter sets out the roles and responsibilities of the chair of the Board. The chair is responsible for leading the Board, facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the Board and management. The chair is also responsible for approving Board agendas and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.
- Directors may seek independent professional advice at the expense of the Company, should they consider it necessary to enable them to discharge their responsibilities as directors.
- the Board regularly reviews the division of functions between the Board and management to ensure it meets the needs of the Company.

Senior executives have their roles and responsibilities defined in specific position descriptions.

### **Recommendation 1.2 - A listed entity should:**

- (a) undertake appropriate checks before appointing a person, a director or senior executive, or putting someone 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.**

Before appointing a director or senior executive, or putting forward to shareholders a director for appointment, the Company undertakes comprehensive reference checks. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission ('ASIC').

An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed.

Newly appointed directors must stand for re-election at the next Annual General Meeting in accordance with clause 16 of the Constitution.

Non-executive directors retire by rotation in accordance with clause 16 of the Constitution.

The Company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

### **Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.**

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the terms of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

**Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately minuted; and
- assisting with the induction and development of directors.

**Recommendation 1.5 - A listed entity should:**

- (a) have and disclose a diversity policy;**
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and**
- (c) disclose in relation to each reporting period:**
- (1) the measurable objectives set for that period to achieve gender diversity;**
  - (2) the entity's progress towards achieving those objectives;**
  - (3) either:**
    - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**
    - (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.**

Somnomed embraces diversity. SomnoMed recognises and values the diverse blend of skills, experiences and perspectives from individuals, irrespective of culture, gender or age. SomnoMed does not consider diversity just in a metric capacity and hence measurable objectives may be subjective depending upon the specific circumstance. SomnoMed regularly reviews policies to ensure that the Company is compliant with the ASX Diversity Recommendations.

The Company has a diversity policy which requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the Company's progress towards achieving them on an annual basis.

The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the Company to attract and retain employees with the best skills and abilities.

Each year the SomnoMed Annual Report is released the Company will provide organisation-wide gender statistics. SomnoMed's objective is to ensure that each year its diversity statistics are equal to or an improvement on those of the previous year. A copy of the Diversity Policy is available on SomnoMed's website.

As at 30 June 2024 SomnoMed operated in 27 countries and employed approximately 715 people in 12 countries, speaking at least 15 languages, 58% of whom are female.

SomnoMed's commitment to creating a flexible working environment and to putting people with the appropriate skills in the correct jobs has resulted in a richly diverse workplace.

The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the Board benefits from diversity with regard to gender, skills and experience. The Board is aware that the proportional representation of women on the Board and in senior executive positions has declined and will seek to restore and increase the proportional balance in the future.

The respective proportion of women and men in the Company including the entities it controls ('consolidated entity') as at 30 June 2024 are as follows:

	<b>Portion of women</b>	<b>Proportion of men</b>
On the Board	40%	60%
In senior executive positions	40%	60%
Across the whole organisation	58%	42%

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the Company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.

As no entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 on the basis that no entity employs 100 or more employees in Australia, there are no Gender Equality Indicators to be disclosed.

**Recommendation 1.6 - A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**
- (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Board reviews its performance annually, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board). The use of an external facilitator may be utilised periodically to assist in the review process.

The review for the 2024 financial year was concluded on 23<sup>rd</sup> February 2024 and was led by the Chairman.

The process included collective Board discussions to capture observations for where improvements could be made and where processes worked well, to be complimented by individual surveys from all Board members.

The review of the Chairman's role was conducted by the Board collectively.

**Recommendation 1.7 - A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and**
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Board conducts an annual performance assessment of the co-CEO's. The co-CEO's undertakes assessments of senior executives against agreed performance measures determined at the start of the year. In assessing the performance of the individuals, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company.

The co-CEO's provide a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Remuneration Committee.

The last review of senior executives in accordance with this process was concluded on 27<sup>th</sup> June 2024

### Principle 2: Structure the board to be effective and add value

**(a) have a nomination committee which:**

- (1) has at least three members, a majority of whom are independent directors; and**
- (2) is chaired by an independent director,**

**and disclose:**

- (3) the charter of the committee;**
- (4) the members of the committee; and**
- (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; or**

- (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.**

The Board does not have a specific Nomination Committee. The Remuneration Committee, which consists of the whole Board, monitors succession issues and ensures the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. This format is deemed appropriate given the Company's size and structure.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

The Board:

- Assesses the skills and competencies required on the Board, from time to time assessing the extent to which the required skills are represented on the Board;
- Reviews the performance of individual Directors and the Board as a whole;
- Encourages and support Directors' professional development to enhance Director competencies;
- Ensures the identification of suitable candidates for appointment to the Board when required;
- Considers Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- Considers recommendations for the appointment and removal of Directors;
- Approve remuneration strategy and policies for senior management and selected packaged employees as well as the individual remuneration arrangements and terms of employment for positions/individuals who are direct reports to the Chief Executive Officer (or similar), ensuring that remuneration policies are not only effective, but that they are also reported and explained to shareholders;
- Review the Company's Diversity policies ensuring compliance with the ASX Diversity Recommendations.

