

MESOBLAST

PERFORMANCE EVALUATION

INTRODUCTION

The Board of Mesoblast recognises that the development of a formal set of procedures for assessing its own performance allows the board to determine whether or not it is meeting its own goals, and is therefore a central part of an effective system of corporate governance.

BENEFITS OF PERFORMANCE EVALUATION

The Board recognises that many benefits may flow to the Company as a result of the evaluation of its performance, including (but not limited to) the following:

- Sets the standard for performance evaluation for the rest of the organisation to follow;
- Can lead to increased activity and involvement by individual directors;
- A critique of Board procedures and activities can lead to greater efficiency and effectiveness;
- The performance evaluation process provides greater clarity about the role of the Board and its members, and its committees;
- Can assist with risk management and provide an early warning system of areas where problems may arise;
- Helps with succession planning.

COMMITMENT

The Nomination and Remuneration Committee commits to undertaking an annual review of the Board. Each review will consider at least one of the following, on a rotational basis:

- the performance and effectiveness of the Board collectively;
- the performance and effectiveness of individual Directors;
- the performance and effectiveness of the Board Committees.

Effectiveness is assessed against the roles and responsibilities as outlined in the relevant Board and Committee Charters. Specific consideration is given to:

- The balance of skills and experience brought to the Board by individual Directors and their relevance to changing business requirements;
- The ability of individual Directors to commit sufficient time and attention to the Company's business;
- The relevance of matters brought to the Board and Committees and the quality and conduct of discussion around these matters;
- The quality and effectiveness of interaction between Directors and Management; and
- Involvement of the Board in setting an appropriate direction for the company, including involvement with business plans and budgeting.

PERFORMANCE ASSESSMENT TOOLS AND TECHNIQUES

Each review will use some or all of the following tools to assess performance. The tools selected may reflect the issues facing the company at the time.

- Questionnaires
- Externally facilitated questionnaires and interviews
- Informal discussion with the Board as a whole
- One on one discussions between directors

PERFORMANCE OF THE CEO AND SENIOR MANAGEMENT

Annually, the Chairman and Chief Executive Officer agree on key performance indicators (KPIs) to be achieved. The Chairman facilitates an assessment of performance against these KPIs through individual discussions with Directors and review of appropriate financial and strategic metrics. As appropriate, recommendations and mentoring are provided to support the Chief Executive Officer's continued growth and development.

This process extends to senior management where they establish specific KPIs that are relevant to their role with the Chief Executive Officer. The Chief Executive Officer assesses their performance annually with consideration to achievement of these KPIs and their overall leadership contribution to the organisation. As appropriate, support and mentoring is provided for their continued growth and development.