

Corporate Governance Statement

Imugene Limited (referred to hereafter as the group) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the group has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the group's corporate governance practices follow a recommendation, the board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the group's corporate governance practices depart from a recommendation, the board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Additional information about the group's corporate governance practices is set out on the group's website at www.imugene.com.

The group has adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The corporate governance statement for the financial year ended 30 June 2019 was approved by the board on 30 August 2019.

Principle 1: Lay solid foundations for management and oversight

Role of the board and executive management

The group has established the functions reserved to the board, and those delegated to senior executives and has set out these functions in its board charter.

The board is collectively responsible for promoting the success of the group through its key functions of overseeing the management of the group, providing overall corporate governance of the group, monitoring the financial performance of the group, engaging appropriate management commensurate with the group's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting in implementing the running of the general operations and financial business of the group, in accordance with the delegated authority of the board. Senior executives are responsible for reporting all matters which fall within the group's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

The group's board charter is available on its website.

Board appointments

The group undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The group provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the board supports the appointment or re-election. The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

Company secretary

The company secretary is accountable directly to the board, through the Chairman, on all matters to do with the proper functioning of the board, including agendas, board papers and minutes, advising the board and its committees (as applicable) on governance matters, monitoring that the board and committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Principle 1: Lay solid foundations for management and oversight (continued)

Diversity

The group values the differences between its personnel and the valuable contribution that these differences can make to the group.

The group is an equal opportunity employer and aims to recruit staff from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience. Executive and board positions are filled by the best candidates available without discrimination.

The board believes that multicultural diversity and other diversity factors are equally important as gender diversity within the organisation. The board has not set any measurable objectives with regard to gender diversity as the board is currently satisfied with the level of diversity within the group.

As the group grows and requires the services of more permanent staff, the group does intend to recruit personnel at all levels from a diverse pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.

The following table demonstrates the group's gender diversity as at the date of this report:

	Number of males	Number of females
Directors	4	2
Key management personnel	2	0
Other employees/consultants	1	1

Board performance review

The board considers the ongoing development and improvement of its own performance, the performance of individual directors and board committees as critical to effective governance.

The board has adopted an informal self-evaluation process to measure its own performance. The performance of the board and individual directors is reviewed at least every year by the board as a whole. This process includes a review in relation to the composition and skills mix of the directors of the group. Performance reviews involve analysis based on key performance indicators aligned with the financial and non-financial objectives of the group. A performance review in accordance with the processes disclosed occurred during financial year ended 30 June 2019.

Performance review of KMP

On at least an annual basis, the board conducts a formal performance review of the Chief Executive Officer or equivalent and any other key management personnel (KMP). The board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP. A performance review of KMP occurred during the financial year ended 30 June 2019 in accordance with this process.

Independent advice

To assist directors with independent judgement, it is the board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the group will pay the reasonable expenses associated with obtaining such advice.

Principle 2: Structure the board to add value

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the group website. The charter details the board's composition and responsibilities.

Skills, experience, expertise of each director

A profile of each director containing their skills, experience and expertise is set out in the directors' report along with the term of office held by each of the directors.

Principle 2: Structure the board to add value (continued)

Directors' independence

The board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Corporate Governance Principles and Recommendations.

The board consists of a majority of independent directors. Four of six current directors (Mr Charles Walker, Dr Axel Hoos, Dr Lesley Russell and Dr Jens Eckstein) are considered to be independent.

The group's Executive Chairman, Mr Paul Hopper, is not an independent director. At this critical stage of the group's development, the board believes it is important to have the Chairman engaged in the management of the group as an Executive Director. In situations that present a possible conflict of interest to the Chairman, the lead independent director will act as Chair.

The role of the Executive Chairman and the CEO are not exercised by the same individual.

Nomination of directors

The responsibilities of the remuneration and nomination committee include considering board succession issues and reviewing board composition to assist in ensuring the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

Induction of new directors and ongoing development

New directors are issued with a formal letter of appointment that sets out the key terms and conditions of their appointment, including director's duties, rights and responsibilities, the time commitment envisaged, and the board's expectations regarding involvement with any committee work.

A new director induction program is in place and directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The group has established a code of conduct as to the practices necessary to maintain confidence in the group's integrity, the practices necessary to consider its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The group's code of conduct is available on its website.

Policy for trading in company securities

The group has established a policy concerning trading in the group's securities by directors, senior executives and employees, and their "connected persons" (which includes spouses and controlled entities).

A copy of the group's *policy for trading in company securities* can be found on the group's website.

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

The board has established an audit and risk committee (audit committee), which consists of three board members and is chaired by non-executive director, Mr Charles Walker who is an independent director. Committee members Dr Axel Hoos and Dr Jens Eckstein are non-executive and independent directors as at 30 June 2019.

The board has adopted an audit committee charter, which describes the role, composition, operations and responsibilities of the audit committee. The audit committee as at 30 June 2019 is made up of all non-executive and independent directors.