**Recommendation 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.**

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It is therefore used when recruiting new directors and assessing which skills need to be outsourced based on the attributes of the current Board members. The existence of each attribute is assessed by the Board as either, High, Medium or Low.

Skill category	Description of attributes required	Level of importance	Existence in current Board
Risk and compliance	Identification of key risks to the Company related to each key area of operations. Monitoring of risks, satisfy compliance issues and knowledge of legal and regulatory requirements.	High	High
Financial and audit	Analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution to budgeting and financial management of projects and Company, assessing and supervising capital management.	High	High
Strategic	Development of strategies to achieve business objectives, oversee implementation and maintenance of strategies, and identification and critical assessment of strategic opportunities and threats to the Company.	High	High
Operating policies	Key issue identification representing operational and reputational risks and development of policy responses and parameters within which the Company should operate.	High	High
Information technology	Knowledge of IT governance including privacy, data management and security.	Medium	Medium
Executive management	Performance assessments of senior executives, succession planning for key executives, setting of key performance hurdles, experience in organisational change management programmes.	Medium	High
Age and gender	Board aims for equal gender representation and range of experienced individuals to contribute towards better Board outcomes.	Medium	Medium
Sector knowledge	Knowledge of specific industry knowledge relevant to the Company's operations	High	Low

The Board currently believes that its membership adequately represents the required skills as set out in the matrix. External consultants may be brought in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

In addition to the specific areas that are required at Board level identified in the matrix above, all members of the Board are assessed for the following attributes before they are considered an appropriate candidate.

For personal use only

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

### Board Member Attributes

Leadership	Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, Company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

### **Recommendation 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 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.**

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term of office are detailed in the director's report.

The Board assesses annually in July each year and at any time when a change occurs that may affect a director's independence, the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

An independent director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In assessing the independence of each director, the Board takes into consideration whether the director's shareholding in the Company, relationships with suppliers, customers and competitors, or tenure as a director of the Company would materially affect the director's ability to exercise unfettered and independent judgement in the interests of the Company's shareholders.

Non-executive directors must formally advise the Chairman of any relevant information and update the Chairman if their circumstances change at any time.

Independent directors have the right to seek independent professional advice at the Company's expense in the furtherance of their duties as directors. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

Details of the Board of directors, their appointment dated, length of service as independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence Status (per ASX recommendations)
Guy Russo	24 August 2020	3 years	Independent non-executive
Neil Verdall-Austin <sup>(1)</sup>	24 August 2020	2 years	Non-independent executive
Amrita Blickstead <sup>(2)</sup>	24 August 2020	3 years	Refer <sup>(2)</sup> below
Hilton Brett <sup>(3)</sup>	24 August 2020	2 years	Non-independent non-executive*
Hamish Corlett	1 May 2018	6 years	Non-independent non-executive*
Michael Gordon	24 August 2020	3 years	Independent non-executive
Karen Borg <sup>(2)</sup>	26 November 2020	3 years	Refer <sup>(2)</sup> below

\*The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

<sup>(1)</sup> Resigned 22 February 2024

<sup>(2)</sup> An independent non-executive Director until being appointed co-CEO on 23 February 2024, after which time she became a non-independent executive Director

<sup>(3)</sup> Resigned 12 October 2023

For personal use only

## SOMNOMED LIMITED

### CORPORATE GOVERNANCE STATEMENT

Details of directors that the Board has declared as independent, but which maintain an interest or relationship that could be perceived as impairing independence, and the reason as to the Board's determination are as follows:

