



August 2018

Corporate Governance Statement

Nanosonics Limited

ABN 11 095 076 896

The Board of Directors of Nanosonics Limited (Nanosonics or the Company) is committed to ensuring that its policies and practices reflect good corporate governance consistent with the Australian Securities Exchange (ASX) Listing Rules and the ASX Corporate Governance Principles and Recommendations (3rd Edition released on 27 March 2014).

This Corporate Governance Statement sets out Nanosonics' key corporate governance principles and practices, and the extent to which the Company has followed the recommendations set by the ASX Corporate Governance Council during the last reporting period, being 1 July 2017 to 30 June 2018. This Corporate Governance Statement is accurate as at 20 August 2018 and has been approved by the Board and a copy is available on the Company's website at <http://www.nanosonics.com.au/Investor-Centre/Corporate-Governance>, together with the charters and policies referred to in this statement.

Nanosonics recognises that the ASX Corporate Governance Council (Council) is currently consulting on proposals to update and issue a fourth edition of its Corporate Governance Principles and Recommendations. Nanosonics also recognises that the Council's Consultation Paper envisages that the 4th Edition will be released in early 2019, and that companies will need to report against the 4th Edition for the financial year commencing on 1 July 2019.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Generally

There is a clear distinction between the role and responsibilities of the Board and the role and responsibilities of the Company's Chief Executive Officer & President (CEO&P) and the senior executive team. The balance of responsibilities between the Board and the executives is reviewed on a regular basis so as to ensure that the division of functions remains appropriate to the needs of the Company.

Roles and Responsibilities of the Chairman

The Chairman of Nanosonics is responsible for leading the Board, its meetings and Directors so that all Directors are able to contribute effectively, all matters are properly considered and there is clear decision-making. The Chairman has ultimate responsibility for ensuring that corporate governance matters are properly considered by the Directors.

Roles and Responsibilities of the Board

The role of the Board is to provide strategic guidance to the Company and to provide effective oversight of its management for the benefit of all stakeholders. The Board acts on behalf of shareholders, and is accountable to them for the overall strategy, governance and performance of the Company. The Board oversees management's implementation of Nanosonics' strategic objectives and its performance generally, and retains ultimate authority over the management of the Company. However, the day-to-day management of the Company's affairs and the implementation of its strategies are formally delegated by the Board to the CEO&P and the senior executives.

The respective roles and responsibilities of the Board and senior executives, reflecting how they are distinct from each other, and the matters expressly reserved to the Board and those delegated to management, are set out in detail in the Company's Board Charter, which is available on the Company's website.

The Board meets regularly, in accordance with an agreed schedule, and special meetings are held as and when required. Details of Directors' attendances at meetings of the Board are shown in the Directors' Report contained in the Company's Annual Report.

The Board requires that each Director has the appropriate competencies to fulfil their role, and that they perform effectively in their respective role and on the Board. Nanosonics has a Nomination Committee, which is responsible for recommending a framework for the assessment and evaluation of the performance of each Director individually, of each committee and of the Board as a whole. These responsibilities are set out in the Company's Nomination Committee Charter, which is available on the Company's website. The performance of the Board, individual Directors and each of the Board committees is reviewed annually, with the most recent review being completed in November 2017 in accordance with that process. The performance of Directors is reviewed by the Chairman, and the Chairman's performance is reviewed by the Deputy Chairman. The Board is responsible for appointing the Chairman and the CEO&P and approving the appointment of senior executives.

The Board is responsible for approving operating budgets and major capital expenditure, and for overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit.

Roles and Responsibilities of Senior Executives

The roles and responsibilities the senior executives are set out in the Company's Annual Report in the Information on the Directors, Company Secretaries and Senior Management section and in the Remuneration Report included in the Directors' Report.

Nanosonics has an Annual Performance Review process that reviews the performance of its senior executives against the completion of personal objectives and strategic priority objectives. The performance of each senior executive is reviewed by the CEO&P and the most recent reviews were conducted in July and August 2018. The performance of the CEO&P is assessed by the Non-executive Directors and the most recent review was conducted in August 2018.

Committees of the Board

The Board has established and is assisted by committees that are responsible for aspects of the operation of the Company and which act by examining relevant matters and making recommendations to the Board. The Board may establish additional committees to assist it in carrying out its responsibilities. The Board may also delegate specified responsibilities to ad-hoc committees. The Directors must be satisfied that the members of a committee are competent and will exercise their delegated functions in accordance with Directors' duties.

During the recent reporting period there were four committees of the Board: the Nomination Committee, the Audit and Risk Committee, the Remuneration Committee, and the R&D and Innovation Committee. Charters for these four Committees are available on the Company's website. Details of the number of meetings of the committees held and Directors' attendances at those meetings are shown in the Directors' Report contained in the Company's Annual Report. The chairs of each of the committees, with the exception of the Nomination Committee, are different individuals to the Chairman of the Board.

