



27 October 2017

Dear Shareholder

I am pleased to invite you to attend our Annual General Meeting and have enclosed the Notice of Meeting which sets out the items of business.

The meeting will be held at the offices of Norton Rose Fulbright, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria at 3.00pm on Wednesday, 29 November 2017.

If you are attending the meeting, please bring this letter with you to facilitate registration for the meeting.

If you are unable to attend the meeting, you are encouraged to vote, either by completing the enclosed proxy form, or by lodging your vote on-line at [www.investorvote.com.au](http://www.investorvote.com.au) by 3.00pm on Monday, 27 November 2017. If not lodging your vote on-line, the proxy form should be returned in the envelope provided or faxed to our share registry, Computershare Investor Services Pty Ltd, on 1800 783 447 and must be received by the due date and time.

Corporate Shareholders should complete a "Certificate of Appointment of Representative" to enable a person to attend the meeting on their behalf. A form of this certificate may be obtained from the Company's share registry at [www.investorcentre.com](http://www.investorcentre.com).

The Starpharma Annual Report for the year ended 30 June 2017 is available on our website at [www.starpharma.com](http://www.starpharma.com). Hard copies of the report are distributed only to those Shareholders who have elected to receive it in printed form.

I look forward to your attendance at the meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rob Thomas', with a long horizontal flourish extending to the right.

Rob Thomas *AM*  
Chairman

Encl.



## Notice of Annual General Meeting

Starpharma Holdings Ltd ABN 20 078 532 180

Notice is hereby given that the Annual General Meeting of the Shareholders of Starpharma Holdings Ltd (**Company**) will be held at the offices of Norton Rose Fulbright, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria at **3.00pm (Melbourne time) on Wednesday, 29 November 2017**.

The Explanatory Memorandum accompanying this Notice of Meeting is incorporated in and forms part of this Notice of Meeting.

### Ordinary Business

#### Financial Statements and Reports

To receive and consider the Company's financial statements and the related Directors' Report, Directors' Declarations and Auditor's Report for the year ended 30 June 2017.

*No vote is required on this item.*

#### Resolutions

**1. Adoption of Remuneration Report (Resolution 1)**

To consider, and if thought fit, pass the following as an **advisory resolution**:

*"That, for the purposes of section 250R(2) of the Corporations Act 2001 (Cth), the Company's Remuneration Report for the financial year ended 30 June 2017 be adopted."*

Under the Corporations Act, this resolution is advisory only and does not bind the Directors or the Company.

**2. Re-election of Mr Robert Thomas AM (Resolution 2)**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Robert Thomas AM, who retires in accordance with clause 65.1 of the Company's Constitution and being eligible for re-election, is re-elected as a Director of the Company."*

**3. Re-election of Mr Richard Hazleton (Resolution 3)**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Mr Richard Hazleton, who retires in accordance with clause 65.1 of the Company's Constitution and being eligible for re-election, is re-elected as a Director of the Company."*

**4. Approval of Starpharma Employee Performance Rights Plan (Resolution 4)**

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That, for the purposes of Exception 9 of ASX Listing Rule 7.2 and for all other purposes, approval be given for the issue of shares under the Starpharma Holdings Ltd Employee Performance Rights Plan (**Plan**) in accordance with the rules of the Plan as described in the Explanatory Memorandum attached to this Notice of Meeting."*

**5. Approval of Issue of Performance Rights to Dr Jacinth Fairley (Resolution 5)**

To consider and, if thought fit, to pass the following as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 10.14 and all other purposes, Shareholders approve the issue of 1,120,000 Rights to Dr Jacinth Fairley under the Starpharma Holdings Ltd Employee Performance Rights Plan on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting”.*

**6. Alteration of Constitution to include proportional takeover approval provisions (Resolution 6)**

To consider, and if thought fit, to pass the following as a **special resolution**:

*“That, pursuant to sections 136(2) and 648G of the Corporations Act 2001 (Cth), the Company’s Constitution is altered to re-include the proportional takeover approval provisions that were included as Clause 33 of the Company’s Constitution adopted on 20 November 2014.”*

**By order of the Board**



N Baade  
Company Secretary  
27 October 2017

## **Voting entitlements**

The Company has determined that all securities of the Company that are quoted securities as at 7.00pm (Melbourne time) on 27 November 2017 will be taken, for the purpose of the Meeting, to be held by the person who held them at the time.

## **Voting exclusions**

The Corporations Act and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by or on behalf of certain persons, on the Resolutions to be considered at the Annual General Meeting. These voting exclusions are described below.

