

## Corporate Governance Statement

The Board and management of Paradigm Biopharmaceuticals Limited (Consolidated Entity) are committed to conducting the business of the Consolidated Entity in an ethical manner and in accordance with the highest standards of corporate governance. The Consolidated Entity has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) to the extent appropriate to the size and nature of the Consolidated Entity's operations. This Corporate Governance Statement is accurate and up to date as at 30 June 2020 and has been approved by the Board on 27 August 2020.

### **Principle 1 - Lay solid foundations for management and oversight**

#### **Responsibilities and functions of the Board and Management**

The Board of Paradigm Biopharmaceuticals Limited (**Consolidated Entity**) maintains the following responsibilities and functions:

- setting overall goals for the Consolidated Entity;
- approving strategies, objectives and plans for the Consolidated Entity's businesses to achieve these goals;
- ensuring that business risks are identified and approving systems and controls to manage those risks and monitor compliance;
- approving the Consolidated Entity's major human resources policies and overseeing the development strategies for senior and high performing executives;
- approving financial plans and annual budgets;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- appointing and removing the Managing Director and ratifying the appointment and removal of executives reporting directly to the Managing Director (senior executives);
- reporting to shareholders on the Consolidated Entity's strategic direction and performance including constructive engagement in the development, execution and modification of the Consolidated Entity's strategies;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory arrangements are in place for auditing the Consolidated Entity's financial affairs;
- meeting statutory and regulatory requirements and overseeing the way in which the business risks and the assets of the Consolidated Entity are managed.

The Board has delegated the day-to-day management of the Consolidated Entity to the Managing Director, CEO and other senior executives (**Management**). The Consolidated Entity's Management is responsible for the following:

- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the Consolidated Entity;
- managing the Consolidated Entity's reputation and operating performance in accordance parameters set by the Board;
- day-to-day running of the Consolidated Entity;
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions.

#### **Director Appointment and Election**

Before appointing a Director, or putting forward to shareholders a Director for appointment, the Consolidated Entity undertakes comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status.

An election of Directors is held each year. A Director that has been appointed during the year must stand for election at the next Annual General Meeting (**AGM**). No Director except the Managing Director may hold office for a period in excess of 3 years, or beyond the third annual general meeting (**AGM**) following the Director's election, whichever

is the longer, without submitting himself or herself for re-election. One third of all Directors, except the Managing Director, will retire by rotation each year but may offer themselves for re-election for a further 3-year period.

The Consolidated Entity provides to shareholders for their consideration information about each candidate standing for election or re-election as a Director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's biography, which include experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive Director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive Directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

### **Company Secretary**

The Company Secretary reports directly to the Board through the Chairman and is accessible to all Directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors.

### **Diversity Policy**

The Company is committed to providing a safe working environment and equal employment opportunities for all Directors, executives and employees at all levels within the Company. Whilst the Company is not subject to the provisions of The Workplace Gender Equality Act, in that it employs less than 100 employees, it does recognise the importance of diversity within the workplace.

The diversity policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the Consolidated Entity to attract and retain employees with the best skills and abilities.

The Company is a small business enterprise with less than 30 personnel overall (inclusive of the Board). None-the-less, the Company has successfully employed a number of women to management roles in recent years. Whilst the Company does not comply with Recommendation 1.5 fully, it none-the-less applies many of the core principles through its Code of Conduct provisions.

### **Performance Assessment**

The Board reviews its performance annually, as well as the performance of individual Committees and individual Directors (including the performance of the Chairman as Chairman of the Board). The use of an external facilitator may be utilised periodically to assist in the review process. The review for the current financial year ended on 30 June 2020 are performed by the Chairman. The process includes collective Board discussions to capture observations for where improvements could be made and where processes worked well, individual interviews with

each Director conducted by the Chairman, and provision of anonymous feedback collected from individual Board members. The review of the Chairman's role is conducted by the Chair of the Audit and Risk Committee after obtaining feedback from each individual Director.

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing

the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Consolidated Entity.

