



ABN 82 010 975 612

# BOARD CHARTER

(as amended July 2008)

## **1. PURPOSE**

- 1.1 The Board of the Progen Group of Companies (the Group) has the ultimate responsibility to its shareholders for the strategy and performance of the Group in general. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. As such, the Board actively pursues best practice governance processes.
- 1.2 Good governance policies and processes are critical for ensuring that the Group is governed in the best interests of the Group as a whole. With this in mind, the Board has formalized the corporate governance framework within which the Group operates.
- 1.3 This document outlines the Group's corporate governance policy in the form of a Board Charter, which is a written policy document that defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of the management in setting the direction, management and control of the organisation. As such, it establishes the guidelines within which the Directors and Officers are to operate as they carry out their respective roles.

## **2. COMPOSITION OF THE BOARD**

- 2.1 The composition of the Board is determined using the following principles:
  - 2.1.1 The Board shall be comprised of a majority of independent non-executive directors
  - 2.1.2 The Board shall comprise directors with a broad range of expertise both nationally and internationally
  - 2.1.3 Directors appointed by the Board are subject to election by shareholders at the following General Meeting
  - 2.1.4 While directors are not appointed for a fixed term, under the Group's Constitution and the ASX Listing Rules, at least one third of the directors (excluding the Managing Director) must retire by rotation each year and submit themselves for re-election by shareholders. The tenure of executive directors is linked to their holding of executive office.
  - 2.1.5 The composition of the Board is reviewed on a regular basis to ensure that it has the appropriate expertise and range of skills.
- 2.2 An independent director is a director who is not a member of management (a non-executive director) and who:
  - 2.2.1 Is not a substantial shareholder of the Group or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Group

- 2.2.2 Has not within the last three years been employed in an executive capacity by the Group
- 2.2.3 Is not, and has not been within the last three years, a principal of a professional adviser to the Group
- 2.2.4 Is not a significant supplier or customer of the Group or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer.
- 2.2.5 Has no significant contractual relationship with the Group other than as a director of the Group
- 2.2.6 Is free from any interest and any business or other relationships which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

### **3. ROLE OF THE BOARD**

- 3.1 The Board is ultimately responsible for all matters relating to the running of the Group. The Board's role is to govern the Group rather than manage it. In governing the Group, the Directors must act in the best interests of the Group as a whole. It is the role of senior management to manage the Group in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out those delegated duties.
- 3.2 To fulfil this role the Board is responsible for:
  - 3.2.1 The corporate governance and ethical behaviour of the Group
  - 3.2.2 Oversight of the Group, including its control and accountability systems
  - 3.2.3 Appointing, reviewing the performance of, and removing the Managing Director and Chief Executive Officer.
  - 3.2.4 Ratifying the appointment and the removal of the Chief Financial Officer, Chief Operating Officer and the Group Secretary
  - 3.2.5 Input into and final approval of the Group's corporate strategy, business plan and performance objectives
  - 3.2.6 Ratifying and reviewing systems of risk management and internal compliance and controls, codes of conduct, and legal compliance (including compliance with ASX Listing Rules and relevant NASDAQ and SEC rules and regulations)
  - 3.2.7 Monitoring senior management's performance and implementation of strategy, and ensuring proper resources are available
  - 3.2.8 Approving and monitoring the progress of capital expenditure, capital management and acquisitions and divestitures

3.2.9 Approving and monitoring financial and other reporting.

**3.3.1** From time to time, the Board may establish committees to assist it in carrying out its responsibilities, and shall adopt such charters setting out matters relevant to the composition, responsibilities, powers and modus operandi, and such other matters as the Board considers appropriate.

3.3.2 The Board has established the following Committees:

3.3.2.1 Audit and Risk Management Committee

3.3.2.2 Remuneration Committee.

#### **4. BOARD PROCESSES**

4.1 The full Board currently holds nine scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

4.2 The agenda for meetings is prepared in conjunction with the Chairman and Managing Director. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

4.3 Three members shall constitute a quorum.

#### **5. CONFLICT OF INTEREST**

5.1 In accordance with the Corporations Act 2001 and the Group's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

#### **6. NOMINATION, APPOINTMENT AND RETIREMENT OF DIRECTORS**

6.1 The Board will be responsible for succession planning and identification of new Board members. A separate Nomination Committee is not considered to be appropriate given the size of the organisation. The Board's view is that the role of this committee is more appropriately discharged by the Board itself.