### **Resolution 1**

*The Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company's KMP whose remuneration details are included in the Remuneration Report for the Company, or their Closely Related Parties, regardless of the capacity in which the vote is cast.*

*However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on Resolution 1:*

- *in accordance with a direction on the proxy form; or*
- *by the Chairman of the Annual General Meeting pursuant to an express authorisation to exercise the proxy even though Resolution 1 is connected with the remuneration of the Company's KMP.*

### **Resolutions 4 and 5**

*The Company will disregard any votes cast on Resolutions 4 and 5:*

- *by any Director who is eligible to participate in the relevant equity incentive plan (and any associate of such a Director), regardless of the capacity in which the vote is cast. However, the Company need not disregard a vote if:*
  - *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
  - *it is cast by the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*
- *as a proxy by a person who is a member of the KMP at the date of the Annual General Meeting or their Closely Related Parties where the proxy appointment does not specify the way the proxy is to vote on the Resolution, unless:*
  - *the proxy is the Chairman of the Annual General Meeting; and*
  - *the proxy appointment expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a KMP member.*

## **Important voting information**

The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolutions. All Resolutions will be voted on by poll.

The Chairman of the Annual General Meeting intends to vote all undirected proxies in favour of each Resolution. In respect of Resolutions 1, 4 and 5, if the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolutions 1, 4 and 5, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorisation to vote the proxy in accordance with the Chairman's intention, notwithstanding the fact that the resolution is related to the remuneration of a KMP or Closely Related Party of a KMP.

In respect of Resolutions 1, 4 and 5, if your proxy is a KMP (other than the Chairman), or a Closely Related Party of a KMP, provided you are not a KMP or a Closely Related Party of a KMP, the person may still vote as your proxy provided you have directed your proxy on the Proxy Form how to vote by marking the voting boxes for those Resolutions and your proxy does vote as directed.

## **Proxies**

A Shareholder has the right to appoint a proxy, who need not be a Shareholder of the Company.

If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage or number of votes each proxy is appointed to exercise. The Proxy Form should be returned to the share registry of the Company, Computershare Investor Services Pty Limited, located at Yarra Falls, 452 Johnston Street Abbotsford, Vic 3067, by mail using the enclosed reply envelope to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 8060 or by facsimile to Computershare on 1800 783 447 and must be received by no later than 3:00pm on Monday, 27 November 2017.

Shareholders may lodge proxies electronically via:  
[www.investorvote.com.au](http://www.investorvote.com.au) using the details printed on the personalised proxy form.

For Intermediary Online subscribers only (custodians):  
[www.intermediaryonline.com](http://www.intermediaryonline.com)

# EXPLANATORY MEMORANDUM

**Starpharma Holdings Ltd ABN 20 078 532 180**

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This Explanatory Memorandum has been prepared to assist Shareholders with their consideration of the Resolutions to be put to the Annual General Meeting on Wednesday, 29 November 2017. This Explanatory Memorandum should be read with, and forms part of, the accompanying Notice of Meeting.

Terms and expressions used in this Explanatory Memorandum, the Notice of Meeting and the Proxy Form have the meaning given to them in the 'Definitions' section located at the end of this Explanatory Memorandum.

## **FINANCIAL STATEMENTS AND REPORTS**

The Corporations Act requires the Annual Financial Report of the Company (which includes the Financial Statements and Directors' Declaration), the Directors' Report (which includes the Remuneration Report) and the Auditor's Report in respect of the financial year ended on 30 June 2017 to be put before the Annual General Meeting. There will be an opportunity for Shareholders to ask questions and comment on these documents and on the business, operations and management of the Company. No resolution is required to be passed on this item.

Shareholders will also have the opportunity to ask the auditor or their representative questions relating to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor. Shareholders may also submit written questions to the auditor in respect of the Auditor's Report or the conduct of the audit. The questions should be received by the Company no later than 5 business days before the meeting.

## **RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

The Corporations Act requires publicly listed companies to disclose certain information relating to the remuneration of Directors and executives. This disclosure is contained in a separate section of the Directors' Report called the Remuneration Report, which is set out on pages 18 to 37 of the Annual Report.

In compliance with section 300A of the Corporations Act, the Remuneration Report sets out the Company's policy for determining the nature and amount of remuneration for the Directors and specified executive officers of the Company.

Starpharma aims to ensure that its remuneration strategy successfully aligns the interests of its executives and employees with those of its Shareholders. In framing its remuneration strategy, the Board is conscious that Starpharma only has a small number of employees (35-40) so endeavours to keep its remuneration relatively straightforward. Staff are generally required to have specialist knowledge and develop products over the medium to long-term. The fact that Starpharma operates in a global business environment also influences its remuneration strategy.

Starpharma continues to implement its corporate strategy to commercialise products from its dendrimer platform, with the Company having either met or approaching important regulatory and commercial milestones.

Starpharma's remuneration structure is transparent and KPI driven to align with the interests of Shareholders, to reward performance across multi-year timeframes related to product development value-adding milestones, such as commercial deals.

The structure and quantum of remuneration for FY17 remains largely consistent with the previous period, comprising fixed remuneration, short-term incentives in both cash and equity, and equity based long-term incentives.

The Corporations Act requires publicly listed companies to put their Remuneration Report for each financial year to a resolution of members at the Company's Annual General Meeting. Under section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. Notwithstanding the 'advisory' nature of the vote on the Remuneration Report, the Directors will take the outcome of the vote into account when reviewing the remuneration practices and policies of the Company.

