

This Corporate Governance Statement explains how the Board will manage the Company's business.

Roots has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Board oversees the Company's business and is responsible for the overall corporate governance of the Company. It monitors the operational, financial position and performance of the Company and oversees its business strategy, including approving the strategy and performance objectives of the Company.

The Board is committed to maximising performance and generating value and financial returns for Shareholders. To further these objectives, the Board has created a framework for managing the Company, including the adoption of relevant internal controls, risk management processes and corporate governance policies and practices which the Board believes are appropriate for the business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company, are summarised below. Please refer to the detailed policies and procedures contained in the Company's Corporate Governance Plan for full details.

There are also important governance requirements set out in the Company's Articles of Association (Refer to the Company's Articles of Association lodged with ASX on 6 December 2017).

### ***Composition of the Board of directors***

The Board comprises of one (1) non-executive Director, two (2) executive Directors (one of them is the Company's Chief Executive Officer and the Chairman), one (1) non-executive independent director and two (2) external non-executive Directors. Biographies of the Directors are set out in the Company's Annual Report.

Boaz Wachtel serves as an Executive Director, Chairman of the Board as well as the Company's Chief Executive Officer. Sharon Devir serves as an Executive Director. Adam Blumenthal serves as a non-executive Director and is not considered by the Board to be an independent director. Graeme Smith, Dafna Shalev-flamm serve as independent external non-executive Directors in compliance with the Israeli corporate law, and following his appointment on 24 February 2020, James Ellingford serves as a non-executive, independent director. Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director, without constraint from other commitments.

### ***Independence of the Board***

The Board is responsible for the overall governance of the Company. The Board considers issues of substance affecting the Company, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter for which the Director has a material personal interest.

### ***Board Charter***

The responsibilities of the Board are set out in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles and Recommendations and to the Companies Law.

### ***Identification and management of risk***

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### ***Ethical standards***

The Board is committed to the establishment and maintenance of appropriate ethical standards. The Company is committed to conducting all of its business activities fairly, honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards.

The Company's values are set out in its Code of Conduct (which forms part of the Corporate Governance Plan) and are available on the Company's website. All employees are given appropriate training on the Company's values and senior executives will continually reference such values.

### ***Independent professional advice***

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### ***Remuneration arrangements***

In accordance with the requirements of the Companies Law, the Company has established a separate remuneration committee, which includes all external independent Directors serving on the Board, being Graeme Smith and Dafna Shalev-Flamm, and independent non-executive Director James Ellingford. The external independent Directors comprise a majority



of the Remuneration Committee, and an external Director serves as the chair (Ms Dafna Shalev-flamm).

In addition to the requirements under the Companies Law, the Remuneration Committee is governed by the Remuneration Committee charter established by the Board, which is subject to review by the Board at any time. The Remuneration Committee is charged with the responsibility of, amongst other things:

- (a) reviewing and approving the executive remuneration policy, in accordance with the Companies Law, to enable the Company to attract and retain executives and Directors who will create value for Shareholders;
- (b) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- (c) recommending to the Board the remuneration of executive Directors in accordance with the remuneration policy;
- (d) fairly and responsibly rewarding executives having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market;
- (e) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- (f) reviewing and approving the remuneration of Director reports to the Chief Executive Officer, and as appropriate the remuneration of other senior executives; and
- (g) reviewing and approving any equity based plans and other incentive plans.

The Remuneration Committee also recommends to the Board a policy regarding the terms of engagement of Directors and of specified members of senior management, which is referred to as a "remuneration policy". That remuneration policy must be adopted by the Board, after considering the recommendations of the remuneration committee, and will need to be brought for approval by Shareholders.

External directors are appointed for a 3 year term and their compensation is determined prior to his or her appointment according to external directors compensation and expenses reimbursement regulations promulgated under the Companies Law. Compensation of an independent director is also in accordance with said regulations. External and independent directors are not allowed to receive any other remuneration, directly or indirectly, in return for their acting as directors of the Company.

The Company has adopted a separate formal Remuneration Policy for Executive Officers and Directors which is included in the Company's Corporate Governance Plan.



### **Diversity Policy**

This policy sets out the Company's objectives for achieving diversity amongst its Board of Directors, management and employees.

### **Continuous Disclosure Policy**

The Company has adopted a policy that complies with the continuous disclosure requirements of the ASX Listing Rules to ensure that the Company discloses to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the CDIs. As such, this policy sets out certain procedures and measures that are designed to ensure that the Company complies with its continuous disclosure obligations.

