

PALLA PHARMA LIMITED
2020 Corporate Governance Statement

The Board of Directors (**Board**) of Palla Pharma Limited (**Palla** or the **Company**) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board supports the core corporate governance recommendations set by the ASX Corporate Governance Council as set out in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (4th Edition)* (**Recommendations**). The Company's corporate governance framework is designed to comply with the Council's principles whilst being relevant, efficient and cost effective for the current stage of the Company's development. The Board will continue its ongoing review process to ensure that the model is relevant, efficient and cost effective to the Company and its shareholders. In particular the Company is in the process of reviewing its corporate governance framework in light of changes reflected in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (4th Edition)*.

This Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the Recommendations during the 2020 financial year. Palla's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Principles and Recommendations (4th Edition). This Corporate Governance Statement is current as at its date of lodgement with ASX.

ASX Recommendation	Compliance (Yes/No)	Explanation
Principle 1: Lay solid foundations for management and oversight A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.		
Recommendation 1.1: A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Yes	Palla's constitution (the Constitution) provides that the business of Palla will be managed by the Board. The Board operates under a board charter (Board Charter), a copy of which is available on Palla's website at http://www.pallapharma.com/investors . The Board Charter stipulates that the Board is responsible for the management, oversight and performance of the Company, with the Board delegating the day to day management of the Company to the Chief Executive Officer, who in turn may delegate to senior management. Clause 3.1 of the Board Charter specifies those duties and responsibilities expressly reserved for the Board. Clause 3.2 of the Board Charter specifies additional powers of the Board. Clause 3.3 of the Board Charter specifies those matters delegated by the Board to senior management. To assist in the execution of the Board's responsibilities, the Board has also established an Audit and Risk Committee and a Human Capital Committee. The key responsibilities of each committee are set out in the charters of each committee.
Recommendation 1.2: A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes	In accordance with the Clause 4.6 of the Company's Board Charter, Palla has undertaken appropriate checks, including checks as to the person's character, experience, education, criminal record and bankruptcy history, prior to appointing individuals as a director or putting individuals forward to shareholders as a candidate for election as a director. Palla has, provided, and will continue to provide, shareholders with all material information in the possession of Palla relevant to a decision on whether or not to elect or re-elect a person as a director.
Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	In accordance with clause 4.7 of the Board Charter, the appointment of any new director is made by, and in accordance with, a formal appointment document setting out the terms and conditions of their appointment. All Palla's directors and senior executives have entered into written appointment agreements with Palla.

