

# Drawbridge Corporate Governance Policy 2016

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## **Our Approach to Corporate Governance and Corporate Responsibility**

This document outlines the corporate governance policy of Drawbridge Pharmaceuticals Pty Ltd (ACN 154 784 764) (**Drawbridge** or **the Company**).

The Board of Directors of Drawbridge (**Board**) is responsible to Drawbridge shareholders for the strategy and performance of the Company in general. The Board is dedicated to fulfilling these duties in a lawful and professional manner, and with the utmost integrity and objectivity. In pursuit of best practice governance processes, the Board has decided to articulate and formalise the corporate governance framework within which the Company operates with reference to current Australian Securities Exchange (**ASX**) governance standards, applied in a manner which is most suited to a privately held, unlisted company, and to best address the directors' accountability to shareholders and other stakeholders. This is supported by a commitment to the highest standards of legislative compliance and financial and ethical behaviour.

Please read this document in combination with the Board Charter.

The Company continues to address directors' accountability to stakeholders in a manner consistent with the Company's individual circumstances enhanced through the introduction of publicly available policies and procedures which are designed to foster a culture of transparency in the way Drawbridge is directed and managed.

As a measure of its stated commitment to good corporate governance principles, the board will continue to:

- Review and continually improve its governance practices; and
- Monitor developments in best practice corporate governance.

## **Report on Compliance with the ASX Corporate Governance Principles and Recommendations 3rd Edition**

Currently, the ASX Listing Rules require listed companies to issue a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition (**Recommendations**) which took effect for reporting periods commencing on 1 July 2014.

The Company has elected to publish its Statement of Corporate Governance Practices on its website and will annually update this document.

Listed companies must identify the recommendations that have not been followed and provide reasons for the Company's decision. Where a recommendation has been followed for only part of the period the company must state the period during which it had been followed.

As detailed within this Statement of Corporate Governance Practices, Drawbridge considers its governance practices comply with:

- each of the ASX Corporate Governance Principles (**Principles**); and

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### **Statement of Corporate Governance Practices (continued)**

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- the Recommendations, except for those detailed, and for the reasons outlined, in this Report.

For the reasons expressed within this statement, Drawbridge has elected not to adopt Recommendations 1.5, 2.1, 2.2, 2.4, 2.5, 4.1, 4.2., 6.2, 7.1 and 8.1. Drawbridge is an unlisted, privately held company and accordingly the Directors consider that many of the corporate governance guidelines intended to apply to large listed companies are not practical.

This statement outlines the:

- principles and Recommendations identified by the ASX as underlying good corporate governance; and
- main corporate governance practices of Drawbridge during the financial year, except where stated otherwise.

#### **Principle 1: Lay solid foundations for management and oversight.**

**Companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.**

#### **Recommendation 1.1:**

**The Company should disclose:**

- the respective roles and responsibilities of the board and management; and**
- those matters expressly reserved to the board and those delegated to management.**

#### **Formalisation of board and management functions**

The board has formalised its roles and responsibilities into a Board Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary the responsibilities of the Drawbridge Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- appointing, removing and controlling the Chief Executive Officer;
- ratifying the appointment and where appropriate the removal of the Chief Financial Officer and/or Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

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### Statement of Corporate Governance Practices (continued)

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The Board has delegated responsibility to the Chief Executive Officer for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and shareholders fully informed about material risks;
- developing Drawbridge's annual budget, recommending it to the board for approval and managing day to day operations within the budget;
- managing day to day operations in accordance with standards for social and ethical practices which have been set by the board; and
- approval of capital expenditure and business transactions within predetermined limits set by the board.

#### **Recommendation 1.2:**

- The Company should undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director; and**
- provide all material information in its possession relevant to enabling security holders to make an informed decision on whether or not to elect or re-elect a director.**

#### **Director's appointment**

Drawbridge performs appropriate checks of any person to be appointed a director, either by the board or nominated by Security Holders. These checks are undertaken in accordance with the recommended procedures set out in Australian Standard AS 4811-2006 Employment Screening.