## ***Recommendation***

The Board considers that the Company's remuneration policies and practices are appropriate for its strategy, stage of development and industry, and are competitive with the external market. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

## **RESOLUTION 2 – RE-ELECTION OF MR ROBERT THOMAS AM**

Mr Robert Thomas AM retires as a Director in accordance with clause 65.1 of the Company's Constitution and, being eligible, offers himself for re-election.

Mr Thomas has a strong background in financial services and capital markets and is non-executive director of several Australian listed companies. Formerly he was a partner of Potter Partners (now UBS) where he was also Head of Research.

He is the former CEO of County NatWest Securities and then became CEO and then Chairman of Citibank Corporate and Investment Bank in Australia. Mr Thomas has also held the position of Chairman at Australian Wealth Management Ltd (ultimately IOOF Ltd), TAL (Australia's largest life insurance company) and Heartware Inc, the second largest global manufacturer of left ventricular assist heart pumps.

For many years, Mr Thomas was regarded as one of Australia's leading financial analysts and regularly lectured with the Financial Services Institute of Australasia (FINSIA), of which he is a fellow. He has considerable expertise in mergers, acquisition and capital markets including advising on the floats of Commonwealth Bank of Australia and Qantas, and vast experience in the area of audit and risk management. Mr Thomas has served as the Chairman of the Audit and Risk Committee of Virgin Australia Limited for 11 years and at various times has chaired the Audit Committees of Heartware Inc, REVA Medical Ltd and the State Library of NSW. He is also approved under the NSW prequalification scheme for Audit and Risk Committee Independent Chairs and Members for government/public sector agencies.

Mr Thomas holds a Bachelor of Economics from Monash University and a Diploma of Business (Accounting) from Swinburne. He is also a Master Stockbroker and a Fellow of the Australian Institute of Company Directors.

In addition to Mr Thomas' significant finance and capital markets experience, Mr Thomas' non-executive roles with various ASX listed companies have deepened his skills and experience in relation to financial accounting, audit and risk; licensing and commercialisation of innovation; governance; strategy and risk management; OH&S; and remuneration. He has also had significant experience with US based companies as they progress from research to commercialisation.

Mr Thomas is a non-executive director of Virgin Australia Limited (ASX:VAH), REVA Medical Inc (ASX:RVA) and Biotron Limited (ASX:BIT), Chairman of Grahger Capital Securities and AusBio Ltd, Co-Chair of the State Library of NSW Foundation and a director of O'Connell Street Associates.

Mr Thomas is Chairman of the Board and a member of the Company's Remuneration and Nomination Committee and Audit and Risk Committee.

### ***Recommendation***

The Board (with Mr Thomas AM abstaining) recommends that Shareholders vote in favour of this ordinary resolution.

## **RESOLUTION 3 – RE-ELECTION OF MR RICHARD HAZLETON**

Mr Richard Hazleton retires as a Director in accordance with clause 65.1 of the Company's Constitution and, being eligible, offers himself for re-election.

Mr Hazleton is a former Chairman and CEO of US-based global corporation Dow Corning. He joined Dow Corning in 1965 and held numerous positions in engineering, manufacturing and finance, both in the US and Europe. He was appointed as CEO of Dow Corning in 1993, and Chairman of the Board of Directors and CEO in 1994. During his career with Dow Corning, Mr Hazleton performed the roles of European Area Vice President and Director of Finance, and after returning to the US, Corporate Controller and Chief Accounting Officer. In this latter global role he was responsible for the preparation of all public financial reports, and relationships with financial regulatory agencies and independent auditors. Mr Hazleton retired from Dow Corning in 2001.

Mr Hazleton is based in the US and brings to the Board an international lens on product development, manufacturing, science and technology. He has significant experience in the areas of strategy, finance and risk.

Having held various executive roles up to and including as Chairman and CEO of Dow Corning over a 36 year period as well as non-executive directorships, Mr Hazleton brings the following significant skills and experience to the Board of Starpharma – international experience; regulation/public policy, licensing and commercialisation of innovation, science and technology; governance; strategy and risk management; financial accounting, audit and risk; OH&S; and remuneration.

Mr Hazleton, having served on the Board for 10 years, brings in-depth knowledge and corporate memory of Starpharma and its programs, which combined with his international perspective and experience, are invaluable to the Board. In addition, it is common and often appropriate in the pharmaceutical and biotechnology sector for directors to have tenures beyond 10 years given the typical product development timeframes involved. Notwithstanding the length of his tenure, the Board has determined that Mr Hazleton remains an independent non-executive director, particularly as he is based in the US which provides significant separation from management and influence over day-to-day activities of Starpharma.

Mr Hazleton has served on the boards of the American Chemistry Council and the Chemical Bank and Trust Company (Midland, MI, US) as well as several non-profit social service agencies in Michigan, US and Belgium.

Mr Hazleton is a member of the Company's Remuneration and Nomination Committee and Audit and Risk Committee.

## **Recommendation**

The Board (with Mr Hazleton abstaining) recommends that Shareholders vote in favour of this ordinary resolution.

