

UNIVERSAL BIOSENSORS, INC.

CORPORATE GOVERNANCE STATEMENT

Universal Biosensors, Inc. (**Company**) is a United States domiciled company and has adopted appropriate corporate governance policies having regard to applicable United States requirements. Given that the Company's securities are quoted on the Australian Securities Exchange (**ASX**), the Company also reports against the ASX Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (**Principles**).

The following statement is given for the purposes of compliance with ASX Listing Rule 4.10.3 in respect of the reporting period ending 31 December 2020 (**Reporting Period**). It follows applicable primary headings used in the Principles. This statement also includes information relevant up to 24 February 2021 and has been approved by the Board.

Information on the Company's corporate governance practices will also be available in its Proxy Statement to be filed in April 2021 (**Proxy Statement**) and otherwise on the Company's website at <http://www.universalbiosensors.com/Investor-Centre/Corporate-Governance.aspx>.

1. Lay solid foundations for management and oversight

Respective roles and responsibilities of Board and management

- 1.1. The Board is responsible for the overall governance of the Company and its controlled entities (collectively referred to as the **Group**). The Board's responsibilities include:
- providing leadership, setting the strategic objectives for the Group, including approving the business plan, annual budget and financial plans, including major capital expenditure initiatives;
 - reviewing and providing input into, and final approval of, management's development and implementation of corporate strategy and performance objectives;
 - reviewing and monitoring systems of risk management and internal control, accountability systems, codes of conduct and legal compliance;
 - monitoring the integrity of corporate reporting systems including approval of the annual, half-yearly and quarterly financial reports and liaison with the company's external and internal auditors;
 - considering management recommendations and approving the Group's remuneration framework, including monitoring senior management's performance and implementation of remuneration strategy and plans;
 - appointing, removing and monitoring the performance of the Chairperson, Chief Executive Officer (**CEO**), Chief Financial Officer (**CFO**) and Company Secretary and where appropriate, ratifying the appointment and the removal of senior executives;
 - oversight through the Chairperson of Company Secretary performance regarding the functioning of the Board;
 - overseeing the Company's processes for making timely and balanced disclosures of all material information, in accordance with the ASX Listing Rules;
 - approving and monitoring the effectiveness of the Group's governance practices, including financial and other reporting processes; and
 - ensuring Board committees are appropriately constituted and performing their functions.

- 1.2. The CEO and senior management responsibilities include:
- developing corporate strategy, performance objectives, business plans and budgets for review and approval by the Board, and thereafter implementing such strategy, plans and objectives;
 - developing and implementing appropriate policies and procedures for the management of the Group;
 - day to day management of the Group's affairs; and
 - providing the Board with accurate, timely and clear information to enable to perform its responsibilities.
- 1.3. The responsibilities of the Board will vary as the Group develops. The Board will regularly review the respective roles and the allocation of responsibilities between the Board and management as well as update or affirm the allocation of roles and responsibilities described above. The Company Secretary is responsible for co-ordinating the proper functioning of the Board.

Appointment of new directors

- 1.4. Before appointing a director, the Company undertakes reference checks. It is also a condition of appointment that any new director is not a disqualified person. New directors and incumbent directors are required to respond to a detailed questionnaire and give a declaration to this effect.
- 1.5. Our Board is structured as a 'staggered' Board with each director forming part of a nominated class of directors. Any director who has been appointed during the year must stand for election at the next annual meeting. The Company provides shareholders with all material information concerning a director that is seeking re-election in the relevant proxy statement. An election of directors is held each year.
- 1.6. New non-executive directors must enter into an agreement with the Company setting out the terms of their appointment and the Company's expectations about a director's participation and compliance with the Group's policies and regulatory requirements.
- 1.7. All directors are encouraged to undertake any personal or professional development as required to fulfil their roles as directors. The directors also receive regular briefings at Board meetings, and are otherwise encouraged to remain apprised of, relevant market and industry developments relevant to the Group.

Diversity

- 1.8. The Group supports a work environment where employees have equal access to career opportunities, training and benefits. The Group has a Workplace Diversity and Inclusion Policy, a copy of which is available on the Company's website.
- 1.9. At the end of the Reporting Period, the respective proportions of men and women in various roles within the Group were as follows:

UBI level as at 31 December 2020	Total Number of Directors / Employees	Number of women	Percentage of women
Non-executive directors	4	1	25%
CEO	1	0	0%
Senior Management (direct reports to CEO)	5	2	40%
General Management	10	3	30%
Professional/technical	46	28	60.9%
Administrative	0	0	0%
Entire Group	66	34	51.5%

Performance evaluation processes

- 1.10. The Remuneration & Nomination Committee generally undertakes performance evaluations of the Board, the committees and the directors. This is achieved by a number of means including a Board survey, one-on-one discussions and evaluations with the Chairperson of the Company. During the Reporting Period, there were informal one-on-one evaluations with the Chairperson and regular discussions at the Board level concerning Board composition and succession plans. Board composition and renewal will be considered depending on the strategy and direction of the Company. The Board has been stable over the last 24 months and the Board considers the current skill set appropriate for the Company.
- 1.11. The performance of senior executives is reviewed regularly against specific and measurable qualitative and quantitative performance criteria set by the Remuneration and Nomination Committee. These performance evaluations were undertaken in the Reporting Period in accordance with the Company's review processes.