A nominated person is required to disclose to the board any information sought regarding their overall character and ability to fulfil his or her responsibilities as a Director.

Where a candidate is standing for election or re-election as a Director, the Company will provide information regarding their biographical details, relevant qualifications, experience and skills they bring to the board together with details of any other material directorships currently held. If standing for the first time the Company will also advise if there were any material adverse information revealed by the checks the Company has performed about the candidate together with any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company and its security holders generally; and a statement to the effect that if the board considers that the candidate will, if elected, qualify as an independent director. Where a candidate seeks election or re-election the board will issue a statement as to whether it supports the election or re-election of the candidate.

#### **Procedure for selection and appointment of new directors**

The process for appointing a director with Drawbridge is that, when a vacancy exists, the board identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next annual general meeting following the appointment.

Consistent with current law there is no retirement age for directors fixed by the *Corporations Act 2001 (Cth)*, ASX Listing Rules, although a person of or over the age of seventy-five (75) years of age may not be appointed or re-appointed as a director except pursuant to a resolution of the Company in accordance with the Company's Constitution.

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### **Statement of Corporate Governance Practices (continued)**

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The process for re-election of a director is in accordance with the Company's Constitution, which requires that each year, at least one-third of the non-executive directors retire from office at the Annual General Meeting. The retiring directors may be eligible for re-election.

#### **Recommendation 1.3:**

**Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.**

#### **Agreements with Directors and senior executives**

Drawbridge ensures that all Directors and senior executives enter into written agreements setting out the terms of their appointment to ensure that they have a clear understanding of their roles and responsibilities and of the Company's expectations of them.

#### **Recommendation 1.4:**

**The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

#### **Company Secretary**

Due to the size of the organisation the tasks of the Company Secretary are performed by the Chief Financial Officer. The Company Secretary advises the board on all governance matters, ensures board policies and procedures are followed, despatches timely board papers, accurately records the minutes of meetings and assists in the induction and professional development of directors. The appointment or removal of the Company Secretary is a matter for the board.

#### **Recommendation 1.5:**

##### **The Company should:**

- have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the Company's diversity policy and its progress towards achieving them;**
- disclose that policy or a summary of it; and**
- disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or the relevant committee of the board in accordance with the Company's diversity policy and its progress towards achieving them and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.**

#### **Diversity**

The board recognises the benefits of achieving an appropriate mix of diversity on its board and throughout the Company as a means of enhancing the Company's performance and organisational capabilities. However, at this stage of development of the Company, the board has elected not to establish a formal diversity policy due to limited number of personnel employed by the Company and the nature of its current activities.

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### **Statement of Corporate Governance Practices (continued)**

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#### **Measurement of diversity objectives**

Drawbridge aims to achieve an appropriate mix of diversity on its board, in senior management and throughout the organisation. The Drawbridge board has determined that no specific measurable objectives will be established until the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.

#### **Women in senior executive positions**

Drawbridge has three directors, two of which are male. The Company Secretary/Chief Financial Officer is also male. Both the Company's Director of Regulatory Affairs and its Chief Product Officer are female.

#### **Recommendation 1.6:**

##### **The Company should:**

- have and disclose the process for periodically evaluating the performance of the board, its committees and individual directors; and**
- disclose, in respect of each reporting period whether a performance evaluation was undertaken.**

#### **Board Performance Evaluation**

The board has adopted an on-going, self-evaluation process to measure its own performance, that of individual directors and the performance of its committee functions during the reporting period.

The Chairman meets periodically with the individual directors to discuss the performance of the board and the director. The Chairman's performance is also formally evaluated by the board. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the board endorsing their candidature.

The review process involves consideration of all of the board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

A performance evaluation for the board, its committee functions and directors including the Chairman takes place during each annual reporting period in accordance with the process detailed within this statement.