## **RESOLUTION 4 – APPROVAL OF STARPHARMA EMPLOYEE PERFORMANCE RIGHTS PLAN**

The Starpharma Holdings Ltd Employee Performance Rights Plan (**Plan**) was last approved by Shareholders at the Company's 2014 Annual General Meeting. The Plan provides employees of Starpharma and its subsidiaries with an opportunity to share in the growth in value of the Company and to encourage them to improve the performance of the Company and its return to Shareholders. The Plan gives the Board the ability to provide a remuneration mix to employees and is intended to assist the Company to attract and retain skilled and experienced employees and provide them with the motivation to enhance the Company's success.

### *Listing Rule Requirements*

The Plan is an "employee incentive scheme" for the purposes of ASX Listing Rule 7.2. Shareholder approval is being sought for the issue of Rights (refer to "Plan Summary" below) under the Plan to employees over the 3 year period from the date of the Annual General Meeting. The Plan was last approved at the 2014 AGM. 15,849,596 Rights have been issued under the Plan to the date of this Notice of Meeting since the last approval in 2014. To date, 3,533,933 of these Rights have both vested and been converted into Shares.

Under ASX Listing Rule 7.1, the number of equity securities (which includes shares, options over unissued shares and rights to shares) a company may issue in any 12-month period must not exceed 15% of the company's issued capital unless an exception applies or shareholder approval for the issue is obtained (the '**15%-in-12-months rule**').

One exception to the 15%-in-12-months rule, which is set out in Exception 9 to ASX Listing Rule 7.2, is where there is an issue of securities under an employee incentive scheme if, within 3 years before the date of issue of the relevant equity security, holders of ordinary securities in the company have approved the issue of equity securities under the employee incentive scheme.

If Shareholders approve Resolution 4, any issue of Rights under the Plan within the 3 year period from the date of the Annual General Meeting will be treated as having been made with the approval of Shareholders for the purposes of ASX Listing Rule 7.2 and, consequently, the issue of those Rights will be excluded from the calculation of the maximum number of new securities that can be issued by the Company without Shareholder approval for the purposes of the 15%-in-12-months rule.

The issue of any Rights to Directors under the Plan, including the Managing Director of the Company, will require separate Shareholder approval under ASX Listing Rule 10.14.

### *Plan Summary*

A summary of the key terms and conditions of the Plan are as follows:

- (a) The Board may from time to time invite Directors and employees of the Company and its subsidiaries to participate in the Plan (**Participant**) by offering them the opportunity to acquire Rights.
- (b) Each Right will vest on the date which is specified in the Offer Letter as the date on which a Right vests on the satisfaction or waiver of any Vesting Conditions that may apply to that Right. Once vested, each Right may be exercised by the Participant during an exercise window and will subsequently be converted into one fully paid Share.
- (c) Vesting of Rights is also conditional on the Participant having been continuously employed by the Company or one of its subsidiaries from the date of grant of the Rights to the Vesting Date (inclusive). Where cessation of employment is due to death, illness, permanent disability, redundancy or any other circumstance approved by the Board, all unvested Rights granted to the relevant Participant under the Plan will lapse unless the Board determines otherwise having regard to:
  - the portion of the Performance Period elapsed; and
  - the extent to which the Performance Conditions (if any) have been met.
- (d) The Board has the discretion to determine whether Rights will vest and become exercisable if a Change of Control Event happens (or as a result of a proposed Change of Control Event).
- (e) Once vested, each Right may be exercised by the Participant during an exercise window and will subsequently be converted into one fully paid Share.



- (f) No consideration is payable by a Participant for Rights and the resultant Shares on vesting or exercise of the Rights.
- (g) The resultant Shares may be subject to a disposal restriction, and a holding lock may be applied to the relevant Shares.
- (h) The Shares may be released from a holding lock early if certain events occur which are outside the control of the Participant (e.g. if a Change of Control Event occurs in respect of the Company). Further, if the Participant ceases to be employed by the Company (or a related body corporate of the Company), the Shares will be released from any holding lock.

A copy of the Plan Rules is available on request from the Company Secretary by calling (03) 8532 2700 or by email to [nigel.baade@starpharma.com](mailto:nigel.baade@starpharma.com).

### **Recommendation**

Noting that the issue of any Rights to Directors under the Plan, including the Managing Director of the Company, will require a separate Shareholder approval under ASX Listing Rule 10.14 and that each Director is excluded from voting their Shares on Resolution 4 (as set out in the voting exclusion statement in the Notice of Meeting), the Board (with Dr Fairley abstaining) recommends that Shareholders vote in favour of this ordinary resolution.

### **RESOLUTION 5 – GRANT OF PERFORMANCE RIGHTS TO DR JACINTH FAIRLEY**

ASX Listing Rule 10.14 provides that Shareholders of an ASX listed company must approve the issue of securities to a Director under an employee incentive scheme. Accordingly, the Board seeks Shareholder approval under Resolution 5 for the grant of 1,120,000 Rights to Dr Fairley (the Chief Executive Officer and Managing Director) as part of her 'at risk' remuneration.

