



ParagonCare

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Paragon Care Limited

2018 Corporate Governance Statement

Paragon Care Limited (**Company** or **Paragon**) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. For the year ended 30 June 2018 the Board reviewed the Company's framework and practices in the context of the 3rd edition of the ASX Corporate Governance Principles and Recommendations (**Principles and Recommendations**). The Paragon Care Limited Corporate Governance Statement (**Statement**) and the supplementary policies and charters are available on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab. The Company and its controlled entities together are referred to as the Group in this Statement.

A description of the Group's corporate governance practices in the year ended 30 June 2018 and the comparison to the Principles and Recommendations requirements is provided below.

Principle 1

Lay solid foundations for management and oversight

The directors are responsible to the shareholders for the performance of the Group in both the short and longer term and seek to balance competing objectives in the best interests of the Group as a whole. The focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The Board has adopted a Board Charter and it is available on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab. The principles detailed are consistent with the responsibilities of the Board discharged in the year to 30 June 2018. The responsibilities of the Board (include but are not limited) to:

- Developing and approving the corporate strategy and monitoring implementation of strategy.
- Evaluating, approving and monitoring the strategic and financial plans of the Company.
- Evaluating, approving and monitoring the annual budgets (including financial and other reporting) and business plans.
- Evaluating, approving and monitoring the progress of major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company.
- Approval and monitoring delegations of authority.
- Managing succession planning for the positions of Managing Director and such other key management positions which may be identified from time to time.
- Reviewing, ratifying and monitoring the Company's risk and audit framework, (including but not limited to) systems of risk management and internal control.
- Supervision of the public disclosure of all matters that are required to be publicly disclosed consistent with the Continuous Disclosure Policy approved by the Board.
- Establishing and monitoring performance and reporting of Committees of the Board.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior management team.

Any director, with the prior agreement of the Chairman (or in the case of the Chairman by reference to one non-executive director) may in furtherance of their duties, seek independent professional advice at the Company's expense.

The identification and selection of directors and senior management is undertaken by the Nomination & Remuneration Committee. The Nomination & Remuneration Committee Charter is available on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab. In addition to being responsible for guiding the remuneration structure of the Company this Committee is responsible for identifying suitable candidates to act as directors of the Company and undertaking appropriate checks of candidates. The details of the all Company's directors can be found in the 2018 Annual Report.

All directors and senior management have written agreements with the Company detailing the terms of their appointment.

The Company Secretary is appointed by the Board and reports to the Chairman on all Board matters.

Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company's workforce is relatively small and the directors do not believe it is appropriate to establish formal diversity objectives in relation to gender, age, cultural background and ethnicity at this stage. Given the scale of its operations the Company must ensure that the best candidate at the time is appointed to any vacant position. The directors periodically review the Company's policies in the context of the principles of a Diversity Policy as outlined in Recommendation 1.5.

As at 30 June 2018 the structure of the workforce was as follows:

	Male	Female	Total
Board	5	0	5
Management	62	24	86
Staff	222	194	416
Total	289	218	507

Board and senior management evaluation

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and of its Committees. The assessment also considers the adequacy of induction and continuing education and access to information. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. Given the Company's recent Board changes a review did not take place during the period to 30 June 2018. The Board intends to carry out this review within the next reporting period.

The senior management performance is evaluated annually against operational and financial objectives agreed by the Board.

Detail on the principles and amounts of director and senior management remuneration can be found in the Remuneration Report section of the Company's 2018 Annual Report.

Principle 2

Structure the Board to add value

The Nomination & Remuneration Committee is responsible for establishing the criteria for Board membership, reviewing Board membership and identifying suitable candidates to act as directors to contribute to Board's duties and responsibilities. The Nomination & Remuneration Committee Charter can be found on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab.

The Board has taken every care to achieve a well-structured Board, which includes both executive and non-executive directors with an appropriate range of skills and experience. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman is an independent non-executive director and all directors are required to exercise independent judgement and review and constructively challenge the performance of management.

The Company as at 30 June 2018 had five directors, four of whom are independent non-executive directors (Mr Shane Tanner, the Chairman, Mr Michael Newton, Mr Geoffrey Sam and Mr Brent Stewart). The Company's executive director Mr Andrew Just is the Managing Director and Chief Executive Officer.

The Company has a majority of independent directors on the Board consistent Recommendation 2.4. The Chairman of the Board, Mr Shane Tanner and with the other independent directors, Mr Michael Newton, Mr Geoffrey Sam and Mr Brent Stewart provide an active role in challenging management.

The Company ensures all directors have and maintain the skills to discharge their roles effectively by an induction process for new directors and development programs for directors. The Company intends to develop a skills matrix during the next reporting period in order to comply with Recommendation 2.2. In addition, the Nomination & Remuneration Committee does consider the balance of competencies of the incumbent directors across a range of core commercial skills and industry experience when considering the appointment non-executive directors and will continue to apply a similar approach when considering future appointments.

Principle 3

Act ethically and responsibly

The Board expects all directors, employees and contractors to act with the utmost integrity and objectivity, and in compliance with the letter and the spirit of the law and Company policies striving at all times to enhance the reputation and performance of the Company, in the following areas;

- Business ethics
- Compliance with laws
- Personal and professional conduct
- Respect for others and improper behavior
- Dealings with suppliers, customers, advisers and regulators
- Dealing with the community
- Dealing with other employees.

The Company and its directors have always promoted ethical and responsible decision-making and the Company's Code of Conduct and this may be viewed on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab.