The CEO provides a report to the Board on the performance of senior executives together with remuneration recommendations which must be approved by the Board after consultation with the Nomination and Remuneration Committee. The review of senior executives in accordance with this process are undertaken for financial year ended 30 June 2020.

## **Principle 2 - Structure the board to add value**

### **Nomination and Remuneration Committee**

The Board maintains a combined Nomination and Remuneration Committee, whose members during the financial year were as follows:

<b>Names</b>	<b>Position</b>	<b>Independence status</b>
John Gaffney	Non-Executive Director	Yes
Christopher Fullerton	Non-Executive Director	Yes
Paul Rennie	Managing and Executive Director	No

During the period ended 30 June 2020, the Consolidated Entity complies with the ASX recommendation to have a Nomination and Remuneration Committee with a majority of independent Directors.

The Nomination and Remuneration Committee met once during the year.

### **Skills Matrix**

The Board regularly evaluates the mix of its skills, experience and diversity. The Board considers that collectively its Directors have a level of skill, knowledge and experience that enables the Board to effectively discharge its responsibilities and duties (including the activities and industries outlined below). The mix of skills the Board is seeking to maintain, and to build upon, includes:

- Finance and Tax (e.g. financial management capability including accounting or related financial management qualifications);
- Research and development;
- Executive leadership;
- Pharmaceutical and Medical Devices;
- Biomedical science;
- Risk management understanding and experience;
- Commercial acumen;
- Product development; and
- Strategic capabilities.

The particular skills each Director brings to the Board are set out in the Annual Report

The Consolidated Entity does not have a formal induction or professional development program for Directors. To date, such programs have been considered unnecessary as the current Board has satisfactory experience and skill set.

Consideration will be given to implementing such programs should it be proposed that any new Directors join the Board.

### **Composition of the Board**

The Board assesses annually the independence of each Director to ensure that those designated as independent do not have any alliance to the interests of Management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Consolidated Entity and its security holders generally.

Details of the Board of Directors, their appointment dates, and independence status is as follows:

Names	Position	Independence status	Tenure
Paul Rennie	Interim Chairman and Executive Managing Director	No	02 May 2014 to current
Christopher Fullerton	Non-Executive Director	Yes	30 September 2014 to current
John Gaffney	Non-Executive Director	Yes	30 September 2014 to current

Paul Rennie, the Managing Director and Chief Executive Officer, is the Interim Chairman of the Board and is considered not to an independent director of the Consolidated Entity.

### **Principle 3 - Act ethically and responsibly**

#### **Code of Conduct**

The Consolidated Entity maintains a code of conduct for its Directors, senior executives and employees. In summary, the code requires the following of each relevant person:

- act honestly, in good faith and in the best interests of the Consolidated Entity as a whole;
- exercise a duty to use care and diligence in fulfilling the functions of office or position and exercising the powers attached to that office or position;
- use the powers of office for a proper purpose and in the best interests of the Consolidated Entity as a whole;
- recognise that the primary responsibility is to the Consolidated Entity as a whole but may, where appropriate, have regard for the interest of other stakeholders of the Consolidated Entity;
- not to make improper use of information acquired as a Director or employee;
- not take improper advantage of their position as a member of the Board or employee;
- properly manage and declare any conflict of interest with the Consolidated Entity;
- Directors to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board;
- confidential information received in the course of the exercise of their duties remains the property of the Consolidated Entity and, unless appropriate authority granted, it is improper to disclose it, or allow it to be disclosed;
- not to engage in conduct likely to affect the reputation of Consolidated Entity; and
- to comply with the spirit, as well as the letter, of the law and with the principles of this Code.

### **Principle 4 - Safeguard integrity in corporate reporting**

#### **Audit and Risk Committee**

The Board has an Audit and Risk Committee consisting of 2 independent Directors of the Board. At the date of this Corporate Governance Statement, it comprises Christopher Fullerton and John Gaffney.

Details of each member's qualifications and experience is detailed in the 'Directors' Report' section of the Consolidated Entity's annual report.