The outcomes of the self-assessment program are used to enhance the effectiveness of individual directors and the board collectively.

#### **Principle 2: Structure the board to add value.**

**Companies should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.**

#### **Recommendation 2.1:**

##### **The board should have a nomination committee and structure that committee so that it:**

- has at least three (3) members and consists of a majority of independent directors; and**
- is chaired by an independent chair, who is not chair of the board;**

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### **Statement of Corporate Governance Practices (continued)**

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and disclose:

- the nomination committee charter;
- the members of the committee;
- at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;

Alternatively, if there is no nomination committee disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to effectively discharge its duties and responsibilities effectively.

#### **Establishment of nomination committee**

Drawbridge has elected not to adopt Recommendation 2.1 as it considers that its existing selection and appointment practices, detailed within this Statement, are an efficient means of meeting the needs of the Company by reference to the size of its operations, board structure and management composition, particularly having regard to the fact that Drawbridge is a relatively small privately held and unlisted company by comparison to larger listed entities.

The Drawbridge board currently consists of three (3) members. It is considered further division of the board for the purposes of establishing a formal committee structure would not achieve enhanced efficiency or enable the board to add greater value to this process.

The small size of the Drawbridge board, and the nature of its business, means that Drawbridge has the present capacity to consider its directors' competencies, selection and nomination practices in the context of duly constituted meetings of the board and as a part of its self-evaluation processes.

#### **Recommendation 2.2:**

**The board should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve.**

#### **Skills matrix**

Drawbridge has identified the skills and competency of each board member.

Drawbridge has elected not to adopt Recommendation 2.2 as it considers that its current practices of identifying skills and competency are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Drawbridge is a relatively small privately held and unlisted company by comparison to large listed entities, which is reflected by the size of Drawbridge's operations, board structure and composition.

#### **Recommendation 2.3:**

**The Company should disclose:**

- the names of the directors considered by the board to be independent directors.
- if a director has an interest, position, association or relationship which may influence or cast doubts about his or her independence, but the board is of the opinion that it does not compromise the independence of the director, the Company should disclose the nature of the interest, position, association or relationship in question and the explanation of why the board is of that opinion; and
- the length of service of each director.

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### **Statement of Corporate Governance Practices (continued)**

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#### **Independence**

A Drawbridge director will be considered independent where he or she is:

- independent of management, that is a non-executive director; and
- free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is assessed on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The Drawbridge board has made its own assessment to determine the independence of each director on the board.

In view of the size of the Company and the nature of its activities, the board considers that the current mix of skills, experience, qualifications and experience on the board is consistent with the long term interests of the Company. The board will continue to monitor the requirements for independent directors in the context of the Company's communicated long term objectives.

The board has based upon its overall assessment of the factors facing the Company elected not to adopt Recommendation 2.4 until it is practical to do so and will continue to monitor the requirements of this recommendation.

The board has established criteria for assessing the independence of its directors.

#### **Recommendation 2.4:**

**The majority of the board should be independent directors.**

#### **Composition of the board**

The Drawbridge board currently comprises three (3) directors, two (2) of whom are deemed not to be independent by virtue that combined those two directors either directly or indirectly have control or influence of in excess of 50% of the voting rights in respect of issued securities.

The desirable composition of the board is based on the following factors:

- the Company's constitution provides for the number of directors to be not less than three (3) and not more than seven (7) as determined by directors from time to time;
- the board is cognisant that the position of Chairman should where possible be held by a non-executive director.
- Consistent with the Company's objective that the board should encompass a broad range of relevant expertise, the present board consists of directors with a collective of diverse skills, qualifications and experience.
- The board considers that the individual Directors make highly-skilled decisions in the best interests of Drawbridge, despite the board not being all independent directors.