ASX Recommendation	Compliance (Yes/No)	Explanation															
<p>Recommendation 1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	Yes	In accordance with clause 13.1 of the Board Charter, the company secretary of Palla is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.															
<p>Recommendation 1.5: A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> <p>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p>Yes</p> <p>No</p> <p>No</p> <p>No</p>	<p>Palla has adopted a diversity policy that covers factors such as gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity, and includes a requirement for Palla to establish measurable objectives for achieving gender diversity within the organisation.</p> <p>A copy of the diversity policy is available on Palla's website at http://www.pallapharma.com/investors.</p> <p>The Board has delegated to the Human Capital Committee the responsibility, on an annual basis, for developing a long-term plan to address diversity initiatives and measures, and monitoring and evaluating the implementation of the plan. The Human Capital Committee is also required, at least annually, to review the progress of Palla's diversity strategy.</p> <p>Due to the current size and composition of the organisation, the Board does not consider it appropriate to set measurable objectives in relation to gender. The Company is committed to ensuring that the appropriate mix of skills, experience, expertise and diversity is considered when employing staff at all levels of the organisation, and when making new senior executive and Board appointments. The Board is satisfied that the composition of employees, senior executives and members of the Board is appropriate.</p> <p>The Company is not a "relevant employer" under the Workplace Gender Equality Act. The respective proportions of men and women employees in the whole organisation, in senior executive positions and on the Board as at 31 December 2020 were as follows:</p> <table border="1" data-bbox="1032 887 1794 1018"> <thead> <tr> <th><i>Gender Representation</i></th> <th><i>Female (%)</i></th> <th><i>Male (%)</i></th> </tr> </thead> <tbody> <tr> <td>Board</td> <td>20%</td> <td>80%</td> </tr> <tr> <td>Executive Team</td> <td>17%</td> <td>83%</td> </tr> <tr> <td>Other employees</td> <td>23%</td> <td>77%</td> </tr> <tr> <td>Total Board, executives & other employees</td> <td>23%</td> <td>77%</td> </tr> </tbody> </table>	<i>Gender Representation</i>	<i>Female (%)</i>	<i>Male (%)</i>	Board	20%	80%	Executive Team	17%	83%	Other employees	23%	77%	Total Board, executives & other employees	23%	77%
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<p>Recommendation 1.6: A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>Yes</p> <p>Yes</p>	<p>Clause 9.1 of Palla's Board Charter, which is available on Palla's website at http://www.pallapharma.com/investors, requires that the Board complete a performance evaluation of the Board and individual directors at least once each financial year. The Board will determine the manner and form of the performance evaluation and will establish the goals and objectives of the Board for the forthcoming year. The Human Capital Committee is responsible for establishing and conducting an appropriate evaluation of the Board's processes and of existing directors. A performance evaluation was undertaken during 2020.</p> <p>Clause 10.2 of the Human Capital Committee Charter which is available on Palla's website at http://www.pallapharma.com/investors, requires that committee to conduct an annual review of its effectiveness. A performance evaluation with respect to the reporting period is in progress.</p> <p>Clause 9.2 of the Audit and Risk Committee Charter which is available on Palla's website at http://www.pallapharma.com/investors, requires that committee to conduct an annual review of its effectiveness. A performance evaluation with respect to the reporting period is in progress.</p>
<p>Recommendation 1.7: A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p>Yes</p> <p>Yes</p>	<p>Clause 3.3 of Palla's Board Charter, which is available on Palla's website at http://www.pallapharma.com/investors, requires that the Board complete a performance evaluation of senior management at least once each financial year.</p> <p>The evaluation is based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.</p> <p>A performance evaluation was undertaken during 2020.</p>

ASX Recommendation	Compliance (Yes/No)	Explanation
Principle 2: Structure the board to be effective and add value A listed entity 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 of a listed entity should: <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as 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; or (b) if it does not have a 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 discharge its duties and responsibilities effectively. 	Yes	<p>The Board has established a single committee called the Human Capital Committee (the Committee) to oversee the duties and responsibilities that would usually be delegated to a Nomination Committee, a Remuneration Committee, and a Diversity Committee. The Committee is governed by the Human Capital Committee Charter (HCC Charter), a copy of which is available on Palla's website at http://www.pallapharma.com/investors. The HCC Charter sets out the duties and responsibilities of the Committee, which include those duties and responsibilities usually delegated to a Nomination Committee.</p> <p>The Committee was comprised of four members for the full year, being Simon Moore, Todd Barlow (resigned 4 February 2021), Stuart Black, and Sue MacLeman, with Ms MacLeman as Chair.</p> <p>Details in respect of the number of times the Committee met, and the attendance at those meetings, is included in the Directors' Report which forms part of the 2020 Annual Report and is available on the Palla website at http://www.pallapharma.com/investors.</p>

