

Corporate Governance Statement

This Corporate Governance Statement (“**Statement**”) summaries the corporate governance policies and procedures adopted by the Phosphagenics Limited (“**Company**”) 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 (3rd Edition) (“**ASX Principles**”) since the last 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.

This Statement:

- outlines the Company’s corporate governance framework;
- is intended as a reference document for all stakeholders including potential investors;
- includes cross-references to the Company’s charters, policies and codes, details of which are available in the “Corporate Governance” section of the Company’s website (www.phosphagenics.com); and
- should be read in conjunction with the Director’s Report and Remuneration Report (contained in the Annual Report) as those reports also contain information required to be included by the ASX Principles.

This Statement is current as at 27 March 2019 and has been approved by the Board.

Principle 1: Lay solid foundations for management and oversight

1.1 Roles and Responsibilities of Board and Management

The relationship between the Board and senior management is critical to the Company’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 while taking into account the interests of other stakeholders including employees, suppliers and the wider community.

Responsibilities of the Board

The responsibilities of the Board include, but are not limited to:

- (a) protecting and enhancing the value of the assets of the Company;
- (b) setting strategies, directions and monitoring and reviewing against these strategic objectives;
- (c) reviewing and ratifying internal controls, codes of conduct and legal compliance;
- (d) reviewing the Company’s accounts;
- (e) approval and review of the operating budget and strategic plan for the Company;
- (f) evaluating performance and determining the remuneration of the Chief Executive Officer and senior management;
- (g) ensuring the significant risks facing the Company have been identified and adequate control monitoring and reporting mechanisms are in place;
- (h) approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;
- (i) approval of financial and dividend policy; and
- (j) appointment of the Chief Executive Officer.

Further details are outlined in the Board Charter which can be found at www.phosphagenics.com/investors/corporate-governance

Responsibilities of the CEO

Responsibility for day to day management and administration of the Company is delegated by the Board to the Chief Executive Officer (“**CEO**”). The CEO manages the Company in accordance with the strategy, plans and policies approved by the Board. The CEO is supported by members of the senior management team.

Details regarding the CEO, including his experience and qualifications is set out in the Director’s Report of the Company’s 2018 Annual Report and the “Board of Directors” section of the Company’s website (www.phosphagenics.com).

The specific responsibilities of the CEO are outlined in the Board Charter which is available at www.phosphagenics.com/investors/corporate-governance

1.2 Director appointment and election

The Board undertakes appropriate checks before appointing any new candidates as directors, which include review by the Board against the Company’s board skills matrix, interview by directors and appropriate reference checking.

A director appointed to the Board must stand for election at the next Annual General meeting (“**AGM**”). One-third of directors (excluding the Managing Director) must also stand for re-election at each AGM. Potential candidates for the Board as well as directors standing for re-election are all assessed considering a number of factors, including but not limited to:

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- (a) skills, experience, expertise, personal qualities and attributes that will best complement the skill set and characteristics of existing directors and enhance board effectiveness;
- (b) diversity of board composition;
- (c) the capacity to devote the necessary time and commitment to the role; and
- (d) potential conflicts of interest and independence.

All material information regarding any director proposed for election or re-election will be included in the Explanatory Information to the relevant Notice of Meeting.

1.3 Written Agreements with Directors and Senior Executives

All directors receive a letter of appointment which outlines their duties, the Company's expectations and the key terms and conditions of their appointment. Directors also receive a deed of indemnity, insurance and access. 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. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters relating to proper functioning of the Board.

Details of each Company Secretary, including their experience and qualifications is set out in the Director's Report of the Company's 2018 Annual Report and the "Management" section of the Company's website (www.phosphagenics.com).

The specific responsibilities of the Company Secretary are outlined in the Board Charter which is available at 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.

In accordance with the Diversity Policy the Board has set the following measurable diversity objectives to ensure the Company leverages the diverse contributions of its people:

Objective	Description
Gender	Develop the leadership capabilities of our female and male talent so that the Company can have more gender balanced teams at all levels of seniority.
Diversity	Continue to embed a strong culture of inclusion where employees with diverse backgrounds, experience and personal attributes thrive and can be their best.
Industry Experience	The Board has endorsed a targeted strategy to attract and retain a workforce that will bring diversity of thought and experience to the Company. The Board has endorsed a reporting and recruitment framework to ensure the Company can identify and attract candidates that possess skills and experience from a range of industry backgrounds.