There is no shareholding requirement imposed upon directors under the Company's Constitution; however all of the directors of Drawbridge hold shares either directly or indirectly in the Company.

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### **Statement of Corporate Governance Practices (continued)**

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#### **Recommendation 2.5:**

**The chair should be an independent director.**

#### **Chairman**

The chairman is selected by the board.

The current Chairman, Professor Colin Goodchild, is a co-founder of the Company and was appointed as a director when it was incorporated.

The board has considered:

- whether it would be beneficial to appoint a lead independent director;
- other positions held by the existing chair and the other non-executive director and the available time of each director; and
- the skills and qualifications and experience of the existing directors and based on its overall assessment of these factors it has elected not to adopt Recommendation 2.5 to appoint an independent chair.

The board will continue to assess the requirements of this recommendation in the context of the Company's individual circumstances and its communicated long term objectives.

#### **Separation of roles of Chair and CEO**

The roles of Chairman and CEO are separate in accordance with this Recommendation. The role of CEO will be held by an appointee who has agreed to join the company once series A capital is raised. Prior to May 2016, the CEO role was held by Dr Anthony Fillipis.

#### **Recommendation 2.6:**

**An entity should have a program for the induction of new directors and provide appropriate professional development opportunities to all board members in order to develop and maintain the skills and knowledge needed to effectively perform their duties as a director.**

#### **Induction program**

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in board decision making at the earliest opportunity.

All directors are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the board. This program consists of written background material on the Company, its products, services and operations, scheduled meetings with the Chairman, Board members and CEO of the Company.

#### **Director education**

The board encourages directors to continue their education by participating in applicable workshops and seminars and attending site visits and undertaking relevant external education.

The Company Secretary provided directors with on-going information on matters such as corporate governance, the Company's constitution and the law.

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### **Statement of Corporate Governance Practices (continued)**

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#### **Board briefings and agendas**

Board agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the board is addressed.

Prior to each meeting, Directors receive financial, operational and strategy reports from senior management who are available to discuss reports with the board.

#### **Access to information**

All directors have access to company records and information, and receive regular detailed financial and operational reports from senior management.

The Company Secretary is available to all Directors and may be consulted on on-going issues of corporate governance, the Drawbridge constitution and the law. In addition the Chairman and other non-executive Directors consult with each other and the Chief Financial Officer, and may confer and request additional information from any Drawbridge employee or consultant. Management are available to discuss reports, and any issue arising, with the board as required.

#### **Term of office, skills, experience and expertise of each director**

The qualifications, experience and expertise of the directors, and the respective terms of office held by individual directors, are set out on the Company website or in their respective agreements with the Company, as applicable.

#### **Independent professional advice**

Drawbridge has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of Drawbridge, to assist them to carry out their duties as directors. The policy of Drawbridge provides that any such advice is made available to all directors.

#### **Principle 3: Promote ethical and responsible decision-making**

**The entity should act ethically and responsibly.**

##### **Recommendation 3.1:**

**The Company should:**

- establish a code of conduct for its directors, senior executives and employee; and**
- disclose that code or a summary of it.**

#### **Code of conduct**

Drawbridge is committed to the operation of its business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of the Company and the industry in which it operates.

The board has approved a *Code of Conduct* which applies to all directors, executives, management and employees without exception.

The Code of Conduct is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all Drawbridge directors, executives, management and employees in the context of their respective roles and the performance of their duties with Drawbridge.

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### **Statement of Corporate Governance Practices (continued)**

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- directors, executives, management and employees are aware of their responsibilities to Drawbridge under the terms of their appointment or contract of employment; and
- all of the stakeholders of the Company can be guided by the stated values and policies of Drawbridge.

In summary, the Code provides that all directors and senior executives must:

- act honestly, in good faith and in the best interests of the company;
- use due care, skill and diligence in fulfilling their duties;
- use the power of their position for a proper purpose, in the interest of the company;
- not make improper use of information acquired by virtue of their position;
- not allow personal interest, or those of associates, to conflict with the interest of the company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the company.