6.2 If a vacancy occurs, or if it is considered that the Board would benefit from the services of an additional director with particular skills, the Board (if necessary, with the assistance of an external consultant) would select a panel of candidates with the appropriate expertise and experience. The Board would then appoint the most suitable candidate.

7. **DIRECTOR EDUCATION**

- 7.1 Directors have the opportunity to visit the Group's facilities and meet with management to gain a better understanding of business operations.

8. **DIRECTORS AND STAFF DEALING IN GROUP SHARES**

- 8.1 The Constitution does not preclude directors or staff from acquiring shares in the Group or disposing of those shares. However, the Board has instituted the attached policy that governs the trading of shares by directors or staff – "Insider Trading Policy".
- 8.2 In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, directors must immediately advise the Group of any transactions conducted by them in shares in the Group.

9. **DIRECTOR ACCESS TO PROFESSIONAL ADVICE**

- 9.1 In the discharge of their duties, directors have the right to seek independent professional advice at the expense of the Group, subject to the prior approval of the Chairman or another director of the Group.

10. **MINUTES**

- 10.1 Minutes will be maintained for all meetings of the Board of Directors by the Group Company Secretary.

## **11. RESPONSIBILITIES OF EXECUTIVE MANAGEMENT**

11.1 The purpose of this section within the Charter is to outline the responsibilities of the Chief Executive Officer/Managing Director and the Chief Financial Officer/Group Secretary.

## **12. CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR RESPONSIBILITIES**

12.1 Lead the business planning process, defining the Group's vision, mission, values and strategy and accepting accountability for the implementation of plans agreed with the Board

12.2 Lead the Group's research and development programs effectively and efficiently

12.3 Raise equity capital as and when required on terms acceptable to the Board

12.4 Ensure the efficient running of Progen's manufacturing facilities

12.5 Recruit, motivate, develop and retain appropriate staff capable of ensuring the longer term prosperity of the Group

12.6 Ensure the security of intellectual property generated by Progen, regularly reviewing intellectual property issues and making recommendations to the Board for licensing or other commercial agreements

12.7 Keep the Board informed of all strategic and tactical developments within the Group on a 'no surprise' basis

12.8 Maintain an effective and advantageous liaison with the media, analysts and shareholders, by means of a proactive public relations and investor relations strategy

12.9 Maintain compliance with all regulatory requirements relating to an ASX listed entity

12.10 Establish and maintain compliance with the relevant pharmaceutical industry regulatory bodies and standards including cGMP; cGCP and cGLP

12.11 Ensure appropriate standards of occupational health and safety and social and environmental responsibility is maintained

12.12 Ensure that the ethical standards established by the Board are complied with.

**13. CHIEF FINANCIAL OFFICER/CHIEF OPERATIONS OFFICER/GROUP SECRETARY**

- 13.1 Manage the Group's Finance, IT and Secretarial function
- 13.2 Prepare and present the Annual Operating, Capital and Cash Flow Budgets and long-term financial plans
- 13.3 Prepare monthly management accounts for distribution to Management and the Board
- 13.4 Prepare half yearly, Annual Statutory Financial Accounts and the Group's Annual Report to Shareholders
- 13.5 Develop and maintain the Group's accounting system
- 13.6 Manage the Treasury and Capital Management activities
- 13.7 Fulfil the role of statutory duties of Group Secretary, ensuring compliance with regulatory bodies such as the ASX, ASIC, ATO and the IR&D Board in Australia and NASDAQ and SEC in the USA
- 13.8 Co-ordinate risk management activities
- 13.9 Manage the Information Technology function including administration of existing systems and future development
- 13.10 Provide financial advice to the Board and Management as appropriate and upon request
- 13.11 Participate in all major contract negotiations
- 13.12 Actively participate in the general management of the Group.

**14. REVIEW OF CHARTER**

- 14.1 This Charter is to be reviewed by the Board from time to time, in any event every three years, to ensure it remains consistent with the Board's objectives and responsibilities.

**15. PUBLICATION OF CHARTER**

- 15.1 A copy of this Charter is available at [www.progen-pharma.com](http://www.progen-pharma.com)
- 15.2 This Charter is to be made available to shareholders of the Company upon request.