2. Structure the Board to add value

Remuneration and Nomination Committee

- 2.1. The Remuneration and Nomination Committee is governed by a formal charter, a copy of which is available on the Company's website. The primary functions of the Remuneration and Nomination Committee are to develop and facilitate a process for Board and Director evaluation, assess the availability of Board candidates, make specific recommendations to the Board on remuneration and incentive plans for Directors and senior management, advise the Board on the recruitment, retention and termination policies for senior management and undertake a review of the CEO's performance, at least annually.
- 2.2. The Remuneration and Nomination Committee met on four occasions during the year ended 31 December 2020. Additionally, the full Board regularly discussed matters concerning remuneration and nomination.
- 2.3. As at 31 December 2020, the members of the Remuneration and Nomination Committee were Mr. Craig Coleman (Chairperson), Mr. Marshall Heinberg, Mr David Hoey, and Ms. Judith Smith. The Remuneration and Nomination Committee is now comprised of a majority of independent directors, however, the Chairperson, Mr. Coleman is not considered independent. Although this does not comply with the Principles, given the Company's current stage of development and Mr. Coleman's skills and experience, the Company considers that it is appropriate for him to be Chairperson.

Board skills matrix

- 2.4. The Board considers that individually and collectively, the directors have an appropriate mix of skills and experience. Details of the skills and experience of our directors are tabled within our Board matrix, available on our website.

Director independence

- 2.5. The Company is a United States domiciled company subject to United States reporting requirements as well as the reporting requirements under the ASX Listing Rules. The Company is not listed on a United States exchange and, therefore, is not subject to the corporate governance requirements of a United States exchange, including those relating to independence of directors. However, for the purpose of determining whether our directors are independent under applicable rules and regulations promulgated by the Securities and Exchange Commission, we have chosen to use the definition of “independence” established by the NASDAQ Stock Market under its Marketplace Rule 4200(a)(15), as permitted by such rules and regulations. The Company also reports against the Principles.
- 2.6. The Company has determined that, with the exception of Mr. Coleman (Chairperson), all the current directors are independent as defined under the Marketplace Rules of the Nasdaq Stock Market and for the purposes of the Principles. The Company has determined that Mr. Coleman is not independent because he is an executive officer of Viburnum Funds Pty Ltd, with together with its associated funds and entities holds in excess of 10% of our shares.
- 2.7. Directors of the Company are considered be independent when they are independent of management and free from 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. The determination of materiality by the Company includes both quantitative and qualitative assessments. In reaching the conclusions set out above, the Company considered all transactions involving the directors with respect to the Company during the Reporting Period and the directors’ interests in the Company’s securities as set out in the Company’s Proxy Statement.
- 2.8. As at 31 December 2020 the structure of the Board complied with the ASX recommendation that there be a majority of independent directors. The Company considers that its Board membership remains appropriate given the Company’s current stage of development. Our Board does not comply with the Principle that the Chairman be independent. The Board considers that its current size and composition is appropriate but will continue to assess the requirements for the Board.
- 2.9. The directors of the Company and their respective roles during the Reporting Period were as follows:

Name	Position	Experience	Tenure
Mr. Craig Coleman	Non-Executive Director and Chairperson (since 7 August 2017)	Extensive experience in investment and funds management	30 June 2016
Mr. Marshall Heinberg	Non-Executive Director	Extensive global investment banking and finance experience	11 January 2010

Ms. Judith Smith	Non-Executive Director	Extensive experience in investment and funds management	12 March 2015
Mr. David Hoey	Non-Executive Director	Extensive experience in technology financing and commercialization	2 March 2016

- 2.10. Further details of the skills, experience and expertise held by each director refer to the Company's website.
- 2.11. The position of Chairperson of the Board and CEO is typically held by two separate officers within our Company. The Board believes that separating the two positions provides stronger governance and reinforces the Company's sound framework of internal control. During 2020 the roles of Chairperson and CEO were held by two separate officers.
- 2.12. The Board has procedures in place whereby the directors may seek independent professional advice at the Company's expense.

3. Act ethically and responsibly

- 3.1. The Company has a Code of Ethics for its senior executive officers responsible for corporate reporting as well as a Code of Conduct applicable to directors, senior managers and other employees. The codes are available on the Company's website. The Company also has a Securities Trading Policy and a Whistleblower Policy which are also available on the Company's website.
- 3.2. Employees are required to act with high standards of honesty, integrity, fairness and equity in all aspects of their employment. There are formal escalation and grievance procedures. The Audit and Compliance Committee receives regular reporting on any matters arising.