#### **Principle 4: Safeguard integrity of financial reporting.**

**Entities should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.**

##### **Recommendation 4.1:**

**The board should have an audit committee and structure that committee so that it:**

- has at least three (3) members and consists of a majority of independent directors; and**
- is chaired by an independent chair, who is not chair of the board;**

**and disclose:**

- the audit committee charter;**
- the members of the committee and their experience and qualifications;**
- at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

**Alternatively, if there is no audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

#### **Establishment of audit committee**

Drawbridge has elected not to adopt Recommendation 4.1 as it considers that its existing practices, detailed within this Statement, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Drawbridge is a relatively small privately held and unlisted company by comparison to large listed entities, which is reflected by the size of its operations, board structure and composition.

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### **Statement of Corporate Governance Practices (continued)**

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The Drawbridge board currently consists of three (3) members. It is considered further division of the board for the purposes of establishing a formal audit committee structure would not achieve enhanced efficiency or enable the board to add greater value to this process.

The board considers that the technical skills, qualifications and experience represented by the involvement of members Prof. C Goodchild, Dr. J Goodchild and Dr David Page are most suited to the effective discharge of these responsibilities.

This approach, which is more suitable for the size of the company, results in the Company not meeting the strict interpretation of the recommendations set out in Principal 4.

The board, will, however, continue to monitor the requirements of this recommendation in the context of the Company's prevailing position and circumstances.

#### **Audit committee – terms of reference**

Notwithstanding, the Drawbridge Audit Committee role and responsibilities, composition, structure and membership requirements are detailed in a formalised charter comprising the Audit Committee – Terms of Reference.

Reflecting the relative small size of the Company, the full board remain responsible for:

- review the annual and half year financial reporting carried out by Drawbridge;
- review the accounting policies of Drawbridge;
- review the scope and audit programmes of the internal and external auditors and any material issues arising from these audits;
- oversee the independence of external auditors and determining procedures for the rotation of audit partners; and
- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to Drawbridge; and
- the effectiveness of the group's risk management systems and strategies.

#### **Meetings**

The audit committee meetings are incorporated into normal board meetings.

#### **Reporting**

The board Members converse as and when required on matters relevant to the audit function.

#### **Engagement and rotation of external auditor**

The board is responsible for nominating the external auditor. If the board recommends a change in external auditor, the board's nomination of external auditors requires Security holder approval. The board approves the compensation of the external auditor.

The board meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on scope, quality and independence of the audit.

It has been determined by the board that the external auditor will not provide services to the Company where the auditor would:

- have a mutual or conflicting interest with the Company;

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### Statement of Corporate Governance Practices (continued)

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- be in a position where they audit their own work;
- function as management of the Company; or
- have their independence impaired or perceived to be impaired in any way.

Specifically, the external auditor will not normally provide the following types of services to the Company:

- bookkeeping or other services relating to the accounting records of the Group;
- financial information or information technology systems design or implementation;
- appraisal and valuation services, fairness opinions or contributions in kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource services, including recruitment of senior management;
- broker or dealer services, investment advisor, corporate finance or investment banking services; and
- legal and litigation support services.

Procedures are in place governing approval of any non audit work before the commencement of any engagement.

The board has elected to adopt a policy which is consistent with the primary and secondary rotation obligations regarding auditors such that:

- the lead or review audit partner's responsibilities may not be performed by the same person for longer than five (5) consecutive years ("primary rotation obligation"); and
- the lead or review audit partner's responsibilities may not be performed by the same person for more than five (5) out of seven (7) consecutive years ("secondary rotation obligation").

In addition, the board requires a minimum of two (2) consecutive years "cooling off" period before an auditor undergoing rotation can return to playing a significant role in the audit of the Company.

The lead signing and review External Audit Partner attend that part of board meetings pertaining to audit matters by standing invitation.