The Charter of the Committee is available at the Consolidated Entity's website. It provides details in relation to its role, confers on it all necessary powers to perform that role, and explains how the Committee achieves its main objectives, which are to carry out the following functions:

- reporting of financial information to users of financial reports, in particular the quality and reliability of such information;
- assessing the consistency of disclosures in the Financial Statements with other disclosures made by the Consolidated Entity to the financial markets, governmental and other public bodies;
- review and application of accounting policies;
- financial management;
- review of internal and external audit reports to ensure that where weaknesses in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- evaluation of the Consolidated Entity's compliance and risk management structure and procedures, internal controls and ethical standards;
- review of business policies and practices;

- conduct of any investigation relating to financial matters, records or accounts, and reporting those matters to the Board;
- protection of the Consolidated Entity's assets;
- compliance with applicable laws, regulations, standards and best practice guidelines; and
- review of the Consolidated Entity's corporate governance policy.

## **Financial Reporting**

In relation to the Financial Statements for the financial year ended 30 June 2020 and the period ended 31 December 2019, the Consolidated Entity's CEO and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the Consolidated Entity have been properly maintained;
- the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Consolidated Entity; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **External Auditor**

The engagement partner for the Consolidated Entity's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

## **Principle 5 - Make timely balanced disclosure**

Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Consolidated Entity is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the Corporations Act 2001.

The Consolidated Entity maintains a written policy that outlines the responsibilities relating to the Directors officers and employees in complying with the Consolidated Entity's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought internally or from the Consolidated Entity's external counsel.

The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention, if the Chairman is not contactable. The Company Secretary may decide whether an announcement is made, or whether a trading halt is warranted.

Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the Consolidated Entity such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns

an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

No member of the Consolidated Entity shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

## **Principle 6 - Respect the rights of security shareholders**

The Consolidated Entity maintains information in relation to governance documents, Directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Consolidated Entity's website.

In order for the investors to gain a greater understanding of the Consolidated Entity's business, governance practices, financial performance and future prospects, the Consolidated Entity schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media.

Meetings and discussions with analysts must be approved by the CEO and are generally conducted by the CEO/ Managing Director. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information. These meetings are not held within a four week blackout period in advance of the release of interim or full-year results.

### **Shareholder Participation and Correspondence**

The Consolidated Entity encourages shareholders to attend the Consolidated Entity's AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to.

The 2020 Notice of AGM will be provided to all shareholders and made available on the Consolidated Entity's website.

The external auditor is required to attend the AGM of the Consolidated Entity and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Consolidated Entity engages its share registry to manage the majority of communications with shareholders.

Shareholders are encouraged to receive correspondence from the Consolidated Entity electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders.

### **Principle 7 - Recognise and Manage Risk**

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Principle 4 above. The Committee is made up of at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors.

The Charter of the Committee is available at the Consolidated Entity's website. The charter outlines the Committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities. The key aspects of the charter follow.

The Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policy and monitoring corporate activity within the scope of its remit, making recommendations to the Board for resolution, and assisting the Board understand risks which may:

- impede the Consolidated Entity from achieving its goals and objectives;
- impact on the Consolidated Entity's performance;
- affect the health, safety or welfare of employees, visitors and others in relation to the Consolidated Entity's operations;
- threaten compliance with the Consolidated Entity's regulatory and legal obligations;
- impact on the community and the environment in which the Consolidated Entity operates;
- impact on the Consolidated Entity's reputation, or that of its people; and
- result in personal liability for Consolidated Entity officers arising from the Consolidated Entity's operations.

Its responsibilities include review of the following elements:

- Consolidated Entity risk appetite and risk tolerance, as determined by the Board across the Consolidated Entity and within specific operational segments;
- the likelihood of occurrence, severity of impact, and any mitigating measures affecting those risks;
- responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles;
- procedures for periodic and critical reporting of matters to the Board and the risk committee;
- communication of risk management policies and strategies throughout the Consolidated Entity to ensure it is embedded as part of the Consolidated Entity's corporate culture;
- internal communication and control systems to encourage the timely flow of risk-related information to personnel;
- reports from management, external auditors, internal auditors, legal counsel, regulators, and consultants as

appropriate, regarding risks the Consolidated Entity faces and the Consolidated Entity's Management of those risks;