The Rights will be granted under the Company's Employee Performance Rights Plan (which was last approved by Shareholders on 20 November 2014 and proposed for re-approval at this meeting) on the terms and conditions set out below, including applicable performance and vesting conditions.

The terms of the deferred short-term equity (**Deferred STI equity**) and long-term equity (**LTI equity**) are determined by the Board consistent with the Company's remuneration strategy to link Dr Fairley's reward to performance and the delivery of medium to long-term results for the Company's shareholders. This is achieved by:

- Aligning Dr Fairley's interests with the interests of Shareholders;
- Ensuring that Dr Fairley's remuneration is competitive and aligned with market remuneration for comparable roles in the industry; and
- Encouraging the achievement of the Company's strategic goals and overall growth of the Company's business necessary to build competitive advantage and shareholder value.

The Deferred STI equity allows a portion of Dr Fairley's short-term incentive to be delivered in equity, instead of cash, which assists in conserving cash reserves for the Company's operations. The portion of Dr Fairley's short-term incentive that may be delivered as Rights is approximately 41% for FY18.

If approval is given under ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1 for the issue of the Rights to be excluded from the calculation of the maximum number of new securities that can be issued by the Company without Shareholder approval or the application of another exception to ASX Listing Rule 7.1.

### **Number of Rights to be granted to Dr Fairley**

The Board has determined that it wishes to grant Rights valued on a fair value basis at \$160,000 for Deferred STI equity and \$546,456 for LTI equity. In accordance with the fair value methodology, the Board has invited Dr Fairley to apply for a grant of up to 224,121 Rights for the Deferred STI equity component and 895,879 Rights for the LTI equity component. Each Right is to acquire one Share in the Company. The face value of these rights is disclosed in the table on page 9.

The fair value of the Rights is based on the 3 month trailing volume weighted average price (**VWAP**) of the Company's Shares traded on the ASX to 30 June 2017, which reflects the beginning of the performance period. The VWAP (before applying any discount) for each Right is \$0.7139. In accordance with accepted valuation standards, the VWAP is not discounted for the Rights that are subject to Corporate KPIs, and is discounted in respect of the LTI equity subject to the TSR performance condition. The undiscounted VWAP is considered the face value for the purpose of disclosing the face value of the grant of Rights. On this basis, the face value is \$160,000 for Deferred STI equity and \$639,568 for LTI equity.

The 3 month period has been determined to be the appropriate duration for the calculation of the VWAP as it limits any unintended consequences of short-term volatility in the Company's share price and is consistent with the duration used since 2015 as the calculation of TSR for the TSR performance condition. For accounting purposes, a valuation at the date of grant, which is within 10 business days of approval at the AGM, in accordance with AASB 2 *Share-based payments* will be undertaken and the fair value of these Rights will be expensed in accordance with Accounting Standards. This is likely to lead to a discrepancy in the fair value amount stated in this Notice of Meeting and the amount recorded in the remuneration disclosures in the FY18 Annual Report.

With the recent positive reporting of the clinical trials for phase 3 of VivaGel® for prevention of recurrent bacterial vaginosis and phase 1 DEP® docetaxel, there has been a recent significant rise in Starpharma's share price following these announcements and subsequent to the determination by the Remuneration and Nomination Committee and the Board. Notwithstanding the share price increase, the Board has determined that, in accordance with prior stated practice in past years, the number of rights to be awarded should continue to be calculated on the fair value based on the 3 month period VWAP to 30 June 2017, reflecting the beginning of the performance period. This practice is consistent with the Company's practice since 2015, and the number of Rights granted is not adjusted for changes in share price post 30 June. The 3 month VWAP is chosen specifically to reduce the impact of short-term share-price volatility on the allocation of these rights. This ensures the CEO's performance is measured against results achieved from 1 July 2017 being the start of the performance period and the granting of the Rights in December 2017 subject to the approval at the AGM.

The fair value calculation is performed by an independent professional services firm using a binomial/trinomial option pricing model. The methodology is widely accepted for the purposes of accounting disclosures.

The below table outlines the key terms:

	<b>Deferred STI equity</b>	<b>LTI equity</b>
Performance Period and Assessment	1 year  The performance period is from 1 July 2017 to 30 June 2018, after which performance against the pre-determined KPIs will be assessed. If KPIs are not achieved, some or all of the Rights will be forfeited. There is no retesting of the performance conditions.	3 years  The performance period is from 1 July 2017 to 30 June 2020, after which performance against the key strategic objectives and TSR will be assessed. There is no retesting of the performance conditions.
Value to grant at Fair Value	\$160,000	\$546,456
Method for calculating number of Rights	Total value of grant at fair value divided by the fair value of Rights	
Number of Rights	224,121	895,879
Value of Rights at Face Value (based on VWAP at beginning of the performance period of \$0.7139)	\$160,000	\$639,568
Deferral Period	12 months from end of performance period	Not applicable
Performance Conditions (outlined further below)	100% of Deferred STI equity subject to Corporate KPIs	70% of the fair value of LTI equity subject to Corporate KPIs and 30% of the fair value of LTI equity subject to TSR performance
Other Vesting Conditions	Remains employed until the Vesting Date and has not engaged in fraud or dishonesty	
Vesting Date	30 June 2019 provided the Rights have not otherwise lapsed.	30 September 2020 provided the Rights have not otherwise lapsed.