Director's Name	Details of interest or relationship	Board reasoning why director is independent
Guy Russo	Guy and/or entities associated with Guy hold 1,390,220 shares and 370,000 options	Entities associated with Guy hold shares in the Company. This holding aligns the interests of the director with those of the shareholders and is encouraged by the Company. These entities do not, nor does Guy, trade in the shares.
Neil-Verdal Austin*	Neil and/or entities associated with Neil held 1,751,050 shares and 910,000 options at the date of his resignation	At the date of his resignation Neil and entities associated with Neil held shares in the Company. This holding aligned the interests of the director with those of the shareholders and is encouraged by the Company. These entities did not, nor did Neil, trade in the shares whilst he was a director.
Amrita Blickstead	Amrita and/or entities associated with Amrita hold 1,067,364 shares, 185,000 options and 1,325,000 zero price options	Entities associated with Amrita hold shares in the Company. This holding aligns the interests of the director with those of the shareholders and is encouraged by the Company. These entities do not, nor does Amrita, trade in the shares.
Hilton Brett**	Hilton and/or entities associated with Hilton held 310,076 shares and 185,000 options at the date of his resignation	At the date of his resignation entities associated with Hilton held shares in the Company. This holding aligned the interests of the director with those of the shareholders and is encouraged by the Company. These entities did not, nor did Hilton, trade in the shares whilst he was a director.
Hamish Corlett	Hamish and/or entities associated with Hamish hold 67,716,079 shares and 185,000 options	Entities associated with Hamish hold shares in the Company. This holding aligns the interests of the director with those of the shareholders and is encouraged by the Company. These entities do not, nor does Hamish, trade in the shares.
Michael Gordon	Michael and/or entities associated with Michael hold 225,061 shares and 185,000 options	Entities associated with Michael hold shares in the Company. This holding aligns the interests of the director with those of the shareholders and is encouraged by the Company. These entities do not, nor does Michael, trade in the shares.
Karen Borg	Karen and/or entities associated with Karen hold 514,022 shares, 185,000 options and 1,325,000 zero price options	Entities associated with Karen hold shares in the Company. This holding aligns the interests of the director with those of the shareholders and is encouraged by the Company. These entities do not, nor does Karen, trade in the shares.

\* Resigned 22 February 2024

\*\* Resigned 12 October 2023

As part of its independence assessment, the Board considers the length of time that the director has been on the Board.

The Board concludes that no non-executive director has been on the Board for a period which could be seen to compromise their independence. Although that period is generally considered to be in excess of 10 years, being on the Board for a period in excess of 10 years does not however constitute an automatic deeming of non-independence. The Company does not consider length of tenure as disqualifying criteria for independence.

Where it is determined that a non-executive director should no longer be considered independent, the Company shall make an announcement to the market.

## **SOMNOMED LIMITED**

### **CORPORATE GOVERNANCE STATEMENT**

***Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.***

The Board currently has a majority of independent non-executive directors but not an overall majority of independent directors under ASX guidelines.

Mr Corlett is a director of companies which are substantial shareholders in the Company. The Board is of the opinion that Mr Corlett was however independent from management, acted in the best interests of the Company and that their shareholdings closely aligned their interests with those of all shareholders. Mr Brett was associated with a company which is a substantial shareholder in the Company. Mr Brett (who resigned as a director on 12 October 2023) was, during the time he was a director of the SomnoMed, associated with a company which is a substantial shareholder in the Company. The Board is of the opinion that Mr Brett was however independent, that Messrs Corlett is and Brett was however independent from management, act/ed in the best interests of the Company and that their relationship with a substantial shareholder closely aligns/ed their interests with those of all shareholders.

Ms Amrita Blickstead and Ms Karen Borg have been co-CEOs since 23 February 2024. Prior to their appointment as co-CEO's and becoming executive directors, both Ms Blickstead and Ms Borg were independent non-executive directors.

***Recommendation 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.***

The Chairman and Chief Executive Officer roles are to be held by different persons.

Mr Guy Russo holds the position of Chairman and is considered an independent director.

Mr Neil Verdal-Austin was the CEO until 22 February 2024.

Ms Amrita Blickstead and Ms Karen Borg have been co-CEOs since 23 February 2024.

The Board regularly assesses the independence of each Non-Executive Director.

***Recommendation 2.6 - A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.***

The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the Board benefits from diversity with regard to gender, skills and experience.

New directors are inducted by the Chairman and the Company Secretary on behalf of the Remuneration Committee. The induction includes strategy briefings, explanations of Company policies and procedures, governance frameworks, cultures and values, company history, director and executive profiles and other pertinent company information to enable them to discharge their director obligations as effectively as possible.



# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

### Principle 3: Instil a culture of acting lawfully, ethically and responsibly

#### **Recommendation 3.1 - A listed entity should articulate and disclose its values.**

The Company's values are articulated and disclosed on the Company's website.

#### **Recommendation 3.2 - A listed entity should:**

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and**
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.**

The Company maintains a code of conduct for its directors, senior executives and employees. In summary, the code requires the following of each relevant person:

- act honestly, in good faith and in the best interests of the Company as a whole;
- exercise a duty to use care and diligence in fulfilling the functions of office or position and exercising the powers attached to that office or position;
- use the powers of office for a proper purpose and in the best interests of the Company as a whole;
- recognise that the primary responsibility is to the Company as a whole but may, where appropriate, have regard for the interest of other stakeholders of the Company;
- not to make improper use of information acquired as a director or employee;
- not take improper advantage of their position as a member of the Board, senior executive or employee;
- properly manage and declare any conflict of interest with the Company;
- directors to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board;
- confidential information received in the course of the exercise of their duties remains the property of the Company and, unless appropriate authority granted, it is improper to disclose it, or allow it to be disclosed;
- not to engage in conduct likely to affect the reputation of Company; and
- to comply with the spirit, as well as the letter, of the law and with the principles of this Code; and
- report breaches of the Code to the Company Secretary and/or the co-CEOs.