Principle 4

Safeguard integrity in corporate reporting

The Board established an Audit & Risk Management Committee and this Committee reviews and make recommendations in relation to the integrity of the Company's financial reporting processes and its financial statements and oversee the risk management processes within the Company. The Audit & Risk Committee Charter may be viewed on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab.

The Audit & Risk Management Committee comprises the two independent non-executive directors, consistent with the Principles and Recommendations and the Committee is independent of management in discharging its responsibility of overseeing the integrity of management's financial administration and risk management. The details of its members and the directors' attendance at Audit & Risk Management Committee meetings are set out in the directors' report of the 2018 Annual Report. Consistent with the requirements of Section 295A of the Corporations Act the Company's Managing Director and Chief Financial Officer provide a declaration that, in their opinion, the financial records of the Company for each financial year and half year have been properly maintained in accordance with the Corporations Act and that the financial statements and the notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. The directors' must receive this declaration before they approve the financial statements for the financial year and half year.

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. RSM Australia Partners was appointed as the external auditor firm in November 2009.

The external auditor will attend the Company's Annual General Meeting and be available to respond to shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5

Make timely and balanced disclosure

The Board fully recognises its disclosure obligations under ASX Listing Rule 3.1 and aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs by:

- The Company reporting to shareholders at least each six months;
- Ensuring that price sensitive information and matters of material significance are reported to the ASX immediately; and
- Copies of all announcements and reports are available on the ASX website and are posted on the Company's website as soon as they are disclosed to the ASX.

The Company and its directors comply with the Company's continuous disclosure obligations. The Company has adopted a Continuous Disclosure Policy and this may be viewed on the Company's website (www.paragoncare.com.au) under the "Investors Centre / Governance" tab.

Principle 6

Respect the rights of security holders

The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

To achieve this, the Company communicates information regularly to shareholders and other stakeholders through a range of forums and publications.

One of the Company's key communication tools is its website located at www.paragoncare.com.au. The Company endeavours to keep its website up-to-date.

In addition to the material specifically referred to below, the Investors Centre section of the website includes details of the following:

- the Company's Board and Committee charters;
- the Company's core corporate governance policies;
- any press release, analyst reports and announcements made by the Company; and
- financial information about the Company.

The website also contains a facility for shareholders to direct inquiries to the Company. The Company's shareholders may also deal directly with its share registry, Link Market Services through its website <https://investorcentre.linkmarketservices.com.au/Login/Login> and may request to receive their shareholder correspondence electronically.

Measures for communicating the following important aspects of the Company's affairs include:

- **Notice of meeting:** The Company places the full text of all notices of meetings and explanatory material on its website. The Company encourages shareholders to provide email addresses so that notices of meeting and explanatory material can be sent to shareholders via email.
- **Annual General Meeting (AGM):** The Company encourages full participation of shareholders at its AGM each year. For those shareholders who are unable to attend in person, the Company provides an outline of the Chairman's and the Managing Director's presentations on its website. Shareholders are encouraged to lodge proxies electronically, subject to the adoption of satisfactory authentication procedures. The Company's external auditor will attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act 2001 (Cth).
- **Annual Report:** The Company's Annual Report is available on its website and contains important information about the Company's activities and results for the previous financial year. Shareholders can elect to receive the Company's Annual Report or concise report as an electronic copy or in hard copy through the mail.

- **Announcements lodged with the ASX:** All ASX announcements made to the market, including annual and half year financial results, are posted on the Company's website as soon as practicable following their release by ASX.
- **Presentations:** Copies of all investor presentations made to analysts and media briefings are posted on the Company's website.

Principle 7

Recognise and Manage Risk

The Audit & Risk Management Committee has had the responsibility for initiating the review process and monitoring the systems of risk oversight, management and internal control. The Audit & Risk Committee Charter may be found on the Company's website. The Committee in consultation with management have identified key risks confronting the Group and on a regular basis the Board receives reporting outlining these risks and the strategies applied to manage the exposures. The Committee periodically reviews the key risks and the priorities for review. The Board has established internal controls and reviews areas of operational and financial risks. The Company has strategies to mitigate identified risks of the business. The Company carries sufficient insurance for the size and nature of its business to protect shareholders' equity.

The Company does not have an internal audit function. The Company is small enough and the Board and the Audit & Risk Management Committee are sufficiently knowledgeable of the Company's operations to evaluate the effectiveness risk management and internal control processes of the Company. In addition, the Company's auditor reports upon risk management control processes and makes recommendations for areas of improvement.

Principle 8

Remunerate fairly and responsibly

The Company's seeks to pay its directors and executives' sufficient remuneration to attract, retain and motivate high quality personnel.

The policy objectives are as follows:

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders and having regard to relevant Company policies;
- to attract and retain skilled executives and directors;
- to structure short and long term incentives for executives that are challenging and linked to the creation of sustainable shareholder returns;
- to ensure any termination benefits for executives are justified and appropriate; and
- to ensure the incentive for Non-Executive Directors are justified and not in conflict with their obligation to bring independent judgement to matters before the Board.

In the year to 30 June 2018 the Company had a Nomination & Remuneration Committee comprising of two independent non-executive directors and the details of its members and the directors' attendance at Nomination & Remuneration Committee meetings are set out in the directors' report of the 2018 Annual Report. The Nomination & Remuneration Committee Charter may be found on the Company's website.

In respect of remuneration matters the Nomination & Remuneration Committee advises the Board on remuneration and incentive policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors (executive and non-executive) and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration Report" in the 2018 Annual Report.

The Company does have an option plan available for employees and there is currently no equity-based performance incentive scheme in place for directors' and senior management. The Nomination & Remuneration Committee will periodically review the benefits of introducing an equity-based incentive scheme and in turn will recommend any suggested changes to the Board for implementation.

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