#### **Number of meetings and names of attendees**

Due to the audit committee function being undertaken by the board no separate meetings were held.

#### **Recommendation 4.2:**

**The board should, before it, approves the entity's financial statements receive from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) a declaration that the financial records of the entity have been properly maintained and such declaration be provided in accordance with Section 295A of the Corporations Act and the declaration is 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 financial reporting risks.**

#### **CEO and CFO assurance**

Drawbridge has elected not to adopt Recommendation 4.2 as it considers that its existing arrangements are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Drawbridge is a relatively small privately held and unlisted company by

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comparison to large listed entities, which is reflected by the size of its operations, board structure and composition.

Once the Series A capital raise is committed, Drawbridge will ensure that the Chief Executive Officer and the Chief Financial Officer of Drawbridge report in writing to the board that:

- consolidated financial statements of Drawbridge and its controlled entities for each half year and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards; and
- declarations provided in accordance with Section 295A of the Corporations Act 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 financial reporting risks.

Upon completion of the Series A capital raise, the board will resolve to receive assurance from the Chief Executive Officer and the Chief Financial Officer equivalent under Recommendation 4.2 in respect of each financial year. This assurance is provided in accordance with the process outlined in this Statement.

#### **Recommendation 4.3:**

**The Company should ensure that its external auditor attends its AGM and is available to answer questions from security holders pertaining to the audit.**

#### **External auditor attendance at AGM**

Drawbridge will ensure that the lead audit partner or his representative shall attend the AGM in order to be available to answer questions from security holders pertaining to the audit.

#### **Principle 5: Make timely and balanced disclosure**

**Entities should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.**

#### **Recommendation 5.1:**

**Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.**

The Drawbridge board is committed to keeping its shareholders fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price, or value of the Drawbridge securities and to ensure those matters are notified to shareholders in a manner consistent with ASX disclosure requirements.

Senior management and the board are responsible for scrutinising events and information to determine whether the disclosure of the information would be required of a company listed on the ASX and to exercise its discretion accordingly.

The Chairman and CEO are responsible for all external communications.

#### **Principle 6: Respect the rights of shareholders**

**The entity should respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.**

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### **Statement of Corporate Governance Practices (continued)**

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#### **Recommendation 6.1:**

**The Company should provide information about itself and its governance to investors via its website.**

#### **Shareholder communication policy**

Drawbridge recognises the rights of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the Company.

Drawbridge is committed to:

- dealing fairly, transparently and openly with both current and prospective security holders;
- the use of available channels and cost effective technologies to reach security holders who may be geographically dispersed and in order to communicate with all security holders; and
- facilitating participation in Security holder meetings and dealing promptly with Security holder enquiries.

Drawbridge communicates information to security holders through:

- communications from the Chairman or Chief Executive Officer to inform shareholders of key matters of interest; and
- the Company's website on the internet at <http://drawbridge.com.au>
- notices and explanatory memorandum of annual general meetings and general meetings.

#### **Recommendation 6.2:**

**The Company should design and implement an investor relations program to facilitate effective two-way communication with investors.**

#### **Investor relations program**

As a small, unlisted, privately held company, Drawbridge currently does not have the resources or need for a dedicated investor relations employee or consultant. Security holders are given the opportunity to meet management immediately following general meetings. In addition management will respond to meeting or information requests by security holders in a timely manner.

#### **Recommendation 6.3:**

**The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meeting of security holders.**

#### **Participation at meetings of shareholders**

The Board encourages active participation by security holders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of Drawbridge's strategy, performance and goals.

Consistent with best practice, important issues are presented to security holders as single resolutions expressed in plain, unambiguous language. Proceedings are held in a locality, and at a readily accessible venue, conducive to maximising the number of security holders present, and able to participate, at the meeting. Security holders are provided with opportunities of asking the board questions regarding the management of the Company.