The Code is reviewed periodically to ensure it is operating effectively and whether any changes are required.

The Code is available on the Company's website.

#### **Recommendation 3.3 - A listed entity should:**

- (a) have and disclose a Whistleblower Policy; and ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The board has adopted a Whistleblower Policy which is available on the Company's website. The Policy is designed to ensure that honesty and integrity is maintained throughout the Company. In summary, the Policy:

- encourages employees to disclose any malpractice, misconduct or conflicts of interest of which they become aware;
- provides protection for employees who report allegations of such malpractice, misconduct or conflicts of interest; and
- ensures that all allegations are thoroughly investigated with suitable action taken, where necessary.

The board or a committee of the board should be informed of material incidents under the Whistleblower Policy. The Policy is reviewed periodically to ensure it is operating effectively and whether any changes are required to the Policy.

#### **Recommendation 3.4 - A listed entity should:**

- (a) have and disclose an anti-bribery and corruption policy; and**
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Board has adopted an Anti-Bribery and Corruption Policy which can be found on the Company's website. The Policy establishes controls to ensure compliance by the Company with all applicable anti-bribery and corruption laws and to ensure that the Company conducts its business with honesty and integrity and in a socially responsible manner.

The Policy sets out the Company's requirements regarding the management of gifts and benefits and sets out the consequences of a breach of the Policy.

The board or a committee of the board should be informed of material incidents under the Policy. The Policy is reviewed periodically to ensure it is operating effectively and whether any changes are required to the Policy.

**SOMNOMED LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**

**Principle 4: Safeguard the integrity of corporate reporting**

**Recommendation 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**
- (5) 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; or**

**(b) 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 reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The current members of the Audit and Risk Committee are

<b>Director's Name</b>	<b>Executive Status</b>	<b>Independence Status**</b>
Hamish Corlett	Non-executive	Non-independent
Guy Russo	Non-executive	Independent
Michael Gordon	Non-executive (Chairman of Audit & Risk Committee)	Independent

\*\* Under ASX guidelines

The Chair of the Audit Committee is independent, thereby satisfying this Recommendation.

Details of the qualifications and experience of the members of the Committee are detailed in the Directors' report of the Annual Report.

The Charter of the Committee is available at the Company's website. It provides details in relation to its role, confers on it all necessary powers to perform that role, and explains how the Committee achieves its main objectives, which are to carry out the following functions:

- review and monitor the integrity of Annual Report including the financial statements;
- to review and assess the Company's accounting policies, and determine in consultation with the Chief Financial Officer if any changes to policy should be enacted;
- review and oversee systems of risk management, internal control and legal compliance;
- review the adequacy of the corporate reporting processes;
- oversee the process for identifying significant risks facing the Company and implementing appropriate and adequate control, monitoring and reporting mechanisms;
- liaise with and monitor the performance and independence of the external auditor; and
- to make recommendations to the Board for the appointment, reappointment or replacement and remuneration of an appropriate independent external auditor.

The number of Committee meetings held and attended by each member is disclosed in the Directors' report of the Annual Report.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

**Recommendation 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.**

In relation to the financial statements for the financial year ended 30 June 2024 the co-CEOs have provided the Board with declarations and for the half-year ended 31 December 2023 CFO provided the Board with a declaration, that in their opinions:

- the financial records of the Company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Recommendation 4.3 - A listed entity should disclose its process to verify the integrity of any periodic report it releases to the market that is not audited or reviewed by an external auditor.**

The Company's periodic reports to ASX will be managed in accordance with the following procedure:

- (a) the Company Secretary reviews and assesses the information requiring disclosure and will provide the draft announcement or reports to the Board for approval;
- (b) the Board reviews all draft announcements or reports for approval to ensure their integrity prior to their approval and release to the ASX.

### Principle 5: Make timely and balanced disclosure

**Recommendation 5.1 - A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1;**

Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the Corporations Act 2001.

The Company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the Company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought internally or from the Company's external counsel.

In the event that any Director or member of management becomes aware of any fact or circumstance which may give rise to a requirement to disclose such information under the Listing Rules, they are required to immediately inform either the Company Secretary, the co-CEOs (or similar), the CFO or the Chairman.

The Company Secretary is required to consult with the Chairman/co-CEOs in relation to matters brought to his or her attention for potential announcement. Where the Chairman/ co-CEOs are not contactable, the Company Secretary may decide whether an announcement is made, or whether a trading halt is warranted.

Generally, the co-CEOs and Chairman are ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the Company.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

Where announcements are made to the market through the ASX, such announcements are pre-vetted by the CFO, Chairman and Board of Directors to ensure that such statements are:

- factual;
- do not omit material information; and
- expressed in a clear and objective manner.