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<p>Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.</p>	Yes	<p>Directors are appointed to the Board based on the specific governance skills required by the Company and on the independence of their decision-making and judgment. The Composition of the Board is determined with a view to ensuring that it is comprised of the appropriate skills and experience. The particular skills and experience currently considered most appropriate for the Group are outlined in the matrix below:</p> <table border="1" data-bbox="1032 368 2047 1321"> <thead> <tr> <th colspan="2" data-bbox="1032 368 2047 395"><i>Professional Director Skills</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="1032 395 1339 443">Risk and Compliance:</td> <td data-bbox="1339 395 2047 443">Ability to monitor risk and compliance and knowledge of legal and regulatory requirements</td> </tr> <tr> <td data-bbox="1032 443 1339 520">Financial and Audit:</td> <td data-bbox="1339 443 2047 520">Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, oversee budgets and oversee funding arrangements.</td> </tr> <tr> <td data-bbox="1032 520 1339 596">Strategy:</td> <td data-bbox="1339 520 2047 596">Ability to identify and critically assess strategic opportunities and threats to the organisation and develop strategies in context to Company policies and business objectives.</td> </tr> <tr> <td data-bbox="1032 596 1339 644">Policy Development:</td> <td data-bbox="1339 596 2047 644">Ability to identify key issues for the organisation and develop appropriate policy parameters within which the organisation should operate.</td> </tr> <tr> <td data-bbox="1032 644 1339 692">Executive Management:</td> <td data-bbox="1339 644 2047 692">Experience in evaluating performance of senior management, and oversee strategic human capital planning.</td> </tr> <tr> <td data-bbox="1032 692 1339 740">Previous Board Experience:</td> <td data-bbox="1339 692 2047 740">The board's directors should ideally have extensive director experience and have completed formal training in governance and risk.</td> </tr> <tr> <th colspan="2" data-bbox="1032 740 2047 767"><i>Industry Specific Skills:</i></th> </tr> <tr> <td data-bbox="1032 767 1339 845">Agricultural Raw Material Supply Arrangements</td> <td data-bbox="1339 767 2047 845">Relevant technical expertise and experience gained in an industry dependent on agricultural products for its key raw material supply arrangements</td> </tr> <tr> <td data-bbox="1032 845 1339 893">Product Manufacturing Experience</td> <td data-bbox="1339 845 2047 893">Relevant technical expertise and experience ideally gained in a regulated industry such as the pharmaceutical industry.</td> </tr> <tr> <td data-bbox="1032 893 1339 941">Regulatory Experience</td> <td data-bbox="1339 893 2047 941">Relevant technical expertise and experience ideally gained in the pharmaceutical industry.</td> </tr> <tr> <td data-bbox="1032 941 1339 989">Sales and Marketing Experience</td> <td data-bbox="1339 941 2047 989">Relevant commercial expertise and experience ideally gained in a highly regulated industry such as the pharmaceutical industry</td> </tr> <tr> <th colspan="2" data-bbox="1032 989 2047 1016"><i>Interpersonal Skills (all board members should have these skills):</i></th> </tr> <tr> <td data-bbox="1032 1016 1339 1094">Leadership:</td> <td data-bbox="1339 1016 2047 1094">Ability to make decisions and take necessary actions in the best interest of the organisation, and represent the organisation favourably. 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Strategy:	Ability to identify and critically assess strategic opportunities and threats to the organisation and develop strategies in context to Company policies and business objectives.	Policy Development:	Ability to identify key issues for the organisation and develop appropriate policy parameters within which the organisation should operate.	Executive Management:	Experience in evaluating performance of senior management, and oversee strategic human capital planning.	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ASX Recommendation	Compliance (Yes/No)	Explanation
<p>Recommendation 2.3: A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(a) (c) the length of service of each director.</p>	Yes	<p>Palla has disclosed on its website those directors whom the Board considers to be independent. This designation of independence is included in each director's biography in the 2020 Annual Report, together with details of each director's skills, experience and date of appointment. A copy of the 2020 Annual Report is available on Palla's website at http://www.pallapharma.com/investors.</p> <p>The Board assesses independence upon initial appointment/ election, and is required to regularly, but at least annually, assess the independence of each director. In the case of a change in a director's interests, positions, associations or relationships, this assessment is required to be made as soon as practicable after the Board becomes aware of the change. In assessing whether a Director is independent, the Board will have regard to the independence criteria in ASX Corporate Governance Principal 2. In addition, the Board will consider other facts, information and circumstances deemed relevant by the Board.</p>
<p>Recommendation 2.4: A majority of the board of a listed entity should be independent directors.</p>	Yes	<p>The Board was comprised of five directors, including a non-executive Chair, three non-executive directors (with a fourth appointed on 23 December 2020), and the Managing Director & Chief Executive Officer (resigned 22 December 2020). The Board has assessed that the non-executive Chair and three of the non-executive directors are independent (inclusive of the Director appointed on 23 December 2020), and the other two directors are not independent. The Board believes that each director brings independent judgement to bear in their roles, and that the directors as a group have an appropriate mix of skills, experience and alignment of interests to act in the best interests of the entity and its security holders generally.</p>
<p>Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	Yes	<p>The Chair of Palla's Board, Simon Moore, is considered to be an independent director.</p> <p>The Board practices separation of the role of the Chair from that of the Chief Executive Officer. Palla's Chief Executive Officer was Jarrod Ritchie (resigned 22 December 2020 and replaced by Brendan Middleton as Interim Chief Executive Officer on that date).</p>
<p>Recommendation 2.6: A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.</p>	No	<p>In accordance with clause 3.1(a) of the Human Capital Committee Charter, the Human Capital Committee has developed processes for the orientation and education of new directors, and is implementing a policy to reimburse directors for costs associated with education and development that will benefit the Board.</p>
<p>Principle 3: Instil a culture of acting lawfully, ethically and responsibly A listed entity should act ethically and responsibly.</p>		
<p>Recommendation 3.1: A listed entity should articulate and disclose its values.</p>	Yes	<p>Palla's website contains references to the values abided by the Company and are available on Palla's website at http://www.pallapharma.com.</p>
<p>Recommendation 3.2: A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) ensure that the board or a committee of the board is informed of any material breaches of that code.</p>	Yes	<p>Palla has adopted a code of conduct, a copy of which is available on Palla's website at http://www.pallapharma.com/investors. Palla's code of conduct applies to directors and anyone who is employed by or works for Palla or its subsidiaries. Contractors, consultants, agents and other intermediaries are also expected to know and observe Palla's standards and will be made aware of Palla's code of conduct when engaged to work with Palla.</p>

