

JAPARA

ACN 168 631 052

NOTICE OF ANNUAL GENERAL MEETING 2019

to be held on

Friday 25 October 2019
at 2.00pm

RACV City Club
(Bayside Rooms 5 & 6)
Level 2, 501 Bourke Street
Melbourne, Victoria, Australia

JAPARA HEALTHCARE LIMITED

ACN 168 631 052

Dear Shareholder

On behalf of the Board I am pleased to invite you to attend the 2019 Annual General Meeting (**AGM**) of Japara Healthcare Limited (**Japara**). The following information is enclosed:

- Notice of Annual General Meeting;
- Explanatory Memorandum;
- Proxy form;
- Shareholder Question form; and
- Reply paid envelope for lodging your proxy form and/or sending any written questions to the Share Registry before the AGM.

AGM

The AGM will be held on Friday 25 October 2019 at 2.00pm Australian Eastern Daylight Time (**AEDT**) at the RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, Victoria, Australia. You are invited to join the Board and senior management for refreshments after the AGM.

Business of the AGM

The business of the AGM is set out in the Notice of Annual General Meeting. The Explanatory Memorandum sets out important information relating to the matters to be considered by Shareholders at the Meeting and I encourage you to read those materials carefully.

Attendance

If you are attending the AGM, please bring your personalised proxy form to assist the Share Registry to register your attendance at the Meeting. The registration desk will be open from 1.30pm.

If you are unable to attend in person, you may wish to appoint a proxy to attend and vote at the Meeting in your place. Please refer to the Notice of Annual General Meeting and proxy form regarding the appointment of a proxy.

A live audio webcast of the AGM will be available to shareholders who are unable to attend, the details of which will be released to the Australian Securities Exchange (ASX) ahead of the meeting. An archive of the webcast will also be available on the Company's investor centre website on the following day.

Shareholder questions

Shareholders may direct questions about the operations and management of Japara to the Chairman or if in relation to the content or the conduct of the audit report, to Japara's auditor (KPMG). Please submit your written questions using the accompanying Shareholder Question form to the Share Registry prior to 5.00pm AEDT on 18 October 2019. Alternatively, you may complete the Shareholder Question form online before 5.00pm AEDT on 18 October 2019 by logging on to your holding at www.linkmarketservices.com.au and selecting "Voting".

We will respond to as many of the more frequently asked questions as possible at the Meeting.

I look forward to seeing you at the AGM if you are able to attend.

Yours sincerely



Linda Bardo Nicholls AO
Chairman, Japara Healthcare Limited

NOTICE OF ANNUAL GENERAL MEETING 2019

Notice is hereby given that the 2019 Annual General Meeting (**AGM** or **Meeting**) of members of Japara Healthcare Limited (**Japara** or the **Company**) will be held:

Date: 25 October 2019

Time: 2.00pm AEDT

Venue: RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, Victoria, Australia

The Explanatory Memorandum accompanying this Notice of Annual General Meeting provides additional information on matters to be considered at the AGM. The Explanatory Memorandum and proxy form are part of this Notice of Annual General Meeting.

BUSINESS

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the period ended 30 June 2019.

Unless specifically requested, Shareholders have not been sent a hard copy of the Annual Report. Shareholders can view the Annual Report, which contains each of the above reports, on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

B. QUESTIONS & COMMENTS

Following consideration of the reports referred to above, Shareholders will have an opportunity to ask questions or comment about the management of the Company. The Chairman will also provide Shareholders with an opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Independent 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 Chairman will also provide the Auditor an opportunity to answer any written questions submitted by Shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of any written questions submitted by Shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the Meeting will be made available as soon as practicable thereafter.

RESOLUTION 1: ADOPTION OF THE REMUNERATION REPORT

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

That the Company's Remuneration Report for the period ended 30 June 2019 (as set out in the Directors' Report) be adopted.

RESOLUTION 2: RE-ELECTION OF DIRECTOR – DAVID BLIGHT

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

That David Blight, a Non-Executive Director of the Company, who retires in accordance with rule 8.1 of the Company's Constitution, offers himself for re-election and being eligible, is re-elected as a Director of the Company.

RESOLUTION 3: RE-ELECTION OF DIRECTOR – LINDA BARDO NICHOLLS AO

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

That Linda Bardo Nicholls AO, a Non-Executive Director of the Company, who retires in accordance with rule 8.1 of the Company's Constitution, offers herself for re-election and being eligible, is re-elected as a Director of the Company.

RESOLUTION 4: ELECTION OF DIRECTOR – LEANNE ROWE AM

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

That Leanne Rowe AM, a Non-Executive Director of the Company, who retires in accordance with rule 8.1 of the Company's Constitution, offers herself for election and being eligible, is elected as a Director of the Company.

RESOLUTION 5: APPROVAL OF PARTICIPATION OF ANDREW SUDHOLZ IN THE COMPANY'S EQUITY INCENTIVE PLAN

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

That the grant of up to 655,738 performance rights to the Company's Chief Executive Officer & Managing Director, Andrew Sudholz, under the Company's Equity Incentive Plan, as described in the Explanatory Memorandum, be approved for the purposes of ASX Listing Rule 10.14 and all other purposes.

RESOLUTION 6: REINSERTION OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

To consider and, if thought fit, pass the following as a special resolution of the Company:

That the Company's Constitution be modified in the manner as set out in the Explanatory Memorandum to reinsert proportional takeover approval provisions.

By Order of the Board



**Bruce Paterson
Company Secretary**

20 September 2019

ENTITLEMENT TO VOTE

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of Shares as at 7.00pm AEDT on 23 October 2019 will be entitled to attend and vote at the AGM as a Shareholder.

If more than one joint holder of Shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Voting by Proxy

If you are a Shareholder entitled to attend and vote at the AGM, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the AGM.

A proxy need not be a Shareholder of the Company.

A Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes (disregarding fractions). If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company's Share Registry and return them both together.

To be effective, the proxy must be received at the Share Registry of the Company no later than 2.00pm AEDT on 23 October 2019, being 48 hours before the AGM. Proxies must be received by one of the following methods:

By Post: Japara Healthcare Limited
c/- Link Market Services Limited,
Locked Bag A14
Sydney South NSW 1235 Australia

Online: www.linkmarketservices.com.au

By Facsimile: +61 2 9287 0309

By Hand: Link Market Services Limited
(within business hours) Level 12, 680 George Street
Sydney NSW 2000

To be valid, a proxy must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

If the proxy's appointment specifies the way to vote on a resolution, the proxy must vote on the resolution in the way specified (subject to the other provisions of this notice, including the voting restrictions noted below).

Voting Restrictions

Voting restrictions apply to the Company's Key Management Personnel (**KMP**) and their closely related parties which affect proxy voting. Members of the KMP include each of the Non-Executive Directors, the Chief Executive Officer & Managing Director and the Chief Financial Officer. Their 'closely related parties' are defined in the Corporations Act, and include the KMP's spouse, dependants and certain other close family members, as well as any companies controlled by the KMP, or the KMP's spouse, dependants and certain other close family members.

Members of the KMP and their closely related parties will not be able to vote an eligible proxy on Resolutions 1 and 5 unless directed how to vote on the proxy form or the Chairman of the Meeting is the proxy and has been expressly authorised to exercise the proxy.

Proxy Voting by Chairman

The Chairman of the Meeting intends to vote undirected proxies in favour of all Resolutions.

If the Chairman of the Meeting is your proxy, either by appointment or default, and you do not provide any voting directions on the proxy form, by signing and returning the proxy form, you will be expressly authorising the Chairman of the Meeting to cast your vote on Resolutions 1 and 5 as the Chairman of the Meeting sees fit. This applies even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Voting Exclusion Statements

Resolution 1

The Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the 2019 Remuneration Report and their closely related parties regardless of the capacity in which the votes are cast; and
- as a proxy by a member of the KMP and any of their closely related parties,

unless the votes 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 Meeting pursuant to an express authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit.

Resolution 5

The Company will disregard any votes cast on Resolution 5:

- in favour of the Resolution, in any capacity, by or on behalf of Andrew Sudholz or any of his associates; or
- as a proxy by a member of the KMP and any of their closely related parties,

unless the votes are cast as proxy for a person entitled to vote on Resolution 5:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting pursuant to an express authorisation on the proxy form to exercise the proxy as the Chairman of the Meeting sees fit.

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 2.00pm AEDT on 23 October 2019, being 48 hours before the AGM.

Corporate Representatives

A body corporate who is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the AGM a properly executed letter or other document confirming their authority to act as the company's representative.

Voting at the Meeting

In accordance with the Constitution, the Chairman of the Meeting intends for each of the proposed resolutions to be voted on at the Meeting to be determined by a poll without first being submitted to a vote on a show of hands. This approach ensures that the voting reflects the votes of all Shareholders who are voting, including by proxy.

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in Japara in relation to the business to be conducted at the Company's AGM to be held on 25 October 2019.

The purpose of this Explanatory Memorandum is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote on the Resolutions.

Resolution 1 is an advisory resolution.

Resolutions 2 to 5 are ordinary resolutions requiring a simple majority of votes cast in favour by Shareholders entitled to vote on the Resolutions.

Resolution 6 is a special resolution requiring at least 75% of the votes cast in favour by Shareholders entitled to vote on the Resolution.

ITEMS A & B: FINANCIAL STATEMENTS AND REPORTS – QUESTIONS & COMMENTS

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and Independent Auditor's Report of Japara for the period ended 30 June 2019 will be presented for consideration by Shareholders.

The 2019 Annual Report (which contains each of the above reports) is available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

Shareholders will be provided with the opportunity to ask questions about or make comments on the reports, Japara's management or about Japara generally, but there will be no formal resolution put to the Meeting. KPMG, the Company's Auditor, will attend the AGM and Shareholders will be given the opportunity to ask questions relating to the audit.

RESOLUTION 1: ADOPTION OF THE REMUNERATION REPORT

Section 250R of the Corporations Act requires that the section of the Directors' Report dealing with the remuneration of Directors and other Key Management Personnel (**Remuneration Report**) be put to Shareholders for adoption by way of a non-binding vote.

The Remuneration Report sets out the remuneration arrangements of the Company for Directors and other Key Management Personnel of Japara.

The Remuneration Report is set out in the Company's 2019 Annual Report, available on the Company's investor centre website at: investor.japara.com.au/Investor-Centre/.

The Chairman of the Meeting will give Shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Recommendation: The Directors recommend that you vote in favour of this advisory resolution.

RESOLUTION 2: RE-ELECTION OF DAVID BLIGHT

In accordance with rule 8.1 of the Constitution, Mr David Blight retires, and being eligible, offers himself for re-election as a Director of Japara.



David was appointed as a Non-Executive Director of Japara on 19 March 2014. He is a member of the Audit, Risk and Compliance Committee, the Remuneration and Nomination Committee and the Zero Harm Committee.

David is the co-founder and CEO of ARA Australia, the Australian business of the Singapore based ARA Group. ARA is an Asia Pacific real estate investment management firm with over \$50 billion in funds under management.

David is also a Non-Executive Director of Lifestyle Communities Limited.

His previous roles include non-executive director of Cromwell Property Group, vice chairman of ING Real Estate and global chairman and CEO of ING Real Estate Investment Management based in The Netherlands. He has also held senior executive positions with Armstrong Jones, Mirvac Group and APN Property Group. David has more than 30 years' experience in the real estate industry, across all major global markets and property sectors.

David holds a Bachelor of Applied Science in Property Resource Management (Valuation) from the University of South Australia.

The Board considers David Blight to be independent.

Recommendation: The Directors (with David Blight abstaining) recommend that Shareholders vote in favour of Resolution 2.

RESOLUTION 3: RE-ELECTION OF LINDA BARDO NICHOLLS AO

In accordance with rule 8.1 of the Constitution, Ms Linda Bardo Nicholls AO retires, and being eligible, offers herself for re-election as a Director of Japara.



Linda was appointed as a Non-Executive Director of Japara on 19 March 2014. She is the Chairman of the Company.

Linda is a senior executive and company director with more than 30 years' experience across Australia, New Zealand and the United States. Presently, Linda has directorships with Medibank Private and Inghams Group. She is also Chairperson