

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

Japara Healthcare Limited

ABN/ARBN

54 168 631 052

Financial year ended

30 June 2018

Our corporate governance statement² for the above period above can be found at:³

☐ these pages of our annual report: _____

✓ this URL on our website: investor.japara.com.au/Investor-Centre/

The Corporate Governance Statement is accurate and up to date as at 24 August 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: 25 September 2018

Print name: Bruce Paterson
Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ at this location: investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate 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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
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.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) 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.	... the fact that we have a diversity policy that complies with paragraph (a): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i> ... and a copy of our diversity policy or a summary of it: ✓ at this location: investor.japara.com.au/Investor-Centre/ ... the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i> ... and the information referred to in paragraphs (c)(1) or (2): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i> ... and the information referred to in paragraph (b): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i> ... and the information referred to in paragraph (b): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE		
2.1	The board of a listed entity should: (a) have a nomination committee which: (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; <u>OR</u> (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.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i> ... and a copy of the charter of the committee: ✓ at this location: investor.japara.com.au/Investor-Centre/ ... and the information referred to in paragraphs (4) and (5): ✓ in our Corporate Governance Statement (4) <u>and</u> ✓ at this location (5): In the Directors' Report to the Annual Report at investor.japara.com.au/Investor-Centre/ [If the entity complies with paragraph (b):] ... the fact that we do not have a nomination committee and the processes we employ 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: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i> ☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	... our board skills matrix: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association 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, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ☐ in our Corporate Governance Statement OR ☒ at this location: In the Directors' Report to the Annual Report at investor.japara.com.au/Investor-Centre/ ... where applicable, the information referred to in paragraph (b): ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i> ... the length of service of each director: ☐ in our Corporate Governance Statement OR ☒ at this location: In the Directors' Report to the Annual Report at investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☐ in our Corporate Governance Statement OR ☒ at this location: investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement OR ☐ at this location: <i>Insert location here</i> ... and a copy of the charter of the committee: ☒ at this location: investor.japara.com.au/Investor-Centre/ ... and the information referred to in paragraphs (4) and (5):	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
	meetings; OR (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.	☐ in our Corporate Governance Statement (4) OR ☒ at this location: In the Directors' Report of the Annual Report at investor.japara.com.au/Investor-Centre/ [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i>	
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.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ✓ in our Corporate Governance Statement and ✓ at this location: investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: ✓ at this location: investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ✓ in our Corporate Governance Statement and ✓ at this location: investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
<u>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</u>			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (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 (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ✓ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i> ... and a copy of the charter of the committee: ✓ at this location: investor.japara.com.au/Investor-Centre/ ... and the information referred to in paragraphs (4) and (5): ✓ in our Corporate Governance Statement (4) and ✓ at this location (5): In the Directors' Report to the Annual Report at investor.japara.com.au/Investor-Centre/ [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☐ in our Corporate Governance Statement OR	☐ an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
		☐ at this location: <i>Insert location here</i>	
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; <u>OR</u> (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 risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
		[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at this location: <i>Insert location here</i>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ✓ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (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 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.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ✓ in our Corporate Governance Statement OR ☐ at this location: _____ <i>Insert location here</i> ... and a copy of the charter of the committee: ✓ at this location: investor.japara.com.au/Investor-Centre/ ... and the information referred to in paragraphs (4) and (5): ✓ in our Corporate Governance Statement (4) and ✓ at this location (5): In the Directors' Report to the Annual Report at investor.japara.com.au/Investor-Centre/ [If the entity complies with paragraph (b):] ... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior	☐ an explanation why that is so in our Corporate Governance Statement OR ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
		executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	
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.	... our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ✓ in our Corporate Governance Statement <u>and</u> ✓ at this location: In the Directors' Report to the Annual Report at investor.japara.com.au/Investor-Centre/	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: ✓ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...
<u>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</u>			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at this location: _____ <i>Insert location here</i>	☐ an explanation why that is so in our Corporate Governance Statement

JAPARA

JAPARA HEALTHCARE LIMITED

ACN 168 631 052

Corporate Governance Statement

**Approved by the Board of Japara Healthcare Limited
on 24 August 2018**

CORPORATE GOVERNANCE

This statement outlines the main corporate governance practices of Japara Healthcare Limited (the **Company**) in place throughout the financial year ended 30 June 2018 and applying to the Company and its controlled entities (the **Group**). It has been prepared in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd edition.

1. Corporate Governance Policies

The Company has issued the following Corporate Governance documents, which are available for review on its investor centre website at investor.japara.com.au/Investor-Centre/:

- Board Charter & Relationship with Management;
- Audit, Risk and Compliance Committee Charter;
- Remuneration and Nomination Committee Charter;
- Zero Harm Committee Charter;
- Code of Conduct;
- Diversity Policy;
- Policy for Dealing in Securities;
- Continuous Disclosure Policy;
- Communication Strategy;
- Political Donations Policy; and
- Privacy Policy.

2. Role and Responsibilities of the Board

Board of Directors

The Board's role includes overseeing and reviewing the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives, reviewing management performance, protecting and optimising Company performance and building sustainable value for shareholders. It operates within a framework of prudent and effective controls that enable risk to be assessed and managed.

The Board also sets, reviews and ensures compliance with the Company's values and governance framework (including establishing and observing high ethical standards) and ensures that shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The responsibilities/functions of the Board include:

- succession planning of the Board and Senior Executives;
- strategic guidance and approval of corporate strategy;
- overseeing systems of risk management, internal control and ethical and legal compliance;
- monitoring corporate performance;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting; and
- developing and reviewing corporate governance principles and policies.

Directors may delegate their duties as they consider appropriate. However, ultimate responsibility for strategy and control remains with the Directors. Directors are entitled to request additional information at any time when they consider it appropriate.

Senior Executives

The Senior Executive team is responsible for the day to day management and operations of the business. The Senior Executive and management function is conducted by, or under the supervision of, the Managing Director & Chief Executive Officer (**CEO**) as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO). The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO. These duties include implementing the strategic objectives, plans and budgets approved by the Board.

Senior Executives and management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

3. Board appointment, composition and tenure

The Board comprises five Directors being one Executive Director (the CEO) and four independent non-Executive Directors, including the Chairman. Details of all Directors and their length of service are disclosed in the Directors' Report for the most recent reporting period.

The Board identifies Directors for appointment through its own network and the use of external search organisations.

The Board considers a variety of factors and undertakes a number of due diligence checks when considering Directors for appointment. This includes but is not limited to the skills, experience, expertise and personal qualities that will best complement Board effectiveness, the existing composition of the Board, an appropriate level of diversity, the ability to devote the necessary time and commitment to the role, potential conflicts of interest and independence. The Board recognises that the optimal composition of a board of directors is one that comprises a mix of directors with a wide range of skills, expertise and experience from a broad range of backgrounds, including gender. The Remuneration and Nomination Committee (refer section 7 below) advises the Board on Board composition and assists it in determining the required skills and attributes of Directors for achieving the Company's strategy and good governance. Information pertinent to the election or re-election of a Director is provided in the material accompanying the relevant Notice of Meeting.

In determining the independence of a Director consideration is given as to whether the Director:

- is or associated with a substantial shareholder of the Company;
- is or has in the last 3 years been employed in an executive capacity by the Group;
- is or has in the last 3 years been a senior executive of a provider of material professional services to the Group;
- has or in the last 3 years had a material business relationship with the Group including as an officer of someone with such a relationship;
- has a material contractual relationship with the Group other than as a Director;
- has close family ties with any person who falls within any of the categories described above;
- has been a director of the Company for such period of time which may compromise their independence; and
- is free from any other interest, business or other relationship which could or reasonably be perceived to materially interfere with acting in the Company's best interests.

Each Director has a written agreement setting out the terms of their appointment, details of the role and responsibilities, the need for education and training and how the Company will assist in this process, the requirement to attend Board and Committee meetings, the time envisaged to be dedicated to the role, how performance will be evaluated, remuneration and details around the Company's policies. The Board collectively, and each Director individually, has the right to seek independent professional advice.

The Board seeks to comprise of Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, including gender. The Board has identified the skills and experience it considers necessary and desirable. These are set out in the matrix below which also shows the extent to which they are represented on the Board and its Committees.

Board skills matrix

	Board	Audit, Risk and Compliance Committee	Remuneration and Nomination Committee	Zero Harm Committee
Total Directors	5	3	3	3
SKILLS & EXPERIENCE				
Healthcare - aged care, acute hospital and clinical management	4	2	2	2
Health, safety, environment & sustainability	4	2	2	2
Human resources and industrial relations	3	2	2	2
Regulatory & legal	5	3	3	3
Accounting and finance	5	3	3	3
Property development	2	1	1	1
Governance and risk management	5	3	3	3
Government relations	4	2	2	2
Strategy	5	3	3	3
Marketing and sales	2	1	1	1
Capital management	4	3	3	3
Executive leadership	5	3	3	3
Other listed boards	4	3	3	3

The Board is satisfied that the current members' broad range of experience, knowledge and backgrounds is adequate for it to collectively meet the current business needs of the Group. Expert advice is taken in circumstances where additional skills are required. The experience and qualifications of each Director are set out in the Directors' Report in the Annual Report and on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

To ensure new Directors will be able to participate fully and actively in Board decision making at the earliest opportunity, a comprehensive induction program is provided upon appointment. The program includes information regarding the role and its duties as well as details of the Company and the environment in which it operates. Site visits to a number of the Company's aged care homes and meetings with members of management are also arranged. Directors are encouraged to keep up to date with developments in the industry and management also briefs the Board on relevant changes in the legislative, regulatory or industry framework.

The Company Secretary is accountable directly to the Board, through the chair. The Company Secretary is responsible for all Board business, including agendas, Board papers, minutes, communication with ASX and other regulatory bodies, and all other statutory filings. All Directors have direct access to the Company Secretary.

4. Board and Senior Executive Remuneration

Detailed commentary on the Company's remuneration policy and the remuneration of Directors (both executive and non-executive) and Senior Executives who are key management personnel is set out in the Remuneration Report which forms part of the Company's Annual Report.

In summary the following remuneration policy applies:

Non-executive Directors

Non-executive Directors receive fixed fees (including statutory superannuation contributions) for their services as Directors of the Company. They have not received nor are eligible to receive performance related compensation.

CEO and other Senior Executives

Remuneration packages for the CEO and other Senior Executives include two main components:

- a fixed component comprising the total base salary and statutory employer superannuation contributions; and
- a performance-based component which comprises a combination of cash and equity in the Company which is awarded subject to achieving certain performance hurdles over a certain timeframe as determined by the Board.

In accordance with the Company's Policy for Dealing in Securities, hedging of vested and unvested Company securities by Senior Executives is prohibited at all times. Hedging includes entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities. The policy is available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

The CEO and other Senior Executives each have a written agreement with the Group covering their employment arrangements.

5. Diversity

The Company recognises that having a talented and diverse workforce is a key competitive advantage and the success of the business is a reflection of the quality and skills of its people. Diversity underpins the Company's ability to attract, retain and develop the best talent, create an engaged workforce, deliver the highest quality services to its diverse customer base and hence continue to grow the business.

The Company is committed to an ongoing programme of promoting and supporting a workplace which includes diversity of gender, ethnicity, disability, age, religion, culture and educational experience. This provides for better informed and innovative decisions to be made, drawing on a wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds and differing skill sets and experiences bring to their roles and is representative of the Company's stakeholders and the community in which it operates.

The Company's formal Diversity Policy was designed to empower and foster a culture where people act in accordance with these objectives and to facilitate a more representative management and leadership structure including women in senior management and on the Board. The policy is available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

As at 30 June 2018 the gender representation in the Group at various levels was as follows:

	Female	Male
Group	85%	15%
Senior Management	76%	24%
Senior Executives (including the CEO)	25%	75%
Board (including the CEO)	40%	60%

Senior Executives are those personnel who are members of the Executive Leadership Team. Senior Management include those personnel who are responsible for managing aged care homes and as such have an integral role in delivering business outcomes.

The Company's workforce comprises a high number of female employees at senior management level and below. This is reflective of its customer base which is predominately female and of the sector, where the pool of available male candidates with required nursing or other care qualifications is comparatively low. The Company has developed a succession and talent management plan to identify suitable internal candidates based on experience and skills, with a focus on increasing the number of women identified for promotion into Senior Executive roles.

The Company's objectives for achieving gender diversity and the progress made towards achieving these objectives, which is measured on an ongoing basis, is set out below:

- When available, at least 30% of candidates to be considered for Board and Executive level roles should be female.

Progress

The Company is open to a full diverse range of candidates when recruiting. Direction is provided at search and interview selection stages to ensure female candidates are presented for consideration. The 30% target may not always be achieved as it is dependent on the available candidate pool at the time. Women filled the majority of Executive level roles recruited during the 2018 financial year. There were no Board membership changes.

- The interview selection panel for all roles should include both genders, position descriptions should be gender neutral and the selection process should be transparent and unbiased.

Progress

Whenever possible, panels selecting and interviewing candidates has included both genders. All position descriptions are reviewed to be gender neutral and the selection process is internally transparent and unbiased.

- Operate succession and talent management processes for identifying high potential female leaders for Senior Executive roles.

Progress

The Company operates formalised succession and talent management processes which were extensively reviewed and updated during the 2017 financial year. The second stage of a development program targeted at home care executives commenced during the 2018 financial year. A succession planning review is proposed to be undertaken during the 2019 financial year under Senior Executive direction.

- High potential female leaders to be developed for Senior Executive positions.

Progress

The development of high potential female leaders is undertaken as part of the Company's succession and talent management processes. 91% of candidates nominated to participate in stage two of the Company's development program were female, with 92% of all participants in the program being female.

The Company's diversity objectives aim to encourage and enable diversity, rather than force it by the use of quotas. However, the Company seeks to achieve greater representation of women on the Board and at Senior Executive level over a reasonable transition period. These objectives are designed to enable the Company to:

- identify, recruit and retain candidates with the most suitable knowledge, skills, experience and values for the role in question and which recognise the value of selecting, recruiting and promoting employees with diverse backgrounds, knowledge, experiences and perspectives;
- broaden the field of potential candidates for Board and Senior Executive appointments; and
- ensure transparency of the Board appointment process.

6. Review of Board and Senior Executive performance

Reviews and performance evaluations are conducted annually for the Board, its committees, individual Directors and Senior Executives and were undertaken during the year.

Board, Committees and Individual Directors

The Board assesses its performance and utilises the Board Charter and Relationship with Management as well as other Corporate Governance documents to assist in its review. Similarly, each Board committee assesses its performance, utilising the respective Committee Charter and other Corporate Governance documents to assist in its review, with results advised to the Board.

Where appropriate, external advisors are engaged to provide an independent review of the Board and its Committees, and to provide additional advice. Reviews and performance evaluations of individual non-executive Directors are conducted in private discussions which are managed by the Board Chairman, except in the case of the Board Chairman which is managed by the Chairman of the Remuneration and Nomination Committee.

Senior Executives

A combination of financial and non-financial key performance indicators are used to measure the performance of Senior Executives. The Chairman, with input and feedback from the non-executive Directors, reviews the performance of the CEO. The CEO reviews the performance of other Senior Executives. Outcomes are advised to the Remuneration and Nomination Committee which evaluates the reviews, benchmarks remuneration arrangements where appropriate and makes recommendations to the Board.

7. Board Committees

There are currently three standing committees of the Board which assist it in carrying out its duties and responsibilities. Those committees are:

- the Remuneration and Nomination Committee;
- the Audit, Risk and Compliance Committee; and
- the Zero Harm Committee.

All Committee members are independent non-executive Directors. Details of the number of times each Committee has met and member attendance are disclosed in the Directors' Report in the Annual Report. The Chairman and the CEO attend Committee meetings by invitation.

Each Committee operates in accordance with a formal charter which sets out its responsibilities. A copy of each charter is available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

An overview of each Committee is provided below.

Audit, Risk and Compliance Committee

Current Members:

- Richard England (Chairman), David Blight and JoAnne Stephenson.

Responsibilities

- The Committee is responsible for:
 - overseeing the Company's relationships with both the external auditor and internal auditor and their respective audit functions generally;
 - overseeing the preparation of the financial statements and reports;
 - overseeing the Company's financial controls and systems; and
 - managing the process of identification and management of financial risk.
- The Committee's primary roles in relation to audit matters are:
 - assisting the Board in relation to the reporting of financial information;
 - the appropriate application and amendment of accounting policies;
 - the appointment, independence and remuneration of the external auditor; and
 - providing a link between the external auditors, the Board and management.
- The Committee oversees the reappointment or replacement of the external auditor, the rotation of the audit partner and the terms of the audit engagement.
- The Committee has the responsibility of reviewing the internal auditor's objectives, competence and resourcing including reviewing and monitoring the internal audit program, ensuring an appropriate program of activity and evaluating the internal auditor's findings and recommendations.
- The Committee's specific function with respect to risk management is to review and report to the Board that:
 - the Company's ongoing risk management program effectively identifies all areas of potential risk;
 - adequate policies and procedures have been designed and implemented to manage identified risks;
 - a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
 - proper remedial action is being or has been undertaken to redress areas of weakness.

Remuneration and Nomination Committee

Current Members:

- David Blight (Chairman), Richard England and JoAnne Stephenson.

Responsibilities

- The Committee is responsible for:
 - reviewing and making recommendations to the Board on:
 - a. the size and composition of the Board, including reviewing succession plans and structuring the Board so that it comprises a range of skills, expertise and experience from a broad range of backgrounds, including gender;
 - b. the criteria for Board membership;
 - c. the re-election of Directors and assisting in identifying new Board members; and
 - d. corporate governance issues;

- assisting the Board in performance evaluations and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- monitoring relevant areas of risk including periodically reviewing staff compliance breaches (and consequences) and making any associated recommendations to the Board;
- ensuring an effective induction process is in place;
- reviewing the effectiveness of the Board Diversity Policy by assessing progress towards the achievement of measurable objectives, the strategies for achieving them and recommending any changes to these or the way they are achieved;
- reviewing the relative proportion of women and men in the workforce at all levels of the Group on an annual basis;
- advising on remuneration by gender and strategies or changes to address any pay gap;
- reviewing and recommending remuneration arrangements for the Executives including participation in incentive plans;
- reviewing changes and developments in remuneration, recruitment, retention and termination policies and procedures in relation to senior management;
- reviewing and approving short term incentive strategy, performance targets and bonus payments;
- reviewing, making recommendations and/or approving changes and developments in incentive plans, determining performance hurdles applicable to these, the proposed terms of offers under these plans, amendments to existing plans and otherwise administering the plans;
- reviewing and recommending the remuneration arrangements for the Chair and non-executive Directors; and
- reviewing the Board Charter periodically.

Zero Harm Committee

Current Members:

- JoAnne Stephenson (Chairman), David Blight and Richard England.

Responsibilities

- The Committee is responsible for matters relating to workplace health and safety, resident safety and clinical care and environment and sustainability including:
 - overseeing the development and implementation of policies and practices to ensure the Company complies with its obligations and commitments;
 - overseeing the development and implementation of company-wide processes and procedures (including reporting systems and investigations) to ensure compliance with the Company's policies and legal and regulatory obligations;
 - ensuring these processes and procedures are regularly reviewed to ensure that all material risks are identified, reported and investigated and that remedial action is taken when required;
 - endorsing and monitoring key performance indicators and targets that underpin the Company's zero harm goals;
 - monitoring the Company's reporting systems for actual or potential breaches of legal and regulatory obligations, any accidents and incidents and any investigations and remedial action; and
 - liaising with the Audit, Risk and Compliance Committee to determine whether the Company's reporting and risk management procedures are effective.

Each Committee has the right to access adequate resources including seeking advice from auditors, solicitors and other independent advisors as it may require. The Committee Chair may invite non-Committee members, including members of management to attend all or part of any Committee meeting. The qualifications of Directors and number of meetings held by Board committees are set out in the Directors' Report in the Annual Report.

Prior to signing the financial report for any given period, the CEO and the Chief Financial Officer sign a declaration addressed to the Board as required by Section 295A of the Corporations Act 2001 and incorporating the declaration that a sound risk management system is operating effectively.

8. Code of Conduct

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of the Company (including temporary employees, contractors and Directors) must comply with the Code of Conduct.

The Code is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

The Code of Conduct is available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

9. Communication with Investors and Continuous Disclosure

The Company ensures that its external auditor attends its Annual General Meeting (**AGM**). In accordance with section 250PA of the *Corporations Act 2001* a member of the Company who is entitled to cast a vote at the AGM can submit a written question to the auditor that is relevant to the content of the auditor's report or the conduct of the audit. During the AGM, a reasonable opportunity is given to the members as a whole, to ask the auditor's representatives questions relevant 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 in relation to the conduct of the audit.

The Company places a high priority on communication with shareholders and has formally adopted a Continuous Disclosure Policy and a Communication Strategy to assist in fulfilling its duties to keep the market fully informed of any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The policies set out procedures to ensure that Directors and senior management are aware of and fulfil their obligations in relation to the timely disclosure of material and price-sensitive information.

The abovementioned policies are available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

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 via ASX announcements which are then posted on the Company's investor centre website as soon as practicable following their release by ASX.

The Company's Annual Report is available on its investor centre 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 as an electronic copy or in hard copy through the mail.

The Company encourages full participation of shareholders at its AGM each year.

The Company offers its members the option to receive and send communication electronically. For more information contact Link Market Services at: registrars@linkmarketservices.com.au.

10. Risk Management and Internal Audit

Framework

The Company has a Risk Management Framework (**Framework**) in place which is consistent with current practice and the Standard ISO 31000:2009 – Risk Management Principles and Guidelines. Risk management is part of the Company's strategy to deliver superior corporate governance practices which contribute to its corporate objectives.

The Company is committed to ensuring that risk management principles and practices are part of its organisational culture by monitoring and reviewing the Framework.

The Framework is reviewed by the Audit, Risk and Compliance Committee at least annually. The Framework was reviewed within the last year.

Inherent to the Framework is the Risk Management Process (**Process**) which details the steps to be taken by staff responsible for identifying risks and implementing controls and treatment plans to mitigate these risks. Central to the Process is a Risk Management Committee (**RMC**) which comprises members from key areas of the business and is chaired by the Chief Financial Officer. The RMC's responsibilities include:

- implementing, reviewing and improving the Framework, the Process and associated policies and procedures;
- ensuring risks are identified and evaluated, including reviewing and approving risk assessment ratings;
- determining the acceptance or treatment of analysed risks;
- monitoring identified risks, their controls and actioning of their treatments;
- maintaining a Group Risk Register;
- reporting risks identified as high or extreme to the Audit, Risk & Compliance Committee along with treatment plans; and
- determining the Group's top strategic risks for reporting to the Board.

Internal Audit

The Company has engaged professional services firm, Ernst & Young, to provide internal audit services to the Group. The internal auditor works closely with the Audit, Risk and Compliance Committee and acts as an independent and objective third party, providing the Board and management with advice and assurance on the effectiveness of risk management, internal controls and processes across the Group. Audit services are provided in accordance with an annual internal audit plan agreed in advance with the Audit, Risk and Compliance Committee and senior management. The internal auditor has regard to the Company's Risk Management Framework and Risk Management Process in formulating its approach.

Material Risks

The Company is subject to a range of economic, environmental and social risks which are identified under the Risk Management Framework outlined earlier above. These include material risks considered to be those risks that could have a material impact on the Company's profitability, value or the sustainability of its operations.

The following risks have been identified as material:

- Change of regulatory framework;
- Reduction in occupancy levels;
- Health and safety;
- Loss of key personnel;
- Loss of approvals or accreditation; and
- Reputational damage.

Further information on these material risks and how they are managed is set out in the Directors' Report in the Annual Report.

Adopted by the Board of Directors of Japara Healthcare Limited on 24 August 2018.