### **Securities Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chairman (or the Board in the case of the Chairman) must be obtained prior to trading.

### **External audit and audit committee**

In accordance with the requirements of the Companies Law, the Company has established a separate Audit Committee, which includes all external independent non-executive Directors serving on the Board being Graeme Smith, Dafna Shalev-Flamm, and independent non-executive Director James Ellingford. The external Directors also comprise a majority of the Audit Committee, and an external Director serves as the chair (Ms Dafna Shalev-Flamm).

In addition to the requirements under the Companies Law, the Audit Committee is governed by the audit and risk committee charter established by the Board, which is subject to review by the Board at any time. The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Company from time to time will review the scope, performance and fees of those external auditors. This review will occur every three years as required under Israeli law.

### **Whistleblower Protection Policy**

The Company has adopted a Whistleblower Protection Policy (which forms part of the Corporate Governance Plan) in the 2019 financial year. Any material breaches of the Whistleblower Protection Policy are to be reported to the Board. The Whistleblower Protection Policy is available on the Company's website.

### **Anti-Bribery and Anti-Corruption Policy**

The Company has adopted an Anti-Bribery and Anti-Corruption Policy (which forms part of the Corporate Governance Plan), and this is available on the Company's website. Any

material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Board. The Anti-Bribery and Anti-Corruption Policy is available on the Company's website.

### **ASX Corporate Governance Principles**

The Board confirms that it follows all of the recommendations of the ASX Corporate Governance Council following its recent admission to the Official List, except as outlined below.

#### **Recommendation 1.5**

The Company has adopted a Diversity Policy, however due to the Company's current stage of development and its number of employees, the Company may face particular issues in relation to setting, reviewing, assessing and reporting on certain diversity measures. Consequently, the Company will not comply with Recommendation 1.5 in full.

The respective proportions of men and women on the Board, in senior executive positions and across the whole organization (including how the entity has defined "senior executive" for these purposes) for the past financial year is disclosed below:

	<b>Women</b>	<b>Men</b>	<b>Total</b>	<b>% Female</b>
Board of Directors	1	5	6	16.67%
Other KMP	2	4	6	33.33%
Other Employees	1	4	5	20.00%
<b>Total Organisation</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>23.53%</b>

In addition, an executive office holding below the Board level, this being the position of Company Secretary and head of marketing, which both are held by a female contractor to the Company.

#### **Recommendation 1.6**

The Board (in the absence of a Nominations Committee) is responsible for evaluating the performance of the Board and individual Directors on an annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in Schedule 5 of the Company's Corporate Governance Plan. The Company's Corporate Governance Plan requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. No formal performance evaluations for the Board or its Directors were undertaken during the reporting period. As the Company develops and reaches a sufficient size to justify this, it is the intention that all Directors will receive annual individual performance evaluations in accordance with the Board Charter and Performance Evaluation Policy.

#### **Recommendation 1.7**

The Board (in the absence of a Nominations Committee) is responsible for evaluating the performance of the senior executives on an annual basis, with the aid of an independent advisor, if deemed required. The process for this can be found in Schedule 5 of the Company's Corporate Governance Plan. The Company's Corporate Governance Plan



requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. No formal performance evaluations for the senior executives or its Directors were undertaken during the reporting period. As the Company develops and reaches a sufficient size to justify this, it is the intention that all senior executives will receive annual individual performance evaluations in accordance with the Board Charter and Performance Evaluation Policy.

### **Recommendation 2.1**

The Board has appointed an Audit Committee, and a Remuneration Committee. The roles and responsibilities of these Committees are outlined in the Companies Law, and the Audit and Risk Committee Charter, and Remuneration Committee Charter in the Company's Corporate Governance Plan available on the Company's website.

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. Pursuant to clause 3 of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee.

The duties of the Nomination Committee are outlined in the Nomination Committee Charter contained in the Company's Corporate Governance Plan which is available on the Company's website. The Board oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the Company's CEO, where relevant. When a vacancy exists or there is a need for a particular skill, the Board, determines the selection criteria that will be applied. The Board will then identify suitable candidates, with assistance from an external consultant if required, and will interview and assess the selected candidates. Directors are initially appointed by the Board and must stand for re-election at the Company's next Annual General Meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years with the exception of the CEO.

### **Recommendation 2.2**

Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, or if one has not yet been established, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. Given the current size and stage of development of the Company, the Board has not yet developed a specific skill matrix.