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<p>Recommendation 3.3: A listed entity should:</p> <p>(a) have and disclose a whistleblower policy; and</p> <p>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.</p>	Yes	<p>Palla has adopted a whistleblower policy to encourage disclosures of wrongdoing and ensure individuals who disclose wrongdoing can do so safely, securely and with confidence that they will be protected and supported.</p> <p>A copy of the whistleblower policy is available on Palla's website at http://www.pallapharma.com/investors.</p>
<p>Recommendation 3.4: A listed entity should:</p> <p>(a) have and disclose an anti-bribery and corruption policy; and</p> <p>(b) ensure that the board or committee of the board is informed of any material breaches of that policy.</p>	Yes	<p>Palla has adopted an anti-bribery policy.</p> <p>A copy of the anti-bribery policy is available on Palla's website at http://www.pallapharma.com/investors.</p>
<p>Principle 4: Safeguard the integrity of corporate reports A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</p>		
<p>Recommendation 4.1: The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an 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.</p>	Yes	<p>The Board has established an Audit and Risk Committee (the Committee) which is governed by the Audit and Risk Charter (A&R Charter). The A&R Charter sets out the roles, responsibilities, composition, structure and membership requirements of the Audit and Risk Committee. Each member of the Committee is required to be financially literate, and as a minimum the committee Chair and one other committee member must have recent accounting or related financial expertise. At least one committee member must have an understanding of the sectors in which Palla operates. A copy of the A&R Charter is available on Palla's website at http://www.pallapharma.com/investors.</p> <p>The Committee was comprised of four members for the full year, being Stuart Black, Simon Moore, Todd Barlow (resigned 4 February 2021) and Sue MacLeman, with Mr Black as Chair.</p> <p>Details in respect of the number of times the Committee met, and the attendance at those meetings, is included in the Directors' Report which forms part of the 2020 Annual Report and is available on the Palla website at http://www.pallapharma.com/investors. Details of each member's qualifications and experience is also included in the 2020 Annual Report.</p>

