

**Progen Pharmaceuticals Limited (the Company) is a dual listed Australian company. Our primary listing is on the Australian Securities Exchange (ASX) and our secondary listing is on the US NASDAQ Capital Market (NASDAQ).**

The Board has the ultimate responsibility for the strategy and performance of the Company on behalf of the shareholders to whom they are accountable. The Board are committed to achieving and demonstrating the highest standard of corporate governance through setting values and policies which underlie business activities ensuring transparency and protecting stakeholders' interests.

In setting these values and policies, the Company has considered the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition) (ASX Recommendations) and relevant US requirements arising from our NASDAQ listing and continuously strives to develop and improve corporate governance processes and standards.

Formal written policies and/or disclosure practices have been disseminated throughout the organisation and measures are in place to achieve compliance.

The Company's practices are largely consistent with the ASX Recommendations and unless otherwise stated, the corporate governance framework operated throughout the entire year.

A detailed description of the Company corporate governance framework follows, for ease of reference this section is structured to be consistent with the ASX Recommendations.

### **LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

The Board recognises the need to clearly delineate its own roles and those of Management. In its Charter, the Board has formalised a list of those responsibilities reserved for itself and has delegated certain authority to Management.

A copy of the Board Charter can be found on the Company's website.

The Remuneration Committee reviews remuneration policies and practices generally and specifically is responsible in assisting the Board of Directors of the Company in fulfilling its responsibilities in relation to the remuneration of the Board and the senior executives. The Board Charter states the Board is responsible for the selection, appointment and succession planning process of the Company's Chief Executive Officer.

Due to a large amount of executive and Board level turnover throughout the year, performance evaluations of executive management did not take place during the reporting period.

### **STRUCTURE THE BOARD TO ADD VALUE**

The majority of the Company's Board is currently comprised of independent directors that have a variety of complimentary skill sets. Following the removal of four directors at a general meeting of shareholders, the remaining board engaged a third party consultancy firm to recruit professional, independent directors with the appropriate expertise required by a publicly listed pharmaceuticals company. As a result of this review, four independent, non-executive directors were appointed: Mr. Stuart James, Dr. Gordon Schooley, Dr. Julie Cherrington and Dr. John Chiplin. Mr. James was appointed non-executive chairman.

Details on Board members, their qualifications and dates of service are included in the Directors' Report.

The Company has a procedure in place allowing directors to seek independent professional advice at the Company's expense.

The non-executive directors confer regularly without the involvement of the Chief Executive Officer and Company Secretary.

Letters of appointment are provided to all new non-executive directors.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company. The number of meetings of the Company's Board of Directors, and of each Board Committee held during the year ended 30 June 2009 is found within the Directors' Report.

# Corporate Governance



Progen does not have a separately established nomination committee because the duties and responsibilities typically delegated to such a committee are accepted as being the responsibility of the full Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee and believes the existing arrangement is appropriate for a company of Progen's size and stage of development.

The non-executive directors are appointed for specific terms under the Company's Constitution and subject to re-election in compliance with the ASX Listing Rules and the Corporations Act 2001.

### **PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

The Progen Board recognises its responsibility to set the ethical tone and standards of the Company. Directors sign a letter of appointment which outlines the fiduciary relationship that exists between the director and the company. The Company has in place Codes of Ethics, Business Conduct and an Insider Trading Policy that have been put in place to clearly articulate acceptable practices for directors, senior executives and employees.

The Code of Ethics for Executive Directors and Chief Financial Officer sets out the rules regarding individual responsibilities to Progen, the public and our stakeholders. Additionally, Progen has a Code of Business Conduct which applies to all officers, senior executives and employees. Both of these codes are available on Progen's website, along with the insider trading policy.

### **SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

Progen recognises that an Audit and Risk Management Committee is an efficient mechanism for focusing on issues relevant to the integrity of the Company's financial reporting. A new Audit and Risk Management Committee has been recently appointed, consisting of three independent, non-executive directors. The members of the Audit and Risk Management Committee, details of their skills and expertise and the number of meetings held are contained in the Directors' Report.

For the 2009 financial year, the Company is classified by the Securities and Exchange Commission (SEC) as a non accelerated filer and therefore has relief from compliance with the Sarbanes-Oxley Act 2002 (USA). Many internal controls and corporate governance measures are still in operation from prior compliance with the Act.

The Audit and Risk Management Committee operates under a Charter that outlines the Committee's responsibilities, including overseeing the role and independence of the external auditors.

A copy of the Audit and Risk Management Committee Charter is available on the Progen website.

### **MAKE TIMELY AND BALANCED DISCLOSURE**

Progen has put in place mechanisms designed to ensure that all investors have equal and timely access to material information concerning the Company. The Company is aware of the Life Sciences Best Practice Guidance Note and where possible prepares company announcements that comply with this Note.

Progen maintains a Communication Policy which is designed to ensure that all investors have equal and timely access to material information concerning the Company. Under the policy, Company announcements with the exception of administrative releases are approved by the CEO, the Company Secretary and a non-executive director. Once announced to the ASX all releases are posted onto the Progen website.

The Communication Policy can be found in the corporate governance section of the Progen website.

### **RESPECT THE RIGHTS OF SHAREHOLDERS**

Progen's Communication Policy sets out Progen's approach in effectively communicating with its shareholders. Additionally, Progen takes advantage of current technologies, including its website and email to communicate directly with its shareholders.

Progen's website contains information about the Company including its activities, core technology platforms, details and background on its executive officers. In addition all ASX releases are placed on the Company's website after they are announced to the ASX and remain on the website for several years.

Progen encourages shareholder participation at its general meetings. When drafting Notice of Meetings, particular consideration is given to the ASX Guidelines for Notices of Meetings. The guidelines assist in improving such participation through the design and content of the Notices.

### **RECOGNISE AND MANAGE RISK**

Progen does not currently have a formal risk management policy. As a biotechnology business, Progen faces risks including those associated with the failure of its technologies or inability to successfully commercialise its drug candidates.

Both management and the Board assess and address possible risk factors on an ongoing basis, including management meetings, Board Meetings and Audit and Risk Management Committee Meetings.

### **REMUNERATE FAIRLY AND RESPONSIBLY**

The Remuneration Committee consists of three non-executive directors. Details, skills and experience of the members are contained in the Directors' Report. The Progen Board currently considers that a committee comprised of two Directors is adequate given the size of the Company.

This Committee operates under a formal Remuneration Committee Charter which was approved by the Progen Board during the 2009 financial year.

The Remuneration Committee reviews internal remuneration policies and practices generally and makes specific recommendations to the full Progen Board on remuneration packages of the Company's executive salaries while taking into consideration performance, relevant comparative information and independent expert advice where necessary.

Further information on Directors' and Executives' remuneration is set out in the Remuneration Report section of the Directors' Report.

The following documents are disclosed in full on the Company's website:

- Board Charter
- Progen Code of Business Conduct
- Communication Policy
- Insider Trading Policy
- Code of Ethics for Executive Directors and Chief Financial Officer
- Audit and Risk Management Committee Charter
- The Progen Directors and Employee Option Incentive Plan Rules
- Remuneration Committee Charter