The composition of the Board is reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. This role will be performed by the full Board (in the absence of a Nomination Committee). Once adopted, the Company will disclose the Board skill matrix in, or in conjunction with, its Annual Reports.

### **Recommendation 2.3**

The Board Charter requires the disclosure of the names of the Directors considered by the Board to be independent. The current Board composition includes 3 Non-Executive Directors

(all of whom are considered to be independent), Mr Graeme Smith, Mr James Ellingford and Ms Dafna Shalev-flamm.

The Board has considered the guidance to Principle 2 and in particular the relationships affecting independent status. In its assessment of independence, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when evaluating independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least two years between ceasing such employment and serving on the Board;
- has within the last two years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Company's Annual Report discloses the length of service of each Director.

#### **Recommendation 2.4**

Directors Sharon Devir, Boaz Wachtel and Adam Blumenthal are not considered to be independent directors due to their respective executive roles on the Board. As such, 50% of the Board (including the Chairman) are not independent Directors. The Board, having regard to the Company's stage of development and the collective experience and expertise of the Directors, considers the current composition of the Board appropriate. The Board will also look to appoint additional independent Directors once the Company's operations are considered to be of sufficient magnitude to warrant such appointments.

#### **Recommendation 2.5**

The Board Charter requires that, where practical, the Chair of the Board should be an independent Director and should not be the CEO.

The Chair of the Company is Mr Boaz Wachtel, who is not an independent Director and is also the CEO. The Board believes that Mr Wachtel's skills and expertise are best suited to these roles for the Company's current stage of development and strategic direction. In addition, the Company is looking to appoint a new CEO in the near future.

#### **Recommendation 6.4**

All resolutions at securityholder meetings were decided by a show of hands because it was not practical to conduct a poll based on the number of shareholders attending and the proxies received i.e. the Company determined that conducting a poll would not change the outcome of the resolution given the proxies were overwhelmingly in favour of the resolutions.



Going forward, it is the intention for all substantive resolutions at securityholder meetings to be decided by a poll rather than a show of hands if the proxies received “for” and “against” a resolution are close.

### **Recommendation 7.2**

The Company's process for risk management and internal compliance includes a requirement on the Board to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. The Company has adopted a Risk Management Policy which is contained within the Company's Corporate Governance Plan and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls.

A formal risk framework review has not taken place during the financial year 31 December 2019.

### **Recommendation 7.3**

The Company has an internal audit function, having appointed a suitably qualified internal auditor, Mr Beni Ackerman in February 2018. Mr Ackerman is a Partner at accounting and advisory firm Baker Tilly. Mr Ackerman's role is to assist the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal auditor's responsibilities include mapping relevant regulations applicable to the Company, checking for compliance with selected clauses of the Israeli Companies Law (as per the Company's legal Counsel), and checking for compliance with ASX recommendations.

### **Recommendation 7.4**

The Audit and Risk Committee Charter requires the Audit and Risk Committee to assist management to determine whether the Company has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risks. The Company's Corporate Governance Plan requires the Company to disclose whether it has any potential or apparent exposure to environmental or social risks and, if it does, put in place management systems, practices and procedures to manage those risk. Where the Company does not have material exposure to environmental or social risks, report the basis for that determination to the Board, and where appropriate benchmark the Company's environmental or social risk profile against its peers. The Company discloses this information in its Annual Report.

### **Recommendation 8.2**

The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed in the remuneration report contained in the Company's Annual Report.

### **Recommendation 8.3**

The Company had an equity-based remuneration scheme during the past financial year. The Company has adopted an Incentive Option Scheme whereby options are issued to eligible participants including Directors and Key Management Personnel. A summary of the Incentive Option Scheme is disclosed in the announcement “Global Incentive Option Scheme Terms” lodged with ASX on 6 December 2017. The objective of the Scheme is to attract, motivate



and retain key Directors, employees and contractors and it is considered by the Company that the adoption of the Scheme and the future issue of Options under the Scheme provides selected participants with the opportunity to participate in the future growth of the Company.

The Company did 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 equity schemes outlined above. The Company's Remuneration Committee Charter states that, the Remuneration Committee, (or in the absence of one, the Board) is required to review, manage and disclose the policy (if any) 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. The Remuneration Committee Charter also states that the Remuneration Committee (and in its absence, the Board) must review and approve any equity-based plans.

A copy of the Remuneration Committee Charter is contained in the Corporate Governance Policies provided on the Company's website.