Checks and Material Information Prior to Appointments

Nanosonics undertakes appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director, and the Company provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history. Information provided to security holders in the Company's Notices of Meetings includes: biographical details, such as their relevant qualifications and experience, and the skills they bring to the Board; details of any other material directorships currently held by the candidate; in the case of a candidate standing for election as a Director for the first time, any material adverse information revealed by the checks the Company has

performed about the Director, details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her 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, and, if the Board considers that the candidate will, if elected, qualify as an independent Director, a statement to that effect; in the case of a candidate standing for re-election as a Director, the term of office currently served by the Director and, if the Board considers the Director to be an independent Director, a statement to that effect, and a statement by the Board as to whether it supports the election or re-election of the candidate.

A candidate for appointment or election as a Non-executive Director must provide the Board with the information above and a consent for Nanosonics to conduct any background or other checks the Company would ordinarily conduct. The candidate must also provide: details of his or her other commitments; an indication of the time involved; and an acknowledgement to the Company that he or she will have sufficient time to fulfil his or her responsibilities as a Director.

Written Agreements for Terms of Appointment

Nanosonics has a written agreement with each Director and senior executive setting out the terms of their appointment. The Directors and senior executives of Nanosonics have a clear understanding of their roles and responsibilities and of the Company's expectations of them and these have been reduced to written agreements. These agreements take the form of letters of appointment in the case of Non-executive Directors and service contracts in the case of Executive Directors or other senior executives.

In the case of Non-executive Directors, the agreements generally set out: the terms of appointments; the time commitments envisaged, including any expectations regarding involvement with committee work and any other special duties attaching to the positions; remuneration, including superannuation entitlements; the requirements to disclose Directors' interests and any matters that may affect Directors' independence; the requirements to comply with key corporate policies, including Nanosonics' Code of Conduct and Ethics, and its Securities Trading Policy; Nanosonics' policy on when Directors may seek independent professional advice at the expense of the Company (which is generally whenever Directors, especially Non-executive Directors, judge such advice necessary for them to discharge their responsibilities as Directors); the circumstances in which the Directors' offices become vacant; indemnity and insurance arrangements; ongoing rights of access to corporate information; and ongoing confidentiality obligations.

In the case of Executive Directors or other senior executives, the service contracts generally set out the information above, to the extent applicable, as well as: descriptions of their positions, duties and responsibilities; the persons or bodies to whom they report; the circumstances in which their services may be terminated (with or without notice); and any entitlements or obligations on termination. The service contracts are updated, as required, to reflect any changes in roles and responsibilities of senior executives.

Nanosonics is required under the ASX Listing Rules to disclose the material terms of any employment, service or consultancy agreement it or a child entity enters into with its CEO&P (or equivalent), any of its Directors, and any other person or entity who is a related party of its CEO&P or any of its Directors. It is also required to disclose any material variation to such an agreement. Details of the key terms of the CEO&P's employment agreement are shown in the Directors' Report contained in the Company's Annual Report.

Securities Trading Policy

The Company has a Securities Trading Policy, which applies to all Nanosonics staff (including Directors, officers and employees of Nanosonics and its group companies, as well as contractors and consultants). The Policy sets out an additional requirement for Designated Persons to obtain written approval before dealing in any Nanosonics securities. Designated persons include Directors and officers, the executive management team

and its direct reports, and any other person nominated by the Board from time to time. All Nanosonics staff may only deal in the Company's securities in accordance with the Policy, and the Company regularly reviews share trading reports and its share register to ensure compliance with the Policy. The Company's Securities Trading Policy was updated in August 2017, and a copy of which is available on the Company's website.

Company Secretary

Until 19 July 2018, Nanosonics had two joint Company Secretaries. On that date, as notified to ASX on 20 July 2018, one of the joint Company Secretaries retired, leaving Nanosonics with a single Company Secretary. The Company Secretary of Nanosonics is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary of Nanosonics plays an important role in supporting the effectiveness of the Board and its committees. The role of the Company Secretary includes: advising the Board and its committees on governance matters; monitoring that Board and committee policies and procedures are followed; co-ordinating the timely completion and despatch of Board and committee papers; ensuring that the business at Board and committee meetings is accurately captured in the minutes; and helping to organise and facilitate the induction and professional development of Directors. Each Director is able to communicate directly with the Company Secretary and vice versa. The decision to appoint or remove a Company Secretary is made or approved by the Board.

Diversity

Nanosonics believes that the pursuit of diversity in the workplace increases its ability to attract, retain and develop the best talent available, and that it creates an engaged workforce, delivers the highest quality services to its customers, enhances individual work-life balance, encourages personal achievement, improves co-operation and assists in the optimisation of organisational performance. Diversity in the workplace mirrors the diversity of the broader community, encompassing age, gender, ethnicity, cultural and other personal factors. The Company respects the diversity of all employees, consultants and contractors, and cultivates an environment of fairness, respect and equal opportunity. Nanosonics recognises that gender diversity can broaden the pool for recruitment of high quality employees, enhance employee retention, foster a closer connection with and better understanding of customers, and improve corporate image and reputation. The Company has a Diversity Policy, which includes requirements for the Board to set measurable objectives for achieving gender and other forms of diversity, and to assess annually both the objectives and Nanosonics' progress in achieving them. A copy of Nanosonics' Diversity Policy is available on the Company's website.