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### **Statement of Corporate Governance Practices (continued)**

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#### **Principle 7: Recognise and manage risk.**

**Companies should establish a sound risk management framework and periodically review the effectiveness of that framework.**

#### **Recommendation 7.1:**

**The board should have a risk committee and structure that committee so that it:**

- has at least three (3) members and consists of a majority of independent directors; and**
- is chaired by an independent chair, who is not chair of the board;**

**and disclose:**

- the risk committee charter;**
- the members of the committee;**
- at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

**Alternatively, if there is no risk committee or the committee does not satisfy the recommend structure, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

#### **Risk committee**

Drawbridge has elected not to adopt Recommendation 7.1 as it considers that its existing practices, detailed within this Statement, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Drawbridge is a relatively small, privately held and unlisted company by comparison to large listed entities, which is reflected by the size of its operations, Board structure and composition.

The Drawbridge Board currently consists of three (3) members. It is considered further division of the board for the purposes of establishing a formal audit committee structure would not achieve enhanced efficiency or enable the board to add greater value to this process.

The board considers that the technical skills, qualifications and experience represented by the involvement of members, Prof. C Goodchild, Dr. J Goodchild and Dr David Page are most suited to the effective discharge of these responsibilities.

The Board, will, however, continue to monitor the requirements of this recommendation in the context of the Company's prevailing position and circumstances.

#### **Recommendation 7.2:**

**The board should:**

- review the risk management framework at least annually to satisfy itself that it continues to be sound; and**
- disclose, in relation to each reporting period, whether a review has taken place.**

#### **Oversight and management of material business risks**

The Board of Drawbridge:

## Drawbridge Pharmaceuticals Pty Ltd

### Statement of Corporate Governance Practices (continued)

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- recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of Drawbridge;
- is responsible for the oversight of the Company's risk management and control framework including the development of risk profiles as part of the overall business and strategic planning process including budgeting, decision making (e.g. investment appraisal), monitoring and reporting, project management and internal controls; and
- has implemented a policy framework designed to ensure that the Company's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an ongoing basis, and that adequate controls are in place and functioning effectively.

The Drawbridge risk management and control policy framework incorporates the maintenance of appropriate policies, procedures and guidelines which address the Company's unique operating environment and is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its business.

The Chief Executive Officer has ultimate responsibility for the control and management of operational risk and the implementation of avoidance or mitigation measures and may delegate control of these risks to the appropriate level of management.

The Chief Executive Officer's approach to management of risk as part of key business processes includes consideration, identifying, managing and monitoring uncertainties and vulnerabilities that might impact on the achievement of our corporate goals and reputation.

#### **Recommendation 7.3:**

##### **The Company should disclose:**

- **if it has an internal audit function, how that function is structured and what role it performs; or**
- **if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

#### **Internal audit function and review of risk management framework**

Drawbridge is a relatively small, privately held, unlisted listed company by comparison to large listed entities, which is reflected by the size of its operations, board structure and composition. As such it is not practical to have an internal audit function.

The board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The board also receives and reviews advice from its CEO and CFO on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Management reports to the board on the effectiveness of the Company's management of its material business risks in respect of each financial year. This report was undertaken in accordance with the process outlined in this Statement.

#### **Recommendation 7.4:**

**The company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

## **Drawbridge Pharmaceuticals Pty Ltd**

### **Statement of Corporate Governance Practices (continued)**

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Drawbridge is cognisant that the business community should address matters of economic, environmental and social sustainability and the need to be transparent on these matters to enable investors to properly assess investment risk.

Drawbridge is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board structure and composition. Given its size the Company considers that it does not have exposure to economic, environmental or social sustainability risks.

