

# Corporate Governance Statement

This statement summarises the corporate governance policies and procedures adopted by the Phosphagenics' Board of Directors ("Board") and discloses the extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principals and Recommendations (3<sup>rd</sup> Edition) ("ASX Principles") during and since the reporting period. The Board aims to ensure the Company operates with a corporate governance framework and culture that is relevant, practical and cost effective for the current size and stage of development of the business.

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

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### 1.1 Roles and Responsibilities of Board and Management

The relationship between the Board and senior management is critical to the group's long term success. The Board acts in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company and the Group.

#### Responsibilities of the Board

The responsibilities of the Board include oversight, accountability and approval of:

- (a) Strategic Issues
  - Approving management's corporate strategy and performance objectives;
  - Providing strategic advice to management;
  - Monitoring performance and implementation of strategy and ensuring appropriate resources are available.
- (b) Shareholding items
  - Issuing shares, options or conditional rights;
  - Determining the amount of dividend.
- (c) Financial items
  - Approving and monitoring financial and other reporting;
  - Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
  - Reporting to shareholders.
- (d) Risk and control
  - Overseeing groups control and accountability system;
  - Reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks are in place.
- (e) Board and senior management
  - Appointment, performance assessment and, if necessary, removal of CEO;
  - Ratifying appointment and, where appropriate, removal of CFO and Company Secretary;
  - Ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices;
  - Approving succession plans for management;
  - Monitoring performance of the Board both collectively and individually;
  - Recommending directors for nomination and removal.
- (f) Other Board responsibilities
  - Monitoring and ensuring compliance with best practice corporate governance requirements;
  - Approving board committee charters.

Further details are outlined in the Board Charter which can be found at

[www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance)

#### Responsibilities of the CEO

Responsibility for day to day management and administration of the Group is delegated by the Board to the Chief Executive Officer ("CEO"). The CEO manages the Group in accordance with the strategy, plans and policies approved by the Board.

### 1.2 Director appointment and election

The Board undertakes appropriate checks before appointing any new candidates as directors, which include review by the Nomination Committee against the board skills matrix, interview by all directors and appropriate reference checking. All material information regarding any director proposed for re-election will be included in the Explanatory Information to the relevant Notice of Meeting.

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## 1.3 Written Agreements with Directors and Senior Executives

New directors receive a letter of appointment which outlines the key terms and conditions of their appointment. Senior executives and all employees are required to sign employment agreements, which set out the key terms of their employment.

## 1.4 Responsibilities of the Company Secretary

The Company Secretary is responsible for providing administrative support to the Board and its Committees. The Company Secretary is accountable directly to the Board, through the Chair, on all matters relating to proper functioning of the Board. The specific responsibilities of the Company Secretary are outlined in the Board Charter which is available at [www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance)

## 1.5 Diversity Policy

The Company recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. The Company believes its diverse workforce is the key to continued growth and improved productivity and performance. The Company actively values and embraces diversity of its employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequality are not tolerated. While the Company is committed to fostering diversity at all levels, gender diversity continues to be a priority for the group.

In accordance with the Diversity Policy the Nomination Committee established measurable objectives for achieving gender diversity and has conducted an assessment of the progress towards them.

Diversity Objective	Measurement	FY17 Performance
Program activity - training	Refresh staff training	Completed by November 2017
Program activity - new policy development	Review and update of all policies	Completed by November 2017
Program participation in training of policies	Employees undertaking training	85% participation, 2 employees were absent
Program participation in flexible working arrangements	An increase in employees working under flexible working arrangements	Not achieved. Employees working under flexible working arrangements decreased from 7 to 5 due to resignations.
Program participation in leave purchase requests	An increase in participation	There were no requests for purchased leave in 2017
Program participation in performance and development planning	Employees having performance plans	100% of employees had performance plans. No development plans were undertaken in 2017.
Program effectiveness reflected in gender diversity by job level	Increase in 2016 rates	Not achieved. See gender diversity table below
Program effectiveness reflected in gender diversity in recruitment	Increase in 2016 rates	There were no new employees in 2017
Program effectiveness reflected in gender diversity in turnover	Decrease in 2016 rates	Not achieved. 100% of departures were female, compared to 0% in 2016

It is noted that although Phosphagenics has a high level of gender diversity, due to the low overall number of staff and lack of growth, a change of a few employees can have significant impact on the Company's performance in respect of its measurable diversity objectives.