Early Vesting	Part or all of the Rights may vest earlier, at the Board's discretion, if certain events occur which are outside of Dr Fairley's control (e.g. if a Change of Control Event occurs in respect of the Company).
Exercise of Rights	The Rights may be exercised during specified exercise windows after the Vesting Date within a 15 year period from the grant date provided certain conditions are met and the Rights have not lapsed or expired.
Conversion of Rights into Shares upon exercise	As the Company is in the development phase and is not operating cash flow positive, equity incentives are currently satisfied by the issue of new Shares, rather than a purchase of Shares on market, to conserve the company's cash reserves. This is reviewed periodically and purchases of Shares on market may be undertaken in the future if appropriate.

### ***Deferred STI Equity Performance Conditions - Key Business Drivers (Corporate KPIs)***

The vesting of the Deferred STI equity is dependent upon the extent to which the Corporate KPIs set by the Board have been achieved over the Deferred STI equity Performance Period.

The Corporate KPIs are as follows:

- Maximise the value of VivaGel® BV for both prevention of recurrent bacterial vaginosis and treatment indications through diligent regulatory activities and partnering to enable effective commercial exploitation and timely launch of the product in multiple markets, with priority given to major markets;
- Drive additional value of VivaGel® coated condoms through actively supporting registration activities and launch by partners in new markets, with priority given to major market opportunities;
- To maximise the value of the DEP® platform technology by:
  - extracting value from new and existing partnering deals/licences for DEP® candidates;
  - commencing the DEP® docetaxel phase 2 program (or signing a license, as appropriate);
  - advancing DEP® cabazitaxel into phase 1 (or signing a license, as appropriate);
  - advancing additional internal product candidates through preclinical development (or signing a license, as appropriate); and
  - accelerate internal and partnered drug development programs through in-house scale-up of preclinical and clinical grade DEP® materials.
- To manage the Company's finances in a prudent manner to create value, reduce cash burn and to maintain and develop a results oriented culture, exceptional leadership and succession planning to achieve superior performance.

### ***LTI Equity Performance Conditions - Key Strategic Objectives***

The vesting of the LTI equity is dependent upon the extent to which the performance conditions set by the Board have been achieved over the LTI equity Performance Period.

#### ***Corporate KPIs***

##### *VivaGel® and Drug Delivery*

40% of the LTI equity fair value (306,181 Rights) is subject to the monetisation of the VivaGel® and Drug Delivery portfolios represented by the completion of a number of commercial deals that build shareholder value and/or generate income.

##### *DEP® Platform*

30% of the LTI equity fair value (229,635 Rights) is subject to the development of new DEP® candidates and the commercialisation of DEP® candidates.

The Corporate KPIs selected relate to key value creating events and significant milestones. Whilst there are detailed performance metrics related to each Corporate KPI, due to their commercially sensitive nature, the Company intends to provide further details related to the performance metrics in the Annual Report following the relevant Performance Period. There is an element of discretion retained by the Board related to these performance metrics as the path to commercialisation with some projects may be varied depending on progress over time.

### **Total Shareholder Return (TSR)**

30% of the LTI equity fair value (360,063 Rights) is subject to a relative TSR performance measure. This performance measure tests the TSR of the Company over a 3 year period commencing 1 July 2017 and ending on 30 June 2020 compared to the TSR of the S&P/ASX300 Accumulation Index (**Index**). TSR is expressed as an annualised percentage.

TSR measures the return received by Shareholders from holding Shares in the Company or the Index (as applicable) over the Performance Period. TSR takes into account the difference in share price over the relevant period, as well as any dividends (assumed to be reinvested) and other capital adjustments. Specifically, the Company's TSR will take into account the volume weighted price of the Company's Shares calculated for the 3 month period ending 30 June 2017, compared with the volume weighted price of the Company's Shares calculated for the 3 month period ending on 30 June 2020.

TSR has been selected as an LTI equity performance measure as it is directly linked to Shareholder returns. The Board has chosen this Index for the TSR comparator group as it provides an external, market-based performance measure to which the Company's performance can be compared in relative terms. The Index is considered appropriate as it provides a comparison of shareholder returns that is relevant to investors, and reflects the aspiration of the Company. The Board considers that the Index is a more appropriate comparator than a customised group of peer companies due to the inherent volatility of each of these companies, typical within the biotechnology industry.

Half of the TSR LTI equity award vests if the Company's return is equal to the Index's return. As the Board recognises that Shareholders in biotechnology companies expect a return in excess of the Index, it has determined that an additional return of 10% per annum above the Index return represents a realistic but stretching target, and is the level at which full vesting of the relevant Rights will occur.

The table below sets out the percentage of Rights that will vest depending on the Company's TSR compared to the Index.