Set out below are the diversity objectives established by the Board.

-) Hiring: The Board will ensure that appropriate selection criteria, based on diverse skills, experience and perspectives, are used when recruiting new staff and Directors. Job specifications, advertisements, application forms and contracts will not contain any direct or inferred discrimination.
-) Training: All internal and external training opportunities will be based on merit, and Company and individual needs. The Board will consider senior management training and executive mentoring programmes to develop skills and experience to prepare employees for senior management and Board positions.
-) Career Advancement: All decisions associated with career advancement, including promotions, transfers and other assignments, will meet the Company's needs, and be determined on skill and merit.
-) Work Environment: The Company will ensure that all officers, employees, consultants and contractors have access to a work environment that is free from harassment and unwanted conduct in relation to personal circumstances or characteristics. Directors, managers and supervisors will ensure that complainants or reports of sexual, racial or other harassment are treated seriously, confidentially and sympathetically by the Company.

Each year the Board assesses the above diversity objectives and the Company's progress in achieving them.

At the end of the last reporting period other measurable objectives for achieving gender diversity set by the Board in accordance with Nanosonics' Diversity Policy and its progress towards achieving them included: continuing to actively fund programmes to develop the skills of female employees who have the potential to move into senior roles in the Company, support from the Company for female representatives of Nanosonics' involvement in Women in Science Society and Australian Biotech Women in Life Sciences events. The Company continued sponsoring an employee in the Women in MBA programme with the Macquarie Graduate School of Management at Macquarie University, and provide flexible working arrangements support for another female staff member who is undertaking an MBA.

The Company also engages in flexible work practices (such as working from home, and part-time work) from time to time for female employees returning to work from maternity leave.

As at 30 June 2018, women represented 35% (2017: 35%) of Nanosonics' workforce, 29% in senior executive positions (2017: 13%) and 17% at Board level (2017: 17%). Nanosonics defines senior executive for the purposes of this Statement as those who directly report to the CEO&P and those positions that report to the CEO&P's direct reports.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Nomination Committee

At the beginning of the last reporting period there were five members of Nanosonics' Nomination Committee being Mr Maurie Stang, Dr David Fisher, Mr Richard England, Mr Steven Sargent and Ms Marie McDonald. Mr Stang was appointed Chair of the Committee on 20 July 2017. Previously, Mr England was chair and he has continued as a member of the Committee. The Committee is comprised of a majority of four independent Directors, but is chaired by a non-independent Director, Mr Maurie Stang, who the Board does not consider to be an independent Director, as he is a founder of the Company, he held executive office in the Company until March 2007, he is a major shareholder of the Company and he is a director and/or shareholder of companies with which the Company had significant transactions. At this stage, the Committee is not chaired by an independent Director because it was agreed that Mr Maurie Stang's experience in the Company and the industry made him the most appropriate member to chair the Committee.

The Nomination Committee is appointed by the Board to assist it in discharging its responsibilities in relation to:

- the consideration of Board nomination, including composition, structure and operation of the Board, and ensuring the Board is comprised of individuals who are best able to discharge their responsibilities as Directors; and
- the consideration of diversity matters, including ensuring the Company meets the requirements of the ASX Diversity Guidelines.

The Nomination Committee is responsible for the identification and selection of suitable candidates for appointment as a Director. The Committee assesses potential Directors to ensure that the Board includes an appropriate mix of skills to allow it to maximise its effectiveness and contribution to the Company. Selection criteria include relevant experience and qualifications, availability, communication capabilities, community standing and integrity. After assessment, candidates are recommended to the Board by the Committee. In the circumstance when the Nomination Committee is considering the appointment of a successor to the chair of the Board, because the chair of the Committee is also the chair of the Board, a separate chair of the

Nomination Committee would be appointed. Further information about the independence of the Directors is provided under Directors' Independence, below.

The Nomination Committee reviews and makes recommendations to the Board in relation to: Board succession planning generally; induction and continuing professional development programmes for Directors; the development and implementation of a process for evaluating the performance of the Board, its committees and Directors; the process for recruiting a new director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment; the appointment and re-election of Directors; and ensuring there are plans in place to manage the succession of the CEO&P and other senior executives.

A copy of the Nomination Committee Charter is available on the Company's website. Details of the number of meetings of the Committee and Directors' attendances at those meetings are shown in the Directors' Report contained in the Company's Annual Report.

Skills Matrix

Nanosonics has a Board skills matrix, listed below, setting out the mix of skills and diversity that the Board currently has.