No member of the Company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

**Recommendation 5.2 - A listed entity should ensure that its board receives copies of all material announcements promptly after they have been made.**

The Company Secretary is responsible for ensuring that the Board receives copies of all material announcements prior to their release to the market.

**Recommendation 5.3 - A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.**

The Company Secretary is responsible for ensuring that any new or substantive investor or analyst presentation is released to the market prior to the presentation.

### Principle 6: Respect the rights of security holders

**Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.**

The Company strives to convey to its shareholders and the investing public pertinent information in a detailed, regular, factual and timely manner. Information is communicated to shareholders through: the Annual Financial Report, disclosures to the ASX, notices and explanatory memoranda of Annual General Meetings; and SomnoMed's website at [www.somnomed.com.au](http://www.somnomed.com.au).

The Company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Company's website.

#### **Recommendations 6.2 and 6.3**

**A listed entity should have an investor relations program that facilitates effective two-way communication with investors (6.2).**

**A listed entity should disclose how it facilitates and encourages participation at meetings of security holders (6.3).**

In order for the investors to gain a greater understanding of the Company's business, governance practices, financial performance and future prospects, the Company schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media.

Meetings and discussions with analysts must be approved by the co-CEOs and are generally conducted by the co-CEOs. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information.

The Company encourages shareholders to attend the Company's AGM.

**Recommendation 6.4 - A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than on a show of hands.**

The Chairman of any meeting of shareholders will ensure that all substantive resolutions are decided by a poll rather than on a show of hands.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

**Recommendation 6.5 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Boardroom Pty Limited at <http://www.boardroomlimited.com.au/>.

### Principle 7: Recognise and manage risk

#### Recommendations 7.1 and 7.2

**The board of a listed entity should:**

- (a) have a committee or committees to oversee risk, each of which:**
- (1) has at least three members, a majority of whom are independent directors; and**
  - (2) is chaired by an independent director,**
- and disclose:**
- (3) the charter of the committee;**
  - (4) the members of the committee; and**
  - (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; or**
- (b) 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 (7.1).**

**The Board or a committee of the Board should:**

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and**
- (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).**

The Board is committed to the senior executives and management are expected to practise sensible risk management in the day-to-day performance of their duties and are required to escalate any material issues, which arise or have the potential to arise. The CEO has the primary responsibility to advise the Board of material risk items, which arise and together the Board and senior management are responsible for taking all reasonable steps to address and mitigate such risk items.

The Board does not have a specific Risk Committee, however the Audit & Risk Committee is responsible for overseeing risk and from time to time refers items pertaining to risks associated with the Company and its operations to the full Board of the Company for consideration. All members of the Board, in conjunction with senior management, monitor risks for the Company, which is deemed appropriate given the Company's size and structure.

Risks which may be considered by the Audit & Risk Committee and/or the Board include those that may:

- impede the Company from achieving its goals and objectives;
- impact on the Company's performance;
- affect the health, safety or welfare of employees, visitors and others in relation to the Company's operations;
- threaten compliance with the Company's regulatory and legal obligations;
- impact on the community and the environment in which the Company operates;
- impact on the Company's reputation, or that of its people; and
- result in personal liability for Company officers arising from the Company's operations.

The Audit & Risk Committee and/or the Board reviews the Company's risk management framework at least annually to ensure that it is still suitable to the Company's operations and objectives and that the company is operating within the risk parameters set by the Board. As a consequence of the last review undertaken for the year ended 27 June 2024, there were no significant recommendations made.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

### **Recommendation 7.3 - A listed entity should disclose:**

- (a) **if it has an internal audit function, how the function is structured and what role it performs; or**  
(b) **if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.**

The Board does not have an internal audit function as it is not considered economically viable/cost effective or necessary given the size of the Company. The Board reviews and considers accounts on a monthly basis and discusses internal control processes and risk management as appropriate from time to time.

### **Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to environmental or social sustainability risks and, if it does, how it manages or intends to manage those risks.**

The management of the Company and the execution of its growth strategies are subject to a number of risks which could adversely affect the Company's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the Company (and its subsidiaries), but those considered by management to be the principal material risks:

Customer base	The Company needs new and repeat customers in sufficient numbers to grow the business, especially in markets where the Company already has a degree of market penetration. In order to do so, the Company is keeping in close contact with its core customer base and is targeting customers who have historically used other suppliers and channels to purchase products. The Company's strategy also assists existing customers to grow their business and make repeat purchases of products. If these strategies fail, the revenue may be reduced which could have an adverse effect on the financial results.
Competition and product mix	The Company monitors competitors in its markets and seeks to differentiate itself from competitors by selling quality products and providing quality services to its customers. The Company's business could suffer if competitors increase their market share.
Product research and development	The Company invests in research and technology and continues to develop its products and materials used in them. Should these products fail to meet the demands of the market or cost more in research and development than the Company anticipated, this could have an adverse effect on the financial results and overall image of the Company.
Patents, trademarks and brand reputation	Maintaining and enhancing the brand is critical to the Company's strategies going forward. If the Company fails to meet customer expectations, negative publicity and complaints on social media platforms could damage the brand and ultimately reduce customers' willingness to buy from the Company. If the Company fails to maintain its brand or if excessive expenses are incurred in this effort, the Company's business, results of operations, financial condition and financial results may be materially and adversely affected. As with all brands, the Company is exposed to risk from unauthorised use of its trademarks and other intellectual property.
Cash and other financial risk	The management of cash is of fundamental importance. At the reporting date the consolidated entity had a cash balance of \$16.18m (2023: \$11.96m). The working capital will be used to carry out the Company's growth and expansion plans. The Company is also exposed financial risks such as foreign currency risk and interest rate risk. Refer to the 'Financial Instrument' note to the financial statements for further information on these risks and how they are managed.
Loss of people	The Company's senior executive team is instrumental in implementing the Company's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long-term incentive schemes) and succession planning within the team.

## SOMNOMED LIMITED

### CORPORATE GOVERNANCE STATEMENT

Interruption of  
Production

The Company's is aware that an extended interruption to the manufacturing of the Company's products at its main production facility would be extremely disruptive and could have an adverse impact on the financial results and overall image of the Company. To mitigate this risk the Company has put in place a number of measures, including the insurance for "Loss of Profits" arising from such an event, and the formulation of a Disaster Recovery Plan, should it be required, for the Company's main production facility. These and other relevant measures are reviewed for adequacy as circumstances require.

Equal opportunity

The Company is committed to an active equal opportunities policy. It is the Company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Company.

Financing and  
liquidity risk and  
interest rate risk

The Company had in place a \$16 million debt facility with Epsilon Direct Lending as at 30<sup>th</sup> June 2023 to fund its working capital needs (Epsilon Facility). A portion of the proceeds from the 2023 Entitlement Offer (\$5 million) was applied to paying down the Epsilon Facility in 2023 and the Epsilon Facility was repaid in full in May 2024.

Whilst SomnoMed monitors cashflow management and cashflow forecasts, in the event that SomnoMed does not maintain sufficient cash reserves to meet the requirements of its business, there is a risk that it could face a shortage of working capital or fail to pay its creditors on time. SomnoMed's ability to operate depends on maintaining a strong reputation for creditworthiness.

If SomnoMed were to breach any of its obligations under any of its financing facilities, it could face actions that have an adverse impact on SomnoMed's cashflow. The inability to obtain funding to finance current and future activities may result in reduced financial liquidity, which may adversely impact SomnoMed's ability to fund its operations and new business initiatives.

SomnoMed is from time to time exposed to interest rate risk at variable interest rates. SomnoMed has interest rate exposure for utilised facilities which are used during each financial year. An increase in interest rates may result in a decrease in the consolidated entity's profitability.

Regulatory approvals

SomnoMed operates within a highly regulated industry, relating to the manufacture, distribution and supply of oral appliance treatment solutions for sleep-related breathing disorders and obstructive sleep apnea. There is no guarantee that SomnoMed will obtain or maintain the required approvals, licenses and registrations from all relevant regulatory authorities in all jurisdictions in which it operates. Further clinical trials may be delayed and SomnoMed may incur further costs if the Food and Drug Administration (FDA) and other regulatory agencies observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. Furthermore, SomnoMed is exposed to the risk of changes to existing, or the introduction of new, government policies, regulations and legislation in all jurisdictions in which it operates. A failure to obtain or maintain any required approvals, licenses and registrations or any change in regulation or an adverse audit outcome may adversely affect SomnoMed's ability to commercialise and manufacture its treatments. Currently, SomnoMed is in the process of seeking FDA approval for RestAssure<sup>®</sup> and has made public statements about when it can begin introducing product based on anticipated regulatory approval timeframes.

Cyber security

There is a risk of security breaches of data (whether that of SomnoMed's or that of its clients) by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential customer data. Any data security breaches or SomnoMed's failure to protect confidential information could cause significant disruption to its business and trigger mandatory data breach notification obligations. Such an event may adversely impact SomnoMed's operations and financial performance, exposing SomnoMed to reputational damage and regulatory scrutiny and fines as well as potentially material costs associated with remediation and other costs and payments relating to such a breach.

For personal use only

## SOMNOMED LIMITED

### CORPORATE GOVERNANCE STATEMENT

Disruption to  
technology systems

SomnoMed's technology systems may be inadequate or fail to perform as expected or be adversely impacted by factors outside its control, including disruption, failure, service outages or data corruption that could occur as a result of computer viruses, malware, cyber-attacks, including external malicious interventions such as hacking or denial of service attacks, or other disruptions including natural disasters, power outages or other similar events. Any such disruption could have a material adverse impact on SomnoMed's operations.