The table below outlines gender diversity within Phosphagenics for 2017 and 2016:

	Whole organisation		Senior Executive		Board	
	2017	2016	2017	2016	2017	2016
Total	15	18	5	6	4	5
Female	8	10	2	2	0	0
% Female	53%	56%	40%	33%	0%	0%

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## 1.6 Board, committee and director performance

The Board and its committees undertake an annual self-assessment of their performance using a questionnaire. Each director is asked to consider matters such as strategies, reporting and control, management, board meetings and the composition and functioning of the Board and its Committees. The questionnaires are collated by the Company Secretary and reviewed by Chairman of the Board. The outcomes and recommendations are discussed by the Board.

The Chairman undertakes a one-on-one assessment with each of the non-executive directors with respect to individual director performance.

The Board, Committees and Chairman undertook performance assessments in February 2018 and they were conducted in accordance with these procedures.

## 1.7 CEO and senior executive performance

The Company has a performance management program which includes annual assessments of performance in February each year. For further detail please see Remuneration Report pages 18 to 25.

## Principle 2: Structure the Board to add value

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### 2.1 Nomination committee

The Board has a nomination committee which is composed of three directors, the majority independent, and is chaired by a non-independent director. The Board considers that due to the small number of directors on the Board and the intent to share the committee roles, that although Mr Segal is not considered independent, his skills and experience suitably qualify him for the role. At the date of this report the committee consisted of the following members:

Mr D Segal (Chairman)

Mr P Lankau

Dr G Collier

Details of these directors' attendance at committee meetings are set out in the Directors' Report on page 17.

A charter for the nomination committee can be found at [www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance)

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## 2.2 Board skills

The Board seeks to achieve a mix of skills and diversity that it enables it to most effectively carry out its functions and responsibilities. The following Board skills matrix describes the combined skills of the Board across a range of areas.

Board Skills Matrix	Board Representation
<b>Extensive Board / Director Experience</b> Has extensive director experience in a range of listed companies.	2
<b>Global Executive Management</b> Has been successful in senior executive roles in global companies or equivalent experience in a range of business environments.	3
<b>Strategy</b> Has ability to identify and critically assess strategic opportunities and develop successful strategies.	4
<b>Governance</b> Has commitment to high standards of corporate governance.	4
<b>Financial / Risk Management</b> Has audit / risk management experience at Board or senior executive level in financial accounting and reporting, corporate finance and assessment of financial viability and planning.	3
<b>Pharmaceutical Industry Experience</b> Has senior executive experience in large pharmaceutical or biotech organisation.	4
<b>R&amp;D / Product Development</b> Has experience in research and development or product development within pharmaceutical or biotech organisation.	4
<b>Business Development</b> Has extensive knowledge of licencing and deal structures in US and rest of world.	4
<b>Production</b> Has experience in manufacturing or quality operations of production facilities and global supply	2
<b>Regulatory</b> Has knowledge of regulatory authority pathways in Australia, US and EMEA.	4
<b>Leadership knowledge and abilities</b> Has an understanding of effective leadership principles and systems at organisational level.	4
<b>Ethics and Integrity</b> Has an understanding of the role as director and sets high personal standards for behaviour and values.	4

## 2.3 Board members

Details of the members of the Board, their experience, qualifications, term of office and independence status are set out in the Directors' Report under the section titled "Information on Directors" on pages 9 to 11.

## 2.4 Directors' independence

An independent director must be independent of management, be free of any business or other relationship and otherwise meet the criteria for independence set out in the ASX Principles.

Under these criteria the Board has determined at the date of this report that two non-executive directors were independent and that one non-executive director was not independent. Independent directors do not form a majority of the Board. The Board considers it important to have a majority of independent directors and is seeking to appoint a suitably qualified independent director as soon as practicable.

The Board assesses the independence of directors as and when required.