Annualised Company TSR compared with the Index	Percentage of Rights subject to the TSR performance condition which vest
Below Index	0%
Equal to Index	50%
Between Index and Index + 9.99%	Pro rata basis from 51% to 99%
At least 10% above Index	100%

For example, if the TSR of the Index is 10% per annum, then the Company would need to achieve a TSR of 20% per annum or more for all of the TSR related Rights to vest.

### *Other ASX Listing Rule Requirements*

In accordance with ASX Listing Rule 10.15, the following information is provided to Shareholders for the purpose of assisting Shareholders to make a decision on Resolution 5:

- (a) Dr Fairley is the Chief Executive Officer and a Director of the Company.
- (b) The maximum number of Rights to be issued to Dr Fairley is 1,120,000. Once vested, each Right may be exercised by Dr Fairley during an exercise window and will subsequently be converted into one fully paid Share.
- (c) No consideration is payable by Dr Fairley for the grant of the Rights or for the issue of Shares on vesting and exercising of the Rights. However, the Rights will be subject to the vesting conditions set out above.
- (d) No person referred to in ASX Listing Rule 10.14 other than Dr Fairley has been granted Rights under the Plan to date. Dr Fairley was granted a total of 3,713,246 Rights to Shares under the Starpharma Employee Performance Rights Plan since the Plan was last approved at the 2014 AGM. The fair value of those Rights was \$2,202,759. Those Rights were granted for no consideration however will only vest to the extent that the performance conditions are met. To date, 1,239,750 of these Rights have both vested and been converted into Shares. All Directors of the Company are entitled to participate in the Plan.
- (e) A voting exclusion statement in respect of Resolution 5 is set out in the Notice of Meeting.
- (f) The Company has **not** implemented any loan or financing arrangements in respect of the issue of the Rights to Dr Fairley.
- (g) The 1,120,000 Rights, if approved, will be issued within 10 business days of approval.

## **Recommendation**

Noting that each Director is excluded from voting their Shares on Resolution 5 (as set out in the voting exclusion statement in the Notice of Meeting), the Directors (with Dr Fairley abstaining) recommend that Shareholders vote in favour of Resolution 5.

### **RESOLUTION 6 – ALTERATION OF CONSTITUTION TO INCLUDE PROPORTIONAL TAKEOVER APPROVAL PROVISIONS**

The Company's Constitution contains a rule relating to proportional takeovers, which is required by the Corporations Act to be approved by Shareholders every 3 years. The Constitution was adopted at the 2014 AGM and the 3-year rule will result in the provisions being automatically omitted from the Constitution on 20 November 2017. Detailed information is provided to allow Shareholders to make an informed decision on whether to support or oppose the Resolution. This information is set out below.

#### *The reason for the proportional takeover approval provisions*

In a proportional takeover bid, the bidder offers to buy only a proportion of each Shareholder's shares in the Company. This could result in control of the Company passing to a bidder without Shareholders having the chance to sell all their shares to the bidder, or a bidder may take control of the Company without paying a proper price.

The Directors consider it is in the best interest of Shareholders to have a proportional takeover approval provision included in the Constitution.

#### *The effect of the proportional takeover approval provisions*

Clause 33 of the Constitution adopted at the 2014 AGM contained the proportional takeover approval provisions. It states that if a proportional takeover bid is made, the Directors must ensure that a general meeting is convened at least 14 days before the last day of the bid period. The proportional takeover bid must be approved by Shareholders, with at least 50% of votes cast supporting the proportional takeover.

Each person who holds bid class shares (as at the end of the day on which the first offer under the bid was made) is entitled to vote on the resolution. The bidder and its associates are excluded from voting.

If the proportional takeover bid is not approved by Shareholders, then no transfers of shares under the bid will be registered and the proportional takeover offer will be taken to be withdrawn. If Shareholders do not vote to approve the bid, then the bid will be taken to have been approved. If Shareholders approve the bid, then all legally valid transfers must be registered.

The proportional takeover approval provisions do not apply to full takeover bids – that is, they do not in any way restrict a bidder from making a bid for all of the Shares in the Company.

#### *No person to acquire or increase its substantial interest*

As at the date this statement was prepared, none of the Directors of the Company are aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

#### *Review of proportional takeover approval provisions*

The Directors do not consider that the proportional takeover provisions that have been in the Constitution had any directly observable advantages or disadvantages for Directors or Shareholders. While the proportional takeover provisions were in effect, there were no takeover bids made for the Company, either proportional or otherwise. Consequently, there are no actual examples against which to review the advantages or disadvantages of the existing proportional takeover approval provisions contained in Clause 33 of the Constitution. The Directors are not aware of any potential takeover that was discouraged by Clause 33 of the Constitution. The provisions may nevertheless have had similar effects to those explained in the potential advantages and disadvantages section below.

#### *Potential advantages and disadvantages*

The Directors do not consider that the proportional takeover approval provisions have any potential advantages or disadvantages for them.

The potential advantages of the proportional takeover approval provisions for Shareholders of the Company are:

- a) Shareholders will have the right to decide by majority vote whether a proportional takeover bid should proceed;
- b) the provision may help Shareholders avoid being locked in as a minority;

- c) the provision may prevent a bidder gaining control of the Company without paying a proper price and in fact increases Shareholder bargaining power which may ensure that any proportional takeover offer is properly priced; and
- d) knowing the view of the majority of Shareholders may assist individual Shareholders with deciding whether to accept or reject the offer, if it is approved.