- (a) Changes affecting prices charged and cost of supply / distribution

There can be no guarantee that SomnoMed's products will continue to be successful in the market nor that SomnoMed will continue to receive significant revenues from the sale of its products or services. Unexpected expenses or downward pressure on the prices SomnoMed charges as a result of changes in regulations by national health authorities, emergence of alternative treatments for OSA delivering a higher level of efficacy and patient compliance as well as better health economics, competitive pressures, or levels of reimbursement provided health insurers in the places in which SomnoMed operates, may affect the profitability of that business.

- (b) Regulatory approvals

SomnoMed operates within a highly regulated industry, relating to the manufacture, distribution and supply of oral appliance treatment solutions for sleep-related breathing disorders and obstructive sleep apnea (including regular audits at the CPF). There is no guarantee that SomnoMed will obtain or maintain the required approvals, licenses and registrations from all relevant regulatory authorities in all jurisdictions in which it operates. Further clinical trials may be delayed and SomnoMed may incur further costs if the Food and Drug Administration (FDA) and other regulatory agencies observe deficiencies that require resolution or request additional studies be conducted in addition to those that are currently planned. Furthermore, SomnoMed is exposed to the risk of changes to existing, or the introduction of new, government policies, regulations and legislation in all jurisdictions in which it operates. A failure to obtain or maintain any required approvals, licenses and registrations or any change in regulation may adversely affect SomnoMed's ability to commercialise and manufacture its treatments. In particular:

- (i) SomnoMed is in the process of seeking FDA approval for RestAssure<sup>®</sup> and has made assumptions about when it will be able to generate revenue from that product based on anticipated regulatory approval timeframes;
- (ii) Reimbursement changes can impact market dynamics significantly. Currently, the US CMS (Centers for Medicare & Medicaid Services) has requested information about oral appliance therapy, which may lead to changes in the current reimbursement provisions. In FY24, SomnoMed's AVANT<sup>®</sup> product was submitted to US Pricing, Data Analysis and Coding (PDAC) for Medicare reimbursement approval, however this submission was not endorsed. Given this recent experience, work is currently underway to optimise our US reimbursement strategy to enable greater access; and
- (iii) an ISO130485 audit was conducted for September 2024 at the CPF. The audit report has been tabled and the Company's quality and compliance functions are currently preparing a response.

Competition

There is a risk that the competitive landscape might change and new competitors might emerge or existing competitors might be taken over by larger and better resourced companies which may offer services that compete with the products and services provided by SomnoMed. There can be no assurance that a competitor of SomnoMed will not develop or achieve commercialisation of services that compete with, or supersede, SomnoMed services or products. The Directors believe that the potential market size for the services to be provided by SomnoMed is large enough to absorb a number of competitors.

For personal use only



## SOMNOMED LIMITED

### CORPORATE GOVERNANCE STATEMENT

Product safety and efficacy

Serious or unexpected health, safety or efficacy concerns with products may expose SomnoMed to reputational harm or reduced market acceptance of its products, and may lead to product recalls and/or product liability claims and resulting liability, and increased regulatory reporting. There can be no guarantee that unforeseen adverse events or manufacturing defects will not occur. SomnoMed has product liability insurance to seek to minimise its liability to such claims, however there can be no assurance that adequate insurance coverage will always be available at an acceptable cost or that it will respond. Any health, safety or efficacy concerns are likely to lead to reduced customer demand and impact on the potential future profitability of SomnoMed.

Refer to commentary at Recommendations 7.1 and 7.2.

Intellectual property

Securing rights in technology and patents is an integral part of securing potential product value in the outcomes of medical device research and development. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes. SomnoMed's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Because the patent position of medical device companies can be highly uncertain and frequently involves complex legal and factual questions, neither the breadth of claims allowed in medical device patents nor their enforceability can be predicted. There can be no assurance that any patents which SomnoMed may own, access or control will afford SomnoMed commercially significant protection of its technology or its products or have commercial application, or that access to these patents will mean that SomnoMed will be free to commercialise its products.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid SomnoMed's patented technology. Patenting strategies do not cover all countries which may lead to generic competition arising in those markets.

