

## **CORPORATE GOVERNANCE POLICY**

The Company is a holding company and its main corporate governance practices, as applied to all Subsidiaries are summarised below.

### **ROLE OF THE BOARD**

The board is responsible to Shareholders for Cyclopharm's overall corporate governance.

The board has established and approved a board charter. Under this charter the board is responsible for:

- Consideration and approval of corporate strategies proposed by the Managing Director/Chief Executive Officer (CEO) and monitoring their implementation;
- Approving, overseeing and monitoring financial and other reporting to shareholders, employees and other stakeholders of the Company;
- Ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- Appointing, monitoring the performance of, and removing the CEO;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer / Company Secretary;
- Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal control and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

In addition to the minimum of eight scheduled meetings each year (reduced from eleven as of January 2015), other meetings may be held at short notice as required.

## **COMPOSITION OF THE BOARD**

The Board is currently comprised of two non-executive Directors and one executive director, in conformity with the Company's policy that the Board should comprise of a majority of non-executive directors. The Chairman, Mr David Heaney, is a non-executive director.

The composition of the board has been determined using the following principles:

- The Constitution of the Company provides for a minimum of three Directors and a maximum of 9
- The chair of the Board should be a Non-Executive Director;
- The board should comprise a majority of Non-Executive Directors;
- The board should have enough Directors to serve on various Committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- The board should comprise Directors with a broad range of expertise;

## **CONFLICT OF INTEREST**

In accordance with the Corporations Law and the Company's Constitution, Directors must keep the board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other board members.

## **INDEPENDENT PROFESSIONAL ADVICE**

Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other board members.

## **THE CHAIRMAN**

The Chairman is elected by the full Board and is responsible for:

- Leadership of the board;
- The efficient organisation and conduct of the board's functions

- The promotion of constructive and respectful relations between board members and between the board and management;
- Contributing to the briefing of Directors in relation to issues arising at board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of the chairman

## **COMMITTEES**

To assist the board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit & Risk Committee;
- Remuneration Committee.

### **AUDIT AND RISK COMMITTEE**

The audit committee comprises two non-executive Directors. The non-executive Directors are Mr Tom McDonald, Chairman of the Audit Committee as of 1 March 2019, and Mr David Heaney.

The Audit Committee's responsibilities include:

- Review procedures, and monitor and advise on the quality of financial reporting (including accounting policies and financial presentation);
- Review the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by the board;
- Review the procedures and practices that have been implemented by management regarding internal control systems;
- Ensure that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- Review the corporate governance practices and policies of the Company; and
- To review procedures and practices for protecting intellectual property (IP) and aligning IP to strategy.

## **REMUNERATION COMMITTEE**

The Remuneration Committee currently comprises Mr David Heaney, Chairman of the Remuneration Committee and Mr Tom McDonald.

The Remuneration Committee is responsible for:

- reviewing and approving the remuneration of Directors and other senior executives; and
- reviewing the remuneration policies of the Company generally.

Total remuneration for all existing Non-Executive Directors during the 2019 financial year is \$171,947. These fees are within the aggregate remuneration of \$250,000 for all Non-Executive Directors as approved by the shareholders in May 2019.

Directors' fees cover all main board activities and membership of committees. There are no additional fees for committee membership. These fees exclude any additional 'fee for service' based arrangements with the Company, which may be agreed from time to time. There were no such additional fees paid during the previous or current financial year. Agreed out of pocket expenses are payable in addition to Director's fees. It is also noted that there are not retirement or other long service benefits that accrue on appointment to the board.

Retiring non-executive Directors are not currently entitled to receive a retiree allowance.

## **INVESTMENT AND BUSINESS RISK MANAGEMENT**

The board, based on the recommendations of the Managing Director, Mr James McBrayer and the Directors, makes decisions on investments for the Company. The board considers that the general retention by it or the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any modification to the investment strategy is notified to the ASX, and any proposed major change in investment strategy is first put to shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company financial position, with a comparison of actual results against budget; and

- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

## **SHAREHOLDINGS BY DIRECTORS AND SENIOR EXECUTIVES**

Company policy restricts trading by the Directors in their Shares to certain times and circumstances. Directors and senior executives will only be entitled to trade their Shares without restriction for up to four weeks following announcements of the Company's half yearly and preliminary final results, any detailed announcements concerning profit forecasts, and after the Annual General Meeting.

## **ETHICAL STANDARDS**

The Board endeavours to ensure that the Directors, officers and employees of Cyclopharm act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.