Skills and experience	Number of Directors (out of six)
Management and leadership Sustained success in business at a senior level	6
Global experience Experience at a senior level in organisations with multiple global locations with exposure to a range of political, regulatory and business environments	6
Industry knowledge Experience at a senior level in the life sciences industry	6
Regulatory strategy and compliance Experience at a senior level in the licensing, marketing and legal compliance of medical devices or similarly regulated products	4
Strategy development Track record of developing and implementing successful strategies including oversight of management or people to ensure objectives are delivered	6
Marketing Experience at a senior level in marketing products in the life sciences industry	4
Corporate governance and compliance Substantial experience with organisations that are subject to rigorous governance and compliance standards and an ability to assess the effectiveness of management	6
Financial/legal acumen Experience at a senior level in financial accounting and reporting, corporate finance and internal financial controls or the provision of legal services to large business enterprises	6
Business development Significant experience in successfully building or acquiring or advising on the acquisition of new businesses and/or substantially growing existing businesses in both existing markets and new markets	6
Risk management Experience at a senior level in the identification, monitoring and management of risk to ensure the delivery of long-term value to shareholders	6
R&D / Product development Experience in research and development or product development in the life sciences industry	4
Manufacturing and Quality Experience in the operations of Manufacturing and Quality in the life sciences industry	3

Directors' Independence

The independent Directors of the Company are not allied with the interests of management, substantial security holders or other relevant stakeholders. These independent Directors are characterised and described as independent Directors as they are 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 independent judgement to bear on issues before the Board, and to act in the best interests of the Company and its security holders generally.

The composition of the Board has remained unchanged during the last reporting period. The Board consists of five Non-executive Directors and one Executive Director. Directors' independence is assessed according to the provisions set out in the Company's Board Charter and in the ASX Corporate Governance Principles and Recommendations (3rd Edition). The names of the Directors, their Board positions, length of service and status as to independence as at the end of the recent reporting period, is set out below.

-) Mr Maurie Stang is the Non-executive Chairman of Nanosonics and was appointed as a Director on 14 November 2000. He is not considered to be an independent Director as he is a founder of the Company, he held executive office in the Company until March 2007, he is a major shareholder of the Company and he is a director and/or shareholder of companies with which the Company had significant transactions during the last reporting period (refer to the Directors' Report included in the Annual Report).
-) Mr Michael Kavanagh is the Chief Executive Officer & President and Managing Director of Nanosonics. He was appointed as a Non-executive Director on 30 July 2012 and became an Executive Director on 21 October 2013. He is not considered to be an independent Director as he is an executive of the Company.
-) Dr David Fisher is a Non-executive Director of Nanosonics and was appointed as a Director on 30 July 2001. He is considered to be an independent Director. He served as interim Executive Director for the period 14 December 2007 to 16 June 2008. For the period 9 May 2011 to 29 March 2013 Dr David Fisher served as Managing Director of Aeris Environmental Ltd where Mr Maurie Stang is the Non-executive Chairman and a substantial shareholder. However, the Board is of the opinion that this, and the fact that Dr David Fisher has been a Director of the Company for 17 years, do not compromise his independence as a Director, or the nature of his interest, position, association or relationship in question because he complies with all other requirements set out in Box 2.3 of the ASX's Recommendations that are relevant in assessing the independence of a Director, and the Board values his contribution due to his broad healthcare industry experience and knowledge.
-) Mr Richard England is a Non-executive Director of Nanosonics and was appointed as a Director on 5 February 2010. He is considered to be an independent Director.
-) Mr Steven Sargent is a Non-executive Director of Nanosonics and was appointed as a Director on 6 July 2016. On 6 October 2017, Mr Sargent was appointed Deputy Chair of the Board. He is considered to be an independent Director.
-) Ms Marie McDonald is a Non-executive Director of Nanosonics and was appointed as a Director on 24 October 2016. She is considered to be an independent Director.

Accordingly, the majority of the Directors of the Board Nanosonics are independent. The Board considers that it acts in the best interests of the Company and its security holders and believes that having a majority of independent Directors helps ensure that its decision-making is fair and impartial, maximising the likelihood that the decisions will reflect the best interests of the Company and its security holders generally and that it is not biased towards the interests of management or any other person or group with whom a non-independent Director may be associated. The Non-executive Directors confer periodically without the Executive Director or other senior executives present.

The Chairman of the Board of Nanosonics is not an independent Director for the abovementioned reasons. At this stage, the Board is not chaired by an independent Director because it was agreed that Mr Maurie Stang's experience in the Company and the industry made him the most appropriate member to chair the Board.

Consistent with the ASX Corporate Governance Principles and Recommendations 3rd Edition, the Chairman of the Board is not the same person as, and is therefore separate from, the CEO&P of the Company. The Board understands that good governance demands an appropriate separation between those charged with managing the Company and those responsible for overseeing its managers in order for it to effectively perform its role of challenging management and holding them to account.

Further details on each Director, including their qualifications and experience, are set out in the Information on the Directors, Company Secretaries and Senior Management section of the Annual Report and on the Nanosonics website at <https://www.nanosonics.com.au/about/board-of-directors/>.

Induction, Education and Access of Directors

Nanosonics has a programme for inducting new Directors. Every new Director receives an appointment letter accompanied by a Director's Deed of Access, a copy of the Company policies and charters and induction training.

