

# CORPORATE GOVERNANCE

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 organization 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 consistent with the ASX Recommendations.

## LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board recognises the need to clearly delineate its 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 for monitoring the senior management's performance. The Board Charter states the Board is responsible for the selection, appointment and succession planning process of the Company's Chief Executive Officer.

## STRUCTURE THE BOARD TO ADD VALUE

Details on Board Members and their qualifications are included in the Directors' Report.

The majority of the Company's Board is comprised of independent directors that have a variety of complimentary skill sets. An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

During the current financial year a review of the Board's composition and structure was undertaken to ensure that it contained the appropriate expertise as Progen embarks on its next stage of growth with the continued development and commercialization of PI-88 and the expanded pipeline of drug candidates in development. As a result of this review the Board's composition was strengthened with the appointment of two non-executive and independent Directors, Mr John Lee and Mr Robert Williamson. In addition the structure of the Board was improved with Stephen Chang stepping down as executive Chairman with Dr Mal Eutick being appointed non-executive, independent Chairman.

The non-executive Directors confer regularly without the involvement of the Managing Director and Company Secretary.

Formal induction packages and 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 2008 can be found in the Directors' Report.

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 concerning removal of a Director.



## PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Progen Board recognises its responsibility to set the ethical tone and standards of the Company. The Company has a process established whereby all employees and Directors of the Company are required to confirm that they have read and understand the Codes of Ethics, Business Conduct and Insider Trading Policy that have been put in place to clearly articulate acceptable practices for Directors, senior executives and employees.

The Company currently has in place the Code of Ethics for Executive Directors and Chief Financial Officer which sets out the rules regarding their individual responsibilities to Progen, the public and our stakeholders. Additionally, Progen has recently updated its Code of Business Conduct which applies to all officers, senior executives and employees. Both of these codes are available on Progen's website.

A copy of the Progen Insider Trading Policy is also available on the Progen website.

## 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. During the financial year there was a change to the composition of the Audit and Risk Management Committee. The Committee now consists 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.

Due to our Nasdaq listing the Company is subject to the requirement for management and independent auditors to report on the effectiveness of internal control over financial reporting. Effective internal controls are fundamental to investor confidence in financial reporting because they help to deter fraud and to prevent inaccurate financial statements. This financial year is the first year in which the Company is required to have such an internal control audit. In anticipation of this requirement the Company has continually improved the documentation and controls over financial reporting over the past two years.

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. All Company Announcements with the exception of administrative releases are approved by the CEO, the Company Secretary and a Board appointed non-executive Director. Once announced to the ASX all releases are posted onto the Progen website and disseminated to the voluntary Progen email distribution list. Interested persons are encouraged to add their details to the email distribution list by visiting the Progen website.

The Communication Policy can be found in the clearly marked 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, email and webcasts to communicate directly with its shareholders.

Progen believes its website is a good source of 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 has, and will continue to, make use of teleconferencing technology as a means of communicating directly with shareholders following major Company Announcements. Progen encourages participation by its shareholders on such teleconferences.

Progen also encourages shareholder participation at its general meetings. When drafting Notice of Meetings, particular consideration is given to the ASX Guidelines for Notices of Meetings.

## 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 through business as usual, including senior 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 and skills and experience of the members is 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 after the end of the current 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 ([www.progen-pharma.com](http://www.progen-pharma.com)):

- 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