#### **Principle 8: Remunerate fairly and responsibly.**

**An entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders**

#### **Recommendation 8.1:**

**The board should establish a remuneration committee.**

**The remuneration committee should be structured so that it:**

- has at least three (3) members and consists of a majority of independent directors;**
- and**
- is chaired by an independent chair, who is not chair of the board;**

**and disclose:**

- the remuneration committee charter;**
- the members of the committee;**
- at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

**Alternatively, if there is no remuneration committee or the committee does not satisfy the recommend structure, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

#### **Establishment of remuneration committee**

Given the nature and size of the Company's operations, the board has decided against the use of a separate remuneration committee in accordance with Recommendation 8.1. This function is undertaken by the full Board.

The Drawbridge board currently consists of three (3) members. It is considered that further division of the board for the purpose of convening formal remuneration committee meetings would not achieve enhanced efficiency or enable the board to add greater value to this process.

The small size of the Drawbridge Board, the nature of its business and its management structure, means that Drawbridge has the present capacity of giving due consideration to the overall remuneration policies and strategies and strategies of the Company during the conduct of its regular board meetings and by appropriate recourse to relevant market data and, where applicable, to external executive remuneration consultants.

## **Drawbridge Pharmaceuticals Pty Ltd**

### **Statement of Corporate Governance Practices (continued)**

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#### **Recommendation 8.2:**

**An entity should separately disclose its policies and practices regarding the remuneration of non-executive directors' and the remuneration of executive directors and other senior executives.**

#### **Executive director and non-executive director remuneration**

The aggregate remuneration of non-executive directors is approved by security holders.

Individual directors' remuneration is determined by the board within the approved aggregate total. In determining the appropriate level of director's fees, data from surveys undertaken of other companies similar in size or market section to Drawbridge is taken into account.

Non-executive directors of Drawbridge are:

- not entitled to participate in performance based remuneration practices unless approved by security holders.
- currently remunerated by means of the payment of cash benefits in the form of directors' fees or alternatively by issue of securities in lieu of cash benefits provided it is approved by security holders.

Drawbridge does not currently have in place a retirement benefit scheme or allowance for its non-executive directors, except for the payment of superannuation currently equal to nine and one half per cent (9.5%) as required by law.

A review of the compensation arrangements for the Chief Executive Officer and Senior Executives is currently conducted by the full board at a duly constituted Directors' Meeting. The review is performed annually and is based upon criteria including individual performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of Drawbridge is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard to enable the organisation to succeed.

At the 2016 Annual General Meeting security holders approved the establishment of a new directors and executives share plan known as the Drawbridge ESOP (**ESOP**) which provides the Board with the discretion to grant options to eligible Directors, executives and consultants for the purpose of acquiring options and shares pursuant to the plan rules.

The Board ensures that the payment of equity based executive remuneration is made in accordance with thresholds established by ESOP and exercises its discretion under the scheme in a manner consistent with the broad remuneration policy objectives of the Company.

Drawbridge is committed to making timely disclosure of all relevant information relating to its remuneration practices and policies.

#### **Policy disclosure**

The Company's policies relating to the remuneration of Directors and Senior Executives and the level of their remuneration are detailed annually in the Directors' Report contained within the Annual Report and Notes to and forming part of the Financial Statements.

#### **Recommendation 8.3:**

**An entity which has an equity-based remuneration scheme should:**

**Drawbridge Pharmaceuticals Pty Ltd**  
**Statement of Corporate Governance Practices (continued)**

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- **have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- **disclose that policy or a summary of it.**

**Remuneration scheme**

The Drawbridge ESOP provides the Board with the discretion to grant options to eligible Directors, executives and consultants for the purpose of acquiring options and shares pursuant to the plan rules.

The Board ensures that the payment of equity based executive remuneration is made in accordance with thresholds established by ESOP and exercises its discretion under the scheme in a manner consistent with the broad remuneration policy objectives of the Company.

In the event that the Company lists on the ASX in the future, the Board will ensure that the ESOP meets the requirements of Section 206J of the Corporations Act which is relevant to listed entities.