The potential disadvantages of the proportional takeover approval provisions for Shareholders of the Company are:

- a) it may discourage proportional takeover bids being made for Shares in the Company;
- b) Shareholders may lose an opportunity to sell some of their Shares at a premium; and
- c) the probability of a proportional takeover bid succeeding may be reduced.

*Renewal every 3 years*

The Corporations Act requires that the proportional takeover approval provisions of the Constitution be renewed every 3 years. This 3 year period commences after the last Shareholder approval of the provisions. The Constitution was adopted at the 2014 AGM and the existing provisions will cease to be included in the Constitution on 20 November 2017. If Resolution 6 is approved by Shareholders, the proportional takeover approval provisions will continue in effect for 3 years after the date of the resolution.

The Directors consider that the potential advantages for Shareholders of the re-inclusion of proportional takeover approval provisions in the Constitution for the next 3 years outweigh any potential disadvantages.

***Recommendation***

The Board unanimously recommends the approval of the alteration of the Constitution to re-include the proportional takeover approval provisions.

## DEFINITIONS


Unless the context requires otherwise, the following words shall have the following meanings in this Explanatory Memorandum, the Notice of Meeting and the Proxy Form:


- (1) **Annual General Meeting** means the 2017 annual general meeting of the Company convened by the Notice of Meeting.
- (2) **ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the market operated by it.
- (3) **ASX Listing Rule** means a listing rule of ASX as amended or waived.
- (4) **Board** means the board of Directors of the Company.
- (5) **Change of Control Event** means any of the following:
  - a. the acquisition by any person, either alone or together with an associate (as defined in the Corporations Act), of a relevant interest (as defined in the Corporations Act) in more than 50% of the issued shares in the Company;
  - b. a person (alone or together with its associates) becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the board of the Company;
  - c. the acquisition by any person, either alone or together with an associate (as defined in the Corporations Act), of all or a substantial portion of the assets of the Company; or
  - d. such other event as the Board considers, acting reasonably, to be a Change of Control Event.
- (6) **Closely Related Party** of a KMP means:
  - a. a spouse or child of the KMP; or
  - b. a child of the KMP's spouse; or
  - c. a dependant of the KMP or of the KMP's spouse; or
  - d. any member of the KMP's family who may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Company; or
  - e. a company which the KMP controls.
- (7) **Company** or **Starpharma** means Starpharma Holdings Limited ABN 20 078 532 180.
- (8) **Corporations Act** means the *Corporations Act 2001* (Cth).
- (9) **Directors** means the directors of the Company from time to time.
- (10) **Explanatory Memorandum** means this Explanatory Memorandum.
- (11) **KMP or Key Management Personnel** means the key management personnel of the Company, being those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. It includes all Directors (executive and non-executive). The KMPs during the year ended 30 June 2017 are listed in the Remuneration Report contained in the Directors' Report for the year ended 30 June 2017.
- (12) **Notice of Meeting** means the notice of Annual General Meeting accompanying this Explanatory Memorandum.
- (13) **Plan** means the Starpharma Holdings Limited Employee Performance Rights Plan.
- (14) **Proxy Form** means the proxy form accompanying this Explanatory Memorandum.
- (15) **Right** means a right granted by the Company under the Plan which entitles the holder to one Share upon vesting of the right.
- (16) **Resolution** means the relevant resolution set out in the Notice of Meeting.
- (17) **Shareholder** means a person or entity entered in the Company's register of members from time to time as the holder of Shares.
- (18) **Shares** means fully paid ordinary shares in the capital of the Company quoted on the ASX under the code "SPL".

All references to time in the Notice of Meeting are to Melbourne time.

SPL  
 MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Lodge your vote:**

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 Victoria 3001 Australia

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**For all enquiries call:**  
 (within Australia) 1300 850 505  
 (outside Australia) +61 3 9415 4000

**Proxy Form**

**XX**



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- Follow the instructions on the secure website to vote.



**Your access information that you will need to vote:**

**Control Number: 999999**

**SRN/HIN: I9999999999 PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by no later than 3.00pm (Melbourne time) on Monday, 27 November 2017**

**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, you must attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
 or turn over to complete the form** →



MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Starpharma Holdings Ltd hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Starpharma Holdings Ltd to be held at the offices of Norton Rose Fulbright, Level 15, RACV Tower, 485 Bourke Street, Melbourne, Victoria on Wednesday, 29 November 2017 at 3.00pm (Melbourne time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4 & 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 & 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4 & 5 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

### Ordinary Business

	For	Against	Abstain
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Mr Robert Thomas AM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Re-election of Mr Richard Hazleton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of Starpharma Employee Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of Issue of Performance Rights to Dr Jacinth Fairley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Special Business

Resolution 6 Alteration of Constitution to include Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each Resolution. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any Resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

S P L

2 2 9 1 5 2 A

Computershare +