## 2.5 Independent Chairman

The current Chairman, Dr Collier, is an independent non-executive director appointed in April 2017. The CEO, Dr Murdoch, was appointed CEO in January 2015 and as Managing Director in April 2015.

In accordance with current practice, the Board Charter requires the role of Chairman and CEO to be separate.

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## 2.6 Director induction and professional development

The Nomination Committee oversees, reviews and makes recommendations to the Board in relation to induction and development of non-executive directors, to ensure they develop and maintain the skills and knowledge needed to perform their roles as directors effectively.

The Company has a program for the induction of new directors which includes briefings with the CEO, Company Secretary, Senior Management and industry experts, site visits and provision of appropriate Company documentation.

The Board receives regular updates provided by the Company's legal advisors to assist with keeping current with relevant legal and industry developments.

## Principle 3: Promote ethical and responsible decision making

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### 3.1 Code of Conduct

The directors are committed to making positive economic, social and environmental contributions, while complying with all applicable laws and regulations and acting in a manner that is consistent with the principals of honesty, integrity, fairness and respect. The Company has established a Code of Conduct to establish clear standards against which to guide decision making and hold itself accountable. The Code provides a set of guiding principles covering employment practices, responsibility to shareholders and financial markets, equal opportunity, harassment and bullying, conflicts of interest, use of Company resources and disclosure of confidential information. The Code of Conduct is available on the Company's website at [www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance)

## Principle 4: Safeguard integrity in financial reporting

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### 4.1 Audit and Risk Committee

The Board has established an Audit and Risk Committee comprising three non-executive directors, two of which are independent. The chairman of the committee must be an independent director who is not chairman of the board. For the period to 21 April 2017 to 28 November 2017 Dr Collier was both Chairman of the Board and the Audit and Risk Committee. Following the conclusion of the Mylan arbitration the Board reassessed its Committee structures and appointed Mr Lankau as Chairman of the Audit and Risk Committee. At the date of this report the Committee consisted of the following members:

Mr P Lankau (Chairman from 28 November 2017)

Dr G Collier

Mr D Segal

Details of these directors' qualifications and attendance at committee meetings are set out in the Directors' Report on pages 9 to 11 and page 17. The Committee meets at least two times per year and has direct access to the Company's auditors.

The charter of the Committee can be found on the Company's website at [www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance).

### 4.2 CEO and CFO Declarations for financial statements

Prior to approval of the Company's financial statements for the half or full year by the Board, the CEO and CFO provide 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.

### 4.3 External auditors

The external auditor, PricewaterhouseCoopers, attends each AGM and is available to answer questions from shareholders relevant to the audit.

## Principle 5: Make timely and balanced disclosure

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### 5.1 Continuous disclosure

The Company has a continuous disclosure policy to ensure compliance with ASX Listing Rules and has a vetting and authorisation process designed to ensure announcements are factual, complete and balanced.

A copy of this policy is available on the Company's website at [www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance).

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## Principle 6: Respect the rights of shareholders

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### 6.1 Information on website

The Company provides information about itself and its corporate governance to its shareholders and members of the public on its website at [www.phosphagenics.com](http://www.phosphagenics.com)

### 6.2 Communication with shareholders

The Board has approved a Shareholder Communication Policy to ensure that shareholders and the wider community are informed of all major developments affecting the Company in a timely and effective manner. Including its disclosure obligations under the ASX Listing Rules, the Company communicates with its shareholders in a number of ways, comprising:

- annual and half-yearly reports;
- regular newsletters and shareholder calls to provide updates on operation and developments;
- announcements on the Company's website;
- market briefings; and
- presentations at general meetings.

In addition to ensuring all Company information is available on the Company's website soon after receiving confirmation by the ASX of the receipt of the announcement, the Company will send to each shareholder or member of the public, who has requested, either by post or email, a copy of the release.

### 6.3 Participation at shareholder meetings

The Company holds its Annual General Meeting (AGM) in May each year in Melbourne. The Notice of Meeting and related Explanatory Notes are distributed to shareholders in accordance with the requirements of the Corporations Act, and simultaneously posted to the ASX. The AGM provides the Company the opportunity to communicate with shareholders through the CEO presentation and the Chairman's address.