4. Safeguard integrity in corporate reporting

- 4.1. The Company has an Audit and Compliance Committee which is governed by an Audit Committee Charter. A copy of this charter is available on the Company's website. The primary objective of the Audit and Compliance Committee is to assist the Board to fulfil its responsibilities relating to corporate reporting practices of the Company, including, the Company's annual, half-yearly and quarterly financial statements and all other financial information released by the Company.
- 4.2. AS at 31 December 2020, the members of the Audit and Compliance Committee were Ms. Judith Smith (Chairperson), Mr. Craig Coleman, Mr. David Hoey and Mr. Heinberg. During the Reporting Period, the Audit and Committee met on five occasions. For details of the relevant qualifications and experience of each member, please refer to our website. The Board will continuously review the performance of the Audit and Compliance Committee, diversity and mix of skills to ensure that they are appropriate to allow the Audit and Compliance Committee to maximise its effectiveness and its contribution to the Company.
- 4.3. The composition of the Audit and Compliance Committee complies with the requirement that the Audit and Compliance Committee be composed of a majority of independent directors and that it is chaired by an independent director.

- 4.4. Before it approved the Group's financial statements for the year ended 31 December 2020, the Board received 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 Group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
- 4.5. The Audit and Compliance Committee is responsible for recommending the appointment and reviewing the performance of the external auditors of the Company. Subject to any extensions considered appropriate by the Company and permitted under applicable law, the lead audit partner will be required to rotate off the audit duties for the Company after their involvement for a maximum of five years.
- 4.6. The external auditor was present at the 2019 and 2020 annual meetings and will be invited to the 2021 annual meeting to answer questions relevant to the external audit.

5. Make timely and balanced disclosure

- 5.1. The Company has adopted a Continuous Disclosure and Shareholder Communications Policy which describes the processes implemented by the Company to assist the Company in complying with its continuous disclosure obligations, which is available on the Company's website. The Board has established a Disclosure Committee to assist the Company in complying with its disclosure obligations. The Disclosure Committee currently comprises of the Chairperson of the Board, the CEO, the CFO and the Company Secretary.

6. Respect the rights of security holders

- 6.1. The Company utilises its website and investor updates to disclose relevant information about the Company. The Company regularly meets with investors upon request and responds to investor enquiries on a timely basis. Notices of meeting are made available in the medium elected by shareholders (including electronically). Shareholders are encouraged to attend and ask questions at general meetings of the Company.
- 6.2. The Company encourages shareholders to utilise electronic communication alternatives available from its share registry.

7. Recognise and manage risk

- 7.1. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.
- 7.2. Senior management have adopted policies and procedures to ensure that the Company's material business risks are identified and that controls are adequate, in place, and functioning effectively. Management reports to the Board and the Audit and Compliance Committee on the Company's key risks and the extent to which it believes these risks are being managed. For details in relation to the Audit and Compliance Committee, please refer to the section above entitled "Safeguard integrity in corporate reporting". The Company's risk management matrixes are generally reviewed at each Board meeting. Strategic and operational risks are reviewed at least annually by all operating divisions as part of the Company's annual strategic planning, business planning, forecasting and budgeting process to satisfy itself that the risk management framework continues to be sound. This strategic and operation risk review occurred during the Reporting Period.

- 7.3. The Board is responsible for reviewing the Company's risk management framework and reviews the effectiveness of the Company's risk managements systems implemented by senior management. Discussion of risk is a standing agenda item discussed at each recurring Board meeting.
- 7.4. The Board and the Audit and Compliance Committee are responsible for reviewing the Company's internal controls and management of financial risk and for certain other compliance risks.
- 7.5. The Company engages an internal auditor for the purpose of evaluating and continually improving the effectiveness of its risk management and internal control processes. The internal auditor reports to the Audit and Compliance Committee, and the CEO and CFO for functional audit and administrative purposes. The internal audit function is independent of external audit and has full and free access to the Audit and Compliance Committee, Group employees and Group records. Furthermore, as part of their duties, the internal auditor provides assessments to the Board, the Audit and Compliance Committee and to management on the adequacy of the Company's risk framework, and the completeness and accuracy of risk reporting by management.
- 7.6. The CEO and CFO must also provide attestations required under U.S. regulations and a statement to the Board as to the effectiveness of the Company's management of its material business risks and that the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance.
- 7.7. A summary of the potential risk factors affecting an investment in the Company is set out in the Company's Annual Report filed on Form 10-K for the Reporting Period. These risks include partnering, product, market, regulatory and economic risks. If any of the events described occurs, the Company's business, financial condition and operating results could be harmed.

8. Remunerate fairly and responsibly

- 8.1. The Board has established a Remuneration and Nomination Committee which is governed by the Remuneration and Nomination Committee Charter, which is available on the Company's website. For details of the Company's remuneration philosophy and framework, refer to the Company's most recent proxy statement. The structure of non-executive and executive remuneration is separate and distinct. For details in relation to the composition of the Remuneration and Nomination Committee, please refer to the section above entitled "Structure the Board to add value".
- 8.2. The Company's Securities Trading Policy restricts dealing in securities by Group directors and employees. Even if an approved trading window is open, directors, employees and other associated persons are prohibited from short selling, short-term trading or entering into hedging transactions (whether through the use of derivatives or otherwise) which limit the economic risk of holding or trading in UBI securities, unless such arrangements are approved by the Company Secretary or CFO before they are entered into.