ASX Recommendation	Compliance (Yes/No)	Explanation
<p>Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes	<p>Prior to approving Palla's financial statements for each financial reporting period, the Board received from the Chief Executive Officer and Chief Financial Officer of Palla a declaration that, in their opinion, Palla's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of Palla's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>
<p>Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	Yes	<p>Palla has appropriate processes to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by its external auditor.</p>
<p>Principle 5: Make timely and balanced disclosure A listed entity 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.</p>		
<p>Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.</p>	Yes	<p>Palla has adopted a Continuous Disclosure and Shareholder Reporting Policy for complying with its continuous disclosure obligations under the ASX Listing Rules (and the Corporations Act 2001 (Cth)), a copy of which is available on Palla's website at http://www.pallapharma.com/investors.</p>
<p>Recommendation 5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.</p>	Yes	<p>Palla has implemented a process to ensure all board members receive a copy of all material market announcements immediately after they have been made.</p>
<p>Recommendation 5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.</p>	Yes	<p>Palla has implemented a process to ensure that new and substantive investor or analyst presentations are released to the ASX Market Announcements Platform ahead of the presentation.</p>
<p>Principle 6: Respect the rights of security holders A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</p>		
<p>Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.</p>	Yes	<p>Palla's website, http://www.pallapharma.com, is the primary platform for providing information about the Company to investors and other stakeholders. The Company has established a specific "Corporate Governance" section within the Investor page of the Palla website (http://www.pallapharma.com/investors) which contains detailed information and documents relating to the governance and reporting framework established by the Company.</p>

ASX Recommendation	Compliance (Yes/No)	Explanation
<p>Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.</p>	Yes	<p>Palla has adopted a Continuous Disclosure and Shareholder Reporting Policy (the Policy), which supports the Board's commitment to effective communication with its shareholders, primarily through its website. A copy of the Policy is available on Palla's website at http://www.pallapharma.com/investors.</p> <p>Palla communicates with shareholders in a number of ways, including:</p> <ul style="list-style-type: none"> (a) annual and half-yearly reports; (b) ASX market disclosures in accordance with Palla's continuous disclosure policy; (c) announcements on Palla's website; (d) briefings to investors following ASX market disclosures; and (e) presentations at general meetings.
<p>Recommendation 6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.</p>	Yes	<p>Palla's Continuous Disclosure and Shareholder Reporting Policy, a copy of which is available on Palla's website at http://www.pallapharma.com/investors notes that Palla has adopted the ASX Guidelines for Notices of Meetings. These guidelines are available online at www2.asx.com.au.</p> <p>As set out in Palla's Constitution, shareholders may attend meetings in person, appoint a proxy, attorney or representative to vote on their behalf or directly vote on the resolution(s) proposed at the relevant meeting.</p> <p>To facilitate shareholder participation, meetings are held during normal business hours and at a place convenient for a significant number of shareholders to attend, and where practical and cost effective the company will implement technological aids to allow participation in AGMs by shareholders unable to attend in person.</p>
<p>Recommendation 6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.</p>	Yes	<p>Palla conducts voting at its general meetings by poll for all resolutions put to a general meeting.</p>
<p>Recommendation 6.5: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	Yes	<p>The "Shareholders" section within the "Contact Us" page on Palla's website, http://www.pallapharma.com/contact, allows shareholders to contact the Company directly or via its security registry electronically.</p> <p>New shareholders are also sent a letter from Palla's share registry which gives them the option of receiving communications and shareholder materials electronically.</p>