The group's audit committee charter is available on its website.

Principle 4: Safeguard integrity in financial reporting (continued)

CEO and CFO declarations

The CEO and CFO have provided the board with a declaration that, in their opinion, the financial records of the group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External auditors

The board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the audit committee. Candidates for the position of external auditor must demonstrate complete independence from the group through the engagement period. The board may otherwise select an external auditor based on criteria relevant to the group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the audit committee and any recommendations are made to the board.

The group's external auditor attends each annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

Prior approval of the board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

Principle 5: Make timely and balanced disclosures

The group has established written policies and procedures designed to ensure compliance with ASX Listing Rule requirements and accountability at a senior executive level for that compliance.

The group has a disclosure policy which outlines the disclosure obligations of the group as required under the *ASX Listing Rules and Corporations Act 2001*. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which group securities are traded.

The company secretary has been nominated as the person responsible for communicating with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The information disclosed will be factual and presented in a clear and balanced way. The group has prepared and issued to all senior staff a written policy document on this matter and requires strict adherence to this policy.

The group's policy on continuous disclosure and a summary of the group's compliance procedures are available on its website.

Principle 6: Respect the rights of shareholders

The group is committed to providing current and relevant information to its shareholders.

The group respects the rights of its shareholders and to facilitate the effective exercise of those rights the group is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the group website, information mailed to shareholders and the general meetings of the group;
- giving shareholders ready access to clear and understandable information about the group; and
- making it easy for shareholders to participate in general meetings of the group.

The group also makes available a telephone number and email address for shareholders to make enquiries of the group. These contact details are available on the "contact us" page of the group's website.

Shareholders may elect to, and are encouraged to, receive communications from the group and its securities registry electronically.

The group maintains information in relation to its corporate governance documents, directors and senior executives, board and committee charters and annual reports on the group's website.

Principle 7: Recognise and manage risk

The board recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

The board has adopted a risk management policy which sets out the group's risk management frame. Under the policy, the board is responsible for approving the group's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. The group does not have an internal audit function.

The group's risk management policy is periodically reviewed and updated. A review of the group's risk management framework was conducted by the board during the financial year ended 30 June 2019.

Under the policy, the board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the group's material business risks to reflect any material changes, with the approval of the board.

The group also faces risks inherent to its business, including economic risks, which may materially impact the group's ability to create or preserve value for security holders over the short, medium or long term. The group has in place policies and procedures, including a risk management framework (as described in the group's risk management policy), which is developed and updated to help manage these risks. The board does not consider that the group currently has any material exposure to environmental or social sustainability risks.

In addition, the following risk management measures have been adopted by the board to manage the group's material business risks:

- the board has established financial control procedures to manage expenditure commitments and approval of payments for both capital and operational expenditure;
- preparation and approval of an annual budget;
- the board has adopted a compliance procedure for the purpose of ensuring compliance with the group's continuous disclosure obligations; and
- the board has adopted a corporate governance manual which contains other policies to assist the group to establish and maintain its governance practices.

The group has in place a formal system of managing its material business risks. This system includes a risk matrix, which is prepared by management to identify the group's material business risks and risk management strategies for these risks.

The risk matrix is reviewed and updated as required. Management reports to the board on the group's management of its material business risks at each board meeting. During the financial year ended 30 June 2019, management has reported to the board as to the effectiveness of the group's management of its material business risks.

The categories of risk identified as part of the group's risk management system:

- Financial reporting;
- Operational;
- Technological;
- Reputation, and
- Legal and compliance.

The group's risk management policy is available on its website.

The group also manages ongoing risk through the audit committee. The functions and responsibilities of that committee are outlined earlier in this section of the report and are set out in audit committee charter which is available on the group's website.

Principle 8: Remunerate fairly and responsibly

The board has established a remuneration and nomination committee which consists of three board members and is chaired by independent director, Dr Axel Hoos. The committee does consist of a majority of independent directors with three of three members being independent as at 30 June 2019. The remuneration and nomination committee charter describes the role, composition, operations and responsibilities of the remuneration and nomination committee.

The board deals with any conflicts of interest that may occur when convening in the capacity of the remuneration and nomination committee by ensuring that the director with the conflict of interest is not party to the relevant discussion.

Principle 8: Remunerate fairly and responsibly (continued)

Details of remuneration, including the group's policy on remuneration, are contained in the remuneration report which forms part of the directors' report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and may include performance incentives. Long-term performance incentives may include options and/or shares granted at the discretion of the board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than superannuation).

Participants in an equity-based remuneration scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the group's securities to any other person.

There was one formal remuneration and nomination committee meeting held during the financial year ended 30 June 2019. The board in its capacity as the remuneration and nomination committee also addresses remuneration and nomination matters as an agenda item at each board meeting. The group's remuneration and nomination committee charter is available on its website.