Nanosonics provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. Directors and the Board have the right, in connection with their duties and responsibilities, to obtain independent professional advice at the Company's expense. Subject to prior approval from the Board, which will not be unreasonably withheld, a Director may have direct access to any employee or contractor of the Company and seek any information from any employee in order to perform his or her responsibilities.

The Nomination Committee and the Board of Nanosonics reviews whether or not 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, considers what training or development could be undertaken to fill those gaps. Where necessary, the Company provides resources to help develop and maintain its Directors' skills and knowledge.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code of Conduct and Ethics

Nanosonics has a Code of Conduct and Ethics for its Directors, senior executives and employees. The Company acknowledges that good corporate governance depends on the personal integrity of those on the Board and in management. Nanosonics clearly articulates in its Code of Conduct and Ethics what it regards as acceptable business practices for its Directors, senior executives and employees. The Company's Code of Conduct and Ethics is a meaningful statement of its core values and is promoted as such across the organisation and reinforced by proper training and proportionate disciplinary action if it is breached. All Directors, officers, employees, advisors, consultants and contractors of the Company are expected to act with integrity and objectivity, and to maintain the highest possible ethical standards that have been formalised and set out in Nanosonics' Code of Conduct and Ethics, which is available on the Company's website.

Whistleblower Protection/Speak Up Policy

The Company recognises its responsibilities to conduct its business in accordance with both Australian and internationally-accepted practices and procedures. Therefore, Nanosonics is committed to maintaining a culture where all Directors, staff, contractors and consultants of the Company are encouraged to raise concerns about poor and/or unacceptable practices and misconduct.

Nanosonics has a Speak Up Policy (which replaced its Whistleblower Protection Policy) to provide a process by which Directors, staff, contractors and consultants of the Company can express serious concerns, and report misconduct, unlawful or unethical behaviour. The Speak Up Policy applies to everyone working for or dealing with Nanosonics in any capacity and it is available to view on the Company's website.

Anti-bribery and Anti-corruption Policy

In October 2017, Nanosonics published its Anti-bribery and Anti-corruption Policy which sets out the Company's position with respect to bribery and corruption, and provides information and guidance to those

working for or with Nanosonics on how to recognise and deal with bribery and corruption issues. The Anti-bribery and Anti-corruption Policy applies to everyone working for Nanosonics in any capacity and it is available to view on the Company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit and Risk Committee

Nanosonics has an Audit and Risk Committee which has three members being Mr Richard England (Committee Chairman), Dr David Fisher and Ms Marie McDonald, all of whom are Non-executive Directors and all of whom are independent Directors. The Audit and Risk Committee is chaired by an independent Director, who is appropriately qualified and financially literate and who is not the Chairman of the Board. Information about the members of the Audit and Risk Committee, and their relevant qualifications and experience, is set out on the Company's website in the About Us section under the Board of Directors link and in Nanosonics' Annual Report.

The purpose of the Audit and Risk Committee is to assist the Board to discharge its responsibilities in relation to the oversight and monitoring of:

- the adequacy of the Company's corporate reporting processes, including the financial reporting process;
- the scope and adequacy of the external audit;
- risk management and internal control;
- compliance with laws, regulations, internal policies and industry standards; and
- activities to prevent, deter, detect and report on fraud.

The Audit and Risk Committee brings the transparency, focus and independent judgement needed to oversee the corporate reporting process. The role of this Committee is also to review and make recommendations to the Board in relation to whether or not Nanosonics' financial statements reflect the understanding of the Committee members of (and otherwise provide a true and fair view of) the financial position and performance of the Company, and in relation to the appropriateness of the accounting judgements or choices exercised by management in preparing Nanosonics' financial statements.

The Audit and Risk Committee is also responsible for selecting and recommending the appointment or removal of the external auditor to the Board. The Committee also considers the independence and performance of the external auditor and any proposal for the external auditor to provide non-audit services and whether or not the provision of such services might compromise the independence of the external auditor. The Company has an internal Auditor Independence Policy which it follows in this respect. The Committee also considers a number of criteria in appointing the external auditor, including audit approach, governance processes, key personnel and cost, and then provides the Board with its recommendation. In line with current professional standards, the external audit partner is required to rotate after five years and cannot return as audit partner for a further two years. It is the external auditor's role to provide an independent opinion as to whether or not the Company's financial reports are true and fair, and comply with the Australian Accounting Standards and the *Corporations Act 2001*.

At the 2017 Annual General Meeting of shareholders, a resolution was passed which replaced the Company's then statutory auditor, UHY Haines Norton, with a new statutory auditor, Ernst and Young.

The Audit and Risk Committee Charter is available on the Company's website. Details of the number of times the Committee met throughout the period and Directors' attendances at those meetings are shown in the Directors' Report contained in Nanosonics' Annual Report.

CEO&P / CFO Declarations

Before the Board of Nanosonics approves the Company's financial statements for a financial period, it receives from its CEO&P and its Chief Financial Officer (CFO) a joint declaration that, in their opinion, the financial records of the Company 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 Company, and that the opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively. The declaration is given before the Directors approve the financial statements for the financial year.