ASX Recommendation	Compliance (Yes/No)	Explanation
Principle 7: Recognise and manage risk A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.		
Recommendation 7.1: The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as 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; or (b) if it does not have a risk committee or committees that satisfy above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. 	Yes	<p>The Board has established an Audit and Risk Committee to ensure, amongst other things, that Palla has an effective risk management system in place to manage key risk areas. The committee is governed by the Audit and Risk Charter, a copy of which is available on Palla's website at http://www.pallapharma.com/investors.</p> <p>The Committee was comprised of four members for the full year, being Stuart Black, Simon Moore, Todd Barlow (resigned 4 February 2021) and Sue MacLeman, with Mr Black as Chair.</p> <p>Details in respect of the number of times the Committee met, and the attendance at those meetings, is included in the Directors' Report which forms part of the 2020 Annual Report and is available on the Palla website at http://www.pallapharma.com/investors.</p>
Recommendation 7.2: The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	Yes	<p>Pursuant to the Audit and Risk Committee Charter, the Audit and Risk Committee is required, at least half yearly, to review Palla's financial and risk management compliance and internal control framework.</p> <p>During 2020 the Audit and Risk Committee reviewed the entity's risk management framework and continued a program to upgrade the framework and associated documents and processes.</p>
Recommendation 7.3: A listed entity should disclose: <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) 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 governance, risk management and internal control processes. 	Yes	<p>Given the size of the company, the Company has not established an internal audit function.</p> <p>However, in accordance with Clause 3.1 of the Audit and Risk Committee Charter, the Audit and Risk Committee has determined the extent of internal audit activities required by the Company, and monitors those activities on behalf of the Board.</p> <p>The Company has a risk management policy, available on Palla's website at http://www.pallapharma.com/investors. This policy outlines the Company's approach to evaluating and improving the effectiveness of established risk management and internal control processes.</p>

ASX Recommendation	Compliance (Yes/No)	Explanation
<p>Recommendation 7.4: A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	<p>Details of the material business risks that the Company is exposed to are outlined in the 2020 Annual Report. A copy of the 2020 Annual Report is available on Palla's website at http://www.pallapharma.com/investors. The Company continues to implement its risk management framework, which explains how potential all business risks – including economic and ESS risks - are assessed, identified and managed.</p> <p>The Board does not consider that the Company currently has any material exposure to environmental or social risks.</p>
<p>Principle 8: Remunerate fairly and responsibly A listed 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.</p>		
<p>Recommendation 8.1: The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as 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; or <p>(b) if it does not have a remuneration committee, 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.</p>	Yes	<p>The Board has established a single committee called the Human Capital Committee (the Committee) to oversee the duties and responsibilities that would usually be delegated to a Nomination Committee, a Remuneration Committee, and a Diversity Committee. The Committee is governed by the Human Capital Committee Charter (HCC Charter), a copy of which is available on Palla's website at http://www.pallapharma.com/investors. The HCC Charter sets out the duties and responsibilities of the Committee, which include those duties and responsibilities usually delegated to a Remuneration Committee.</p> <p>The Committee was comprised of four members for the full year, being Simon Moore, Todd Barlow (resigned 4 February 2021), Stuart Black, and Sue MacLeman, with Ms MacLeman as Chair.</p> <p>Details in respect of the number of times the Committee met, and the attendance at those meetings, is included in the Directors' Report which forms part of the 2020 Annual Report, which is available on the Palla website at http://www.pallapharma.com/investors.</p>
<p>Recommendation 8.2: A listed 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.</p>	Yes	<p>Clause 2 of the Human Capital Committee Charter (HCC Charter) specifies the objectives of the Company's remuneration policies. Clause 4.1(a) of the HCC Charter specifies the objectives for the policy and framework for senior employees' remuneration.. A copy of the HCC Charter is available on Palla's website at http://www.pallapharma.com/investors.</p> <p>The current remuneration arrangements in relation to Palla's executive directors, non-executive directors and other senior executives are set out in the 2020 Annual Report which is available on Palla's website at http://www.pallapharma.com/investors.</p>

ASX Recommendation	Compliance (Yes/No)	Explanation
<p>Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) 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</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	<p>Palla's Security Trading Policy prohibits certain designated persons which includes participants of Palla's equity-based remuneration scheme from entering into transactions or arrangements which could have the effect of limiting their economic risk of security holdings in Palla over unvested entitlements. The Security Trading Policy also provides that designated persons may only enter into a margin loan or other security arrangement in respect of Palla's securities with the prior written approval of the Chairperson (in their absolute discretion).</p> <p>Palla's Security Trading Policy is available on Palla's website at http://www.pallapharma.com/investors.</p>