- assessment of the internal processes for determining and managing key risk areas, with particular focus on compliance with laws, regulations, standards and best practice guidelines, important judgments and accounting estimates, litigation and claims, and fraud and theft;
- assessment of effectiveness of the internal controls, risk management and performance management systems after consultation with Management and the internal and external auditors;
- assessment of effectiveness of, and compliance with, the corporate code of ethical conduct and compliance with internal plans, policies and procedures;
- obtaining regular updates from Management and Consolidated Entity lawyers about compliance matters;
- ensuring the chief executive officer (or equivalent) and the chief financial officer (or equivalent) are reasonably able to state that their declarations under section 295A of the Corporations Act 2001 relating to Financial Statements and reports of the Consolidated Entity are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects, in relation to the financial reporting risks;
- how certain risks of the Consolidated Entity have been mitigated by risk transfer strategies;
- the scope, adequacy and cost of the Consolidated Entity's insurance arrangements;
- ensure appropriate corporate governance is in place within the scope of its remit; and
- confirm annually that all responsibilities outlined in this charter have been carried out.

The Audit and Risk Committee reviews the Consolidated Entity's risk management framework at least annually to ensure that it is still suitable to the Consolidated Entity's operations and objectives and that the Consolidated Entity is operating within the risk parameters set by the Board. A review is undertaken for the year ended 30 June 2020.

### **Internal Audit**

The Consolidated Entity's operations do not warrant an internal audit function.

### **External Audit**

The Board and management need to ensure that the statutory auditor is both independent and seen to be independent. The purpose of an independent statutory audit is to provide shareholders and investors with reliable and clear financial reports on which to base investment decisions.

### **Economic, Environmental and Social Sustainability Risks**

The Consolidated Entity has no material exposure to environmental or social sustainability risks.

As the Consolidated Entity's main activity is clinically developing its lead product, it still operates at clinical trial levels. Accordingly, the Board is of the view that the Consolidated Entity, as with other companies at such a stage of development, is subject to exposure for economic sustainability, including the risk that its clinical trials may not be successful or become too expensive to conclude.

The Directors believe that the Consolidated Entity has adequate systems in place to monitor the costs, risks and progress of its trials to manage those economic sustainability risks as they apply to the Consolidated Entity. For further information on the Consolidated Entity's risk management framework, refer to the above Principle 7 responses.

### **Principle 8 - Remunerate fairly and responsibly**

The Board maintains a combined Nomination and Remuneration Committee. The members of the Committee are detailed in the Principle 2 commentary above. The Consolidated Entity complies with the ASX recommendation to have a Nomination and Remuneration Committee with a majority of independent Directors. The independence of the Nomination and Remuneration Committee is subject to continual evaluation.

Details of the qualifications and experience of the members of the Committee are found in the Directors' report within the annual report.

The Remuneration Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

The Charter of the Committee is available at the Consolidated Entity's website. The Committee's charter sets out the roles and responsibilities, composition and structure of the Committee.

In summary, the charter provides for the committee to monitor and advise upon the following matters:

- the Consolidated Entity's remuneration structure including long-term incentives and superannuation arrangements;
- remuneration and incentives of the Board, CEO and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;
- workplace health and safety;
- workplace diversity;
- employee share payment plans;
- recruitment, retention and termination strategies;
- management succession, capability and talent development; and
- the Remuneration Report, contained within the Directors' report.

When considered necessary, the Committee may obtain external advice from independent consultants in determining the Consolidated Entity's remuneration practices including remuneration levels.

Remuneration of Non-Executive Directors is determined in maximum aggregate by the shareholders, and is allocated by the Board on the recommendation of the Remuneration Committee.

Executive Directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long-term objectives. Share options and rights are aligned to longer term performance hurdles. Termination payments are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the Consolidated Entity's remuneration policies are contained in the Remuneration Report, within the Directors' report.

### **Employee Share Plan**

The Consolidated Entity has an employee share plan with accompanying limited recourse loan made available to certain employees. Details of this plan can be found in the Consolidated Entity's annual report.