Shareholders are given the opportunity at the AGM to ask general questions about the management of the Company, as well as ask questions about particular agenda items. Shareholders who are unable to attend the meeting in person may submit written questions together with their proxy form.

### 6.4 Electronic communication

Shareholders are encouraged to receive shareholder material electronically, which can be established by registering on the Company website or to certain information via the Company's share registry, Computershare.

Shareholders are also able to contact the Company via the general contact email address [info@phosphagenics.com](mailto:info@phosphagenics.com), and where appropriate a response will be provided.

## Principle 7: Recognise and manage risk

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### 7.1 Audit and risk committee

The Board has established an Audit and Risk Committee consisting of three non-executive directors, two of which are independent. Details regarding composition, meetings and charter are set out in section 4.1 of this Corporate Governance Statement.

### 7.2 Risk management framework

The Board considers risk management fundamental to maintaining efficient and effective operations and generating and protecting shareholder value. The management and oversight of risk is an ongoing process integral to the management and corporate governance of the Company's business.

The Board, through its Audit and Risk Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal controls. The Company has established a risk management system which aligns with the vision, strategy, processes, technology and governance and provides for:

- appropriate levels of risk taking and acceptance;
- an effective system for management of risk across the Company;

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- informed and effective strategy setting, decision making, planning and performance oversight; and
- reliable and efficient execution of operations, programs and projects.

The Company has a Risk Management Policy, a summary of which is available on the Company's website, which sets out the objectives and key principals of risk management, along with responsibilities and authorities of the Board, the Audit and Risk Committee, the CEO, CFO, Executive Management and management. The Company has adopted a risk management strategy that aims to identify and minimise the potential for loss, while also maximising strategic opportunities for growth and development. The Board sets risk appetite and tolerance levels for the Company and reviews this and the risk management framework each reporting period in order to satisfy itself that it continues to be sound.

During the reporting period Executive Management has reported to the Audit and Risk Committee as to the effectiveness of the group's management of its material business risks and the effectiveness of the risk management framework.

## 7.3 Internal audit function

With regard to the Company's size, the Board does not deem it necessary to have an internal audit function. As outlined in section 7.2 the Company has a comprehensive system of risk management and undertakes regular reviews of its effectiveness and where necessary utilises the resources of an external risk consultant.

## 7.4 Sustainability risks and management

The Company does not have any material exposure to environmental or social sustainability risks. The Company's key economic risks are outlined on page 7 of the directors' report under the heading 'Material Business Risks'. In addition to risk management strategies outlined in section 7.1 and 7.2, the Company utilises risk mitigation strategies including employing qualified and specialised consultants and advisors, as and when required, and holding a comprehensive insurance program.

## Principle 8: Remunerate fairly and responsibly

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### 8.1 Remuneration committee

At the date of this report the Board has determined that due to its size and the small number of employees that a separate Remuneration Committee was not required to manage remuneration and that the function to ensure fair and responsible remuneration would be managed by the Board. The Company has a remuneration framework to ensure an executive's total remuneration is set at an appropriate level. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the AGM. Further information on remuneration is set out in the Remuneration Report on pages 18 to 25

### 8.2 Executive and non-executive remuneration policies

Non-executive directors are remunerated at market rates for comparable companies for time, commitment, and responsibilities. The Board as a whole determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties, and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the AGM.

Each executive has a formal service agreement, which includes a position description and sets out duties, rights and responsibilities as well as entitlement on termination. The Company has policies which apply to base salaries, short-term incentives and long-term incentives. Further information on remuneration is set out in the Remuneration Report on pages 18 to 25.

### 8.3 Hedging of equity incentive schemes

Phosphagenics prohibits Key Management Personnel from entering into transactions in associated products which operate to limit the economic risk of security holdings in Phosphagenics over unvested entitlements or entitlements which have vested but remain subject to a holding lock. A copy of the Securities Trading Policy can be found on the Company's website at [www.phosphagenics.com/investors/corporate-governance](http://www.phosphagenics.com/investors/corporate-governance).

The Corporate Governance Statement was approved by the Board of directors on 28 March 2018.