External Auditor's Attendance at the Annual General Meeting (AGM)

Nanosonics' external auditor attends its AGM and is available to answer questions from security holders relevant to the audit, such as the conduct of the audit of the Company, and the preparation and content of the Independent Auditor's Report on the financial statements of Nanosonics. The Company recognises that the opportunity for security holders to question its external auditor at the AGM is an important safeguard for the integrity of the corporate reporting process.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company recognises and respects the rights of shareholders, and seeks to facilitate the effective exercise of those rights within the limitations of the continuous disclosure provisions of the ASX Listing Rules. Nanosonics has a written Continuous Disclosure and Shareholder Communication Policy to ensure compliance with its continuous disclosure obligations under the ASX Listing Rules and for ensuring individual accountability at senior executive level for that compliance. In determining whether or not information should be disclosed, the Board takes into consideration the needs and interests of the Company's shareholders and other stakeholders in the context of the Board's obligations under the *Corporations Act 2001* and the ASX Listing Rules. ASX Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to the 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. Nanosonics' Continuous Disclosure and Shareholder Communication Policy is directed to ensuring that the Company complies with this obligation so that all investors have equal and timely access to material information concerning Nanosonics, including its financial position, performance, ownership and governance. ASX announcements are made when the Board or executive management become aware of information required to be disclosed to the market. Nanosonics' Continuous Disclosure and Shareholder Communication Policy is available on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

The Company's Website

Nanosonics understands that investors expect information about listed entities to be freely and readily available and so it provides information about itself and its governance practices to investors via its website: www.nanosonics.com.au. The Company ensures that relevant corporate information is complete and available in a timely manner. Nanosonics' website has an Investor Centre page with a Corporate Governance landing page from where all relevant corporate governance information can be accessed. In the Corporate Governance area of its website the Company has links to its Constitution, Board Charter and the Charters of each of its four Board committees, the corporate governance policies and other corporate governance materials referred to in this Statement. The Investor Centre page on the website also provides links to Share Price Information, Reports and Presentations of the Company, including its Annual Reports, Company Presentations and Analysts' Reports, ASX Announcements the Company has made after they have been

released to the ASX, including Notices of Meetings of security holders and any accompanying documents, contact details for the Company's Share Registry and a Glossary of Terms.

The About Us section of the Company's website provides information about the story and mission of Nanosonics as well as links to the names, photographs and brief biographical information for each of the Company's Directors, Executive Team and International Management Team. Nanosonics' website also includes a Trophon tab with information on the Company's leading product, a tab with relevant Clinical information, an Education tab with advice on training, webinars and resources, a News and Events tab with information on the latest guidelines and on events that Nanosonics will be attending and a Contact page with contact details for enquiries or comments.

Investor Relations

Nanosonics has an investor relations programme to facilitate effective two-way communication with investors which is tailored to the individual circumstances of the Company. Activities include actively engaging with security holders at the AGM and meeting with security holders on request and responding to any phone enquiries. In addition, the Company has a detailed programme of scheduled and ad hoc interactions with institutional investors, private investors, sell-side and buy-side analysts and the financial media. A primary aim of the investor relations programme is to allow investors and other financial market participants to gain a greater understanding of Nanosonics' business, governance, financial performance and prospects, as well as providing an opportunity for investors and other financial market participants to express their views to the Company on matters of concern or interest to them. Where they do so, those views are distilled and communicated to Nanosonics' Board. Shareholders and prospective shareholders are welcome, by prior appointment, to speak with executive managers responsible for investor relations and to view the Company's operations.

Participation at Meetings of Security Holders

The processes Nanosonics has in place to facilitate and encourage participation at meetings of security holders include the ability of shareholders to pre-submit questions to be answered at the Company's AGM, which are responded to at the meeting, as appropriate and the availability of key members of management to answer questions during and after the formal business of the AGM. Nanosonics' policy for communication with shareholders and encouraging their participation at general meetings is contained in the Company's Continuous Disclosure and Shareholder Communication Policy. The Company encourages shareholder participation, particularly through their attendance at the general meetings of the Company. At Nanosonics' AGMs the external auditor is available to answer shareholder questions. The Company views meetings of security holders as an important forum for two-way communication between it and its security holders, providing an opportunity for the Company to impart to security holders a greater understanding of Nanosonics' business, governance, financial performance and prospects, as well as being a platform to discuss areas of concern or interest to the Board and management. Meetings of security holders also provide an opportunity for security holders to express their views to the Company's Board and management about any areas of concern or interest for them.