Manufacturing

There are numerous risks associated with manufacturing SomnoMed's products. Technical difficulties could include the inability to produce products that meet approved regulatory specifications, or that production volumes may be insufficient to support revenue as currently forecasted. SomnoMed may from time-to-time experience delays in finding appropriate manufacturers for specific components, raw materials, machinery or systems. Any unforeseen difficulty relating to manufacturing, including changes in methods of manufacturing, disruption to supply, shortages of input materials, delays in locating appropriate manufacturers or changes to arrangements with, or capacity of, any third-party manufacturers, may negatively impact SomnoMed's ability to support revenue as currently forecasted.

the Company relies on the SomnoMed Central Manufacturing Facility in the Philippines for the production of all of its products at present and the following issues (amongst others) may impact production at this site:

- (i) under staffing/inexperience of staff;
- (ii) equipment shortages and breakdowns;
- (iii) elevated levels of remakes;
- (iv) reliance upon single suppliers for a number of key components
- (v) key software within the plant is at end of life; and
- (vi) a negative audit outcome leading to an immediate need for improvement of the quality management systems in place.

The Company from time to time receives strong demand for the Company's products which can place additional strain on the manufacturing facility. If from time to time the capacity of the facility is not capable of manufacturing enough volume to satisfy the increasing demand for the Company's products, the future revenues of the company would be impacted in the short term and that this would have a consequential impact on the results, profitability and cash flow generation of the Company. If such issues persist in the future for an extended period of time, there is a risk that this could have a material impact on the ongoing operations and financial performance of the Company, particularly as a result of:

- (i) an inability to scale RestAssure® to meet anticipated customer demand; and
- (ii) further loss of customers due to longer lead times in the production of the product.

This, in-turn, may also impact the ability of the Company to continue to meet its revised earnings guidance given the Company has issued such guidance on the key assumption that a number of these aforementioned issues, such as customer turnaround times and manufacturing capability, do not deteriorate further and remain at consistent levels.

# SOMNOMED LIMITED

## CORPORATE GOVERNANCE STATEMENT

### Principle 8: Remunerate fairly and responsibly

#### *Recommendation 8.1 - The board of a listed entity should:*

*(a) have a remuneration committee which:*

- (1) has at least three members, a majority of whom are independent directors; and*
- (2) is chaired by an independent director, and disclose:*
- (3) the charter of the committee;*
- (4) the members of the committee; and*
- (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; or*

*(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.*

The Board maintains a Remuneration Committee. Mr Corlett is a director of companies which are substantial shareholders in the Company. The ASX's Corporate Governance Principles and Recommendations outline factors relevant to assessing the independence of a director. One such factor that might cause doubts about the independence includes "if the director is a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity". The Board is of the opinion that Mr Corlett is however independent from management, acts in the best interests of the Company and that his shareholdings are closely aligned in their interests with those of all shareholders. Whilst the ASX recommendation for an independent Chairman of the Remuneration Committee was not adopted prior to 22<sup>nd</sup> August 2023 and from 26<sup>th</sup> August 2024, the Board considers given the size of the Company and the abovementioned reasons this was considered reasonable. ASX guidelines recommend a remuneration committee includes at least three independent members, a majority of whom are independent directors. The majority of the members of the Committee are independent.

The current members of the Remuneration Committee during the financial year were and currently are:

Director's Name	Executive Status	Independence Status**
Hamish Corlett	Non-executive Director (Chairman of Remuneration Committee (until 22 <sup>nd</sup> August 2023 and from 26 <sup>th</sup> February 2024)	Non-Independent
Michael Gordon	Non-executive Director (from 26 <sup>th</sup> February 2024)	Independent
Guy Russo	Non-executive Director	Independent
Amrita Blickstead	Non-executive Director, whilst on the Committee (Chairman of Remuneration Committee (from 22 <sup>nd</sup> August 2023 until 23 February 2024)	Independent whilst on the Committee

\*\* Under ASX guidelines

The Remuneration Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees. The number of Committee meetings held and attended by each member in addition to details of the qualifications and experience of the members of the Committee is detailed in the Directors' report in the Company's Annual Report.

## SOMNOMED LIMITED

### CORPORATE GOVERNANCE STATEMENT

The Charter of the Committee is available at the Company's website. The Committee's charter sets out the roles and responsibilities, composition and structure of the Committee. In summary, the charter provides for the committee to monitor and advise upon the following matters:

- the Company's remuneration structure including long term incentives and superannuation arrangements;
- remuneration and incentives of the Board, CEO and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;
- workplace health and safety;
- workplace diversity;
- employee share payment plans;
- recruitment, retention and termination strategies;
- management succession, capability and talent development; and
- the Remuneration Report, contained within the Directors' report.

When considered necessary, the Committee may obtain external advice from independent consultants in determining the Company's remuneration practices including remuneration levels.

***Recommendation 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.***

Non-executive directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making.

Senior executives are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long-term objectives. Share options and rights are issued so as to align director and executive objectives with shareholder and the business objectives. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' report of the Company's Annual Report.

***Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:***

- (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***
- (b) disclose that policy or a summary of it***

The use of derivatives or other hedging arrangements for unvested securities of the Company or vested securities of the Company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this will be disclosed.

30<sup>th</sup> September 2024