It is also noted that although the Company has a high level of diversity, due to the low overall number of staff, 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 across the entire organisation as at 31 December 2018:

	Whole organisation	Board	Senior Executive
	2018	2018	2018
Total	10	3	3
Female	4	-	1
% Female	40%	0%	33%

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1.6 Board, committee and director performance

The Board is committed to formally evaluating its own performance and individual directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process is conducted by the Company Secretary and involves asking each director to consider matters such as strategies, reporting and control, management, board meetings and the composition and functioning of the Board. The responses are collated by the Company Secretary and reviewed by Chairman of the Board. The results and any areas and actions for improvement are discussed by the Board.

In addition, the Chairman of the Board undertakes a one-on-one assessment with each of the directors with respect to their individual director performance. The Board undertook performance assessments in March 2019 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 senior executive performance. For further details please refer to the Remuneration Report as set out in the Company's 2018 Annual Report.

In addition, the Chairman of the Board undertakes a one-on-one assessment with the CEO with respect to his individual performance. This performance assessment took place in March 2019 and it was conducted in accordance with the agreed performance assessment procedure.

Principle 2: Structure the Board to add value

2.1 Nomination Committee

At the date of this report the Board has determined that due to its size that a separate Nomination Committee is no longer required and that this function can be appropriately managed by the Board as and when required.

Details of the meetings held by the Nomination Committee during the year and member attendances are set out in the Directors' Report of the Company's 2018 Annual Report.

The Nomination Committee Charter can be found at www.phosphagenics.com/investors/corporate-governance

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
Extensive Board / Director Experience Has extensive director experience in a range of listed companies.	2
Global Executive Management Has been successful in senior executive roles in global companies or equivalent experience in a range of business environments.	2
Strategy Has ability to identify and critically assess strategic opportunities and develop successful strategies.	3
Governance Has commitment to high standards of corporate governance.	3
Financial / Risk Management 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
Pharmaceutical Industry Experience Has senior executive experience in large pharmaceutical or biotech organisation.	3
R&D / Product Development Has experience in research and development or product development within pharmaceutical or biotech organisation.	3
Business Development Has extensive knowledge of licencing and deal structures in US and rest of world.	3

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Production Has experience in manufacturing or quality operations of production facilities and global supply.	2
Regulatory Has knowledge of regulatory authority pathways in Australia, US and EMEA.	3
Leadership knowledge and abilities Has an understanding of effective leadership principles and systems at organisational level.	3
Ethics and Integrity Has an understanding of the role as director and sets high personal standards for behaviour and values.	3

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" of the Company's 2018 Annual Report and the "Board of Directors" section of the Company's website (www.phosphagenics.com).

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 the Board is comprised of two out of three directors that are considered independent. As such, as at the date of this report the Board comprises a majority of independent directors that two directors are independent and that one director is not independent. Non-independent directors do not form a majority of the Board. The Board considers it important to have a majority of independent directors. The Board regularly reviews the independence of its directors and formally assesses director independence annually.

2.5 Independent Chairman

The current Chairman, Dr Greg Collier, is an independent non-executive director appointed in April 2017. The CEO, Dr Ross 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.

2.6 Director induction and professional development

The Company Secretary 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 from its external advisors to assist with keeping current with relevant legal and industry developments.

Principle 3: Promote ethical and responsible decision making

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 ("**Code**") 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

Principle 4: Safeguard integrity in financial reporting

4.1 Audit Committee

At the date of this report the Board has determined that due to its size that a separate Audit Committee is no longer required and that this function can be appropriately managed by the Board as and when required.

Details of the meetings held by the Audit Committee during the year and member attendances are set out in the

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Directors' Report of the Company's 2018 Annual Report.

The Audit Committee Charter can be found at 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 Company's external auditor attends each AGM and is available to answer questions from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

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.

This policy is available on the Company's website at www.phosphagenics.com/investors/corporate-governance.

Principle 6: Respect the rights of shareholders

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

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 AGM in May each year. 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's presentation and 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's 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, and where appropriate a response will be provided.

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Principle 7: Recognise and manage risk

7.1 Risk Committee

At the date of this report the Board has determined that due to its size that a separate Risk Committee is no longer required and that this function can be appropriately managed by the Board as and when required.

Details of the meetings held by the Risk Committee during the year and member attendances are set out in the Directors' Report of the Company's 2018 Annual Report.

The Risk Committee Charter can be found at www.phosphagenics.com/investors/corporate-governance

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 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;
- 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 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 Board as to the effectiveness of the Company'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 disclosed in the Company's 2018 Annual Report. 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

8.1 Remuneration committee

At the date of this report the Board has determined that due to its size that a separate Remuneration Committee is not required and that this function can be appropriately managed by the Board as and when required. 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 contained in the Company's 2018 Annual Report.

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

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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 contained in the Company's 2018 Annual Report.

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.

This Company's Securities Trading Policy can be found on its website at www.phosphagenics.com/investors/corporate-governance.