Electronic Communications

Nanosonics gives security holders the option to receive communications from, and send communications to, the Company and its Share Registry electronically. Nanosonics acknowledges that many security holders appreciate the speed, convenience and environmental friendliness of electronic communications, compared with more traditional methods of communication. The Company ensures relevant corporate information is complete and available in a timely manner on its website, including posting webcasts or recordings of teleconferences, and providing updates and reports to shareholders by email. On the Investor Centre

section of Nanosonics' website there is a Share Registry tab providing contact information for the Company's Share Registry, including links to its website and email address for any shareholder queries. Security holders can also go to the Contact section of Nanosonics' website to electronically submit to the Company any enquiries they may have.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Overseeing Risk

Nanosonics' Audit and Risk Committee is responsible for overseeing and monitoring risk and compliance management. The Committee's three members, as mentioned under Principle 4 above, are all independent Directors and the Committee is chaired by an independent Director. The Audit and Risk Committee's responsibilities in relation to risk and compliance are included in the Audit and Risk Committee Charter.

While ultimate responsibility for the Company's risk management framework rests with the full Board, the Audit and Risk Committee brings the transparency, focus and independent judgement needed to oversee Nanosonics' risk management framework. The role of the Committee includes reviewing and making recommendations to the Board in relation to the adequacy of the Company's processes for managing risk, any incident involving fraud or other break down of Nanosonics' internal controls, and the Company's insurance programme, having regard to Nanosonics' business and the insurable risks associated with its business. The Company has also established and documented an enterprise risk management programme for the oversight and management of Nanosonics' material business risks. The Company's enterprise risk management system is based on the International Risk Standard AS/NZS ISO 31000:2009 and is complemented by an internal control programme based upon the principles set out in the Australian Compliance Standard AS 3806:2006.

Reviewing the Company's Risk Management Framework

The Audit and Risk Committee reviews the Company's risk management framework at least annually to satisfy itself that it continues to be sound. Such a review has taken place within the last reporting period, which satisfied the Committee and the Board that the framework continues to be sound and that Nanosonics is operating within the risk appetite set by the Board. The insights that the Company has gained from this latest review confirm the suitability of the Company's risk management framework.

The Company's electronic risk and compliance system, which facilitates the linking of material business risks to mitigating controls so that the performance of the Company's enterprise risk and compliance programmes can be monitored continuously, has been reviewed during the reporting period to ensure that it is working effectively and is up-to-date. Management reports to the Board on the effectiveness of the Company's management of its material business risks, with the most recent report being provided in June 2018.

The CEO&P and the CFO have both confirmed to the Board that the declaration provided in the Annual Report in accordance with section 295A of the *Corporations Act 2001* is founded upon sound systems of internal control, and that the systems are operating effectively in all material respects in relation to financial reporting risks.

Internal Audit Function

Nanosonics does not have an internal audit function. During the year the Board reviewed the question of whether to appoint an internal auditor and formed the view that it remains most cost effective and appropriate for the company at its current stage of development to retain external consultants as and when required. In the last year, the Company engaged its statutory auditor to review Nanosonics' information technology general controls and internal controls associated with its procurement to payment processes. The Board considered that it was most cost effective for this work, which is of an assurance nature, to be carried out by its statutory auditor. In previous years it has retained different consultants to review other areas of business risk.

The processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes are carried out under the supervision of the Audit and Risk Committee. These processes include: analysing the common risk language that has been developed and through which it considers internal risks, such as those arising from financial and human resource management; examining external risks, such as those arising from dealings with key stakeholders; and monitoring macro-environmental issues, such as regulatory changes or economic events beyond the Company's control. In assessing material business risks, each identified risk is individually evaluated in terms of the likelihood of the risk event occurring and the potential consequences in the event that the risk was to occur. The Company will continue to assess its internal audit requirements, and review the need to establish its own internal audit function on an ongoing basis.

Material Exposure

Nanosonics has not identified any specific material exposure to economic, environmental and social sustainability risks which should be considered by the Audit and Risk Committee. The Company continues to operate with a long-term perspective in order to achieve a level of economic growth utilising the experience of a Board of Directors who have achieved success in business at a senior executive level. Nanosonics has a goal of not compromising the health of the ecosystems in which it operates over the long term. The Company has worked, and continues to work, in a manner that meets accepted social norms and needs, and intends to continue to do so into the future. Further information about environmental and social considerations is disclosed in the Environmental, Social and Governance section of the Annual Report.

Nanosonics has an Environmental Policy, which is available on the Company's website.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

Nanosonics has a Remuneration Committee which consists of four members, Mr Steven Sargent (Committee Chairman), Ms Marie McDonald, Mr Richard England and Mr Maurie Stang. There are four members of the Committee, which continues to be chaired by an independent Director and has a majority of independent Directors.

The Remuneration Committee oversees remuneration policies and strategies to ensure that performance is rewarded in a manner that is competitive and appropriate for the results delivered. The purpose of the Remuneration Committee is to assist the Board to discharge its responsibilities by:

- recommending appropriate remuneration policies to the Board and monitoring their implementation;
- establishing systems designed to enhance the performance of individual employees, Directors of the Company and of Nanosonics as a whole;

- fairly and responsibly rewarding executives and other employees having regard to the performance of the Company, the performance of the executive or employee, and the general pay environment; and
- recommending to the Board a system of performance appraisal for Directors and the Board of Nanosonics as a whole.

The Remuneration Committee also reviews and make recommendations to the Board in relation to Nanosonics' remuneration framework for Directors, the remuneration packages to be awarded to senior executives, equity-based remuneration plans for senior executives and other employees, superannuation arrangements for Directors, senior executives and other employees, and whether or not there is any gender or other inappropriate bias in remuneration for Directors, senior executives or other employees.

Nanosonics' Remuneration Committee Charter is available on the Company's website. Details of the number of times the Committee met throughout the period and Directors' attendances at those meetings are shown in the Directors' Report contained in Nanosonics' Annual Report.

The Company's remuneration philosophy and policies are set out in the Remuneration Report in the Annual Report, which includes a summary of the Company's remuneration strategy.

Remuneration of Non-executive Directors, and Executive Directors and Senior Executives

Nanosonics is required under the *Corporations Act 2001* to make detailed disclosure in its Remuneration Reports of its remuneration policies for key management personnel. Those reports are subject to an advisory vote by security holders and a "two-strikes rule" at the AGM. The Company's Remuneration Report clearly articulates and separately discloses its policies and practices regarding the remuneration of Non-executive Directors, and the remuneration of Executive Directors and other senior executives. These policies and practices appropriately reflect the different roles and responsibilities of Non-executive Directors compared with Executive Directors and other senior executives.

Nanosonics has developed a policy in relation to the clawback of remuneration in certain circumstances. A copy of this policy is available on the Company's website.

As noted in Nanosonics' Remuneration Committee Charter, this Committee has regard to the overriding goal of ensuring that Directors and senior executives of the Company are motivated to pursue the long-term growth and success of the Company within an appropriate control framework, and that there is a clear relationship between performance and remuneration.

Equity-Based Remuneration Scheme

Nanosonics has an equity-based remuneration scheme and a policy that prohibits participants from entering into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the scheme without prior approval of the Board. This policy is described in the Company's Securities Trading Policy, which is available on the Company's website. The *Corporations Act 2001* prohibits the key management personnel of an ASX-listed company established in Australia, or a closely-related party of such personnel, from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock. Nanosonics is required to obtain security holder approval for the issue of securities to Directors or their associates under any equity-based incentive scheme.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Nanosonics Limited

ABN / ARBN:

11 095 076 896

Financial year ended:

30 June 2018

Our corporate governance statement² for the above period above can be found at:³

- ☐ These pages of our annual report:
- ☒ This URL on our website: <https://www.nanosonics.com.au/investor-centre/corporate-governance>

The Corporate Governance Statement is accurate and up to date as at 20 August 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 20 August 2018

Name of Director or Secretary authorising lodgement: McGregor Grant

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ in the Company's Board Charter at https://www.nanosonics.com.au/investor-centre/corporate-governance	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (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.	... the fact that we have a diversity policy that complies with paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of our diversity policy or a summary of it: ☒ at https://www.nanosonics.com.au/investor-centre/corporate-governance ... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraphs (c)(1) or (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>AND</u> ☒ in our Nomination Committee Charter at https://www.nanosonics.com.au/investor-centre/corporate-governance ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (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.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at https://www.nanosonics.com.au/investor-centre/corporate-governance ... and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement <u>AND</u> ☒ in the Directors' Report contained in the Company's Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have a nomination committee and the processes we employ 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: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... our board skills matrix: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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 names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and, where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the length of service of each director: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at https://www.nanosonics.com.au/investor-centre/corporate-gove	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at https://www.nanosonics.com.au/investor-centre/corporate-governance ... and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement <u>AND</u> ☒ at https://www.nanosonics.com.au/about/board-of-directors <u>AND</u> in the Company's Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at https://www.nanosonics.com.au/investor-centre/corporate-governance	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: ☒ at https://www.nanosonics.com.au	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ☒ in our Corporate Governance Statement <u>AND</u> ☒ in our Continuous Disclosure and Shareholder Communication Policy at https://www.nanosonics.com.au/investor-centre/corporate-governance	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	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.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at https://www.nanosonics.com.au/investor-centre/corporate-governance ... and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement <u>AND</u> ☒ in the Directors' Report contained in the Company's Annual Report. [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
7.2	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 (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and that such a review has taken place in the reporting period covered by this Appendix 4G: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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 risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] [If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
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.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at https://www.nanosonics.com.au/investor-centre/corporate-governance ... and the information referred to in paragraphs (4) and (5): ☒ in our Corporate Governance Statement <u>AND</u> ☒ in the Directors' Report contained in the Company's Annual Report. [If the entity complies with paragraph (b):] ... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
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.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☐ in our Corporate Governance Statement <u>OR</u> ☒ in the Remuneration Report of the Company's Annual Report	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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.	... our policy on this issue or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ in section 4 of the Company's Securities Trading Policy, which is available on the Company's website at https://www.nanosonics.com.au/investor-centre/corporate-governance	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	Alternative to Recommendation 1.1 for externally managed listed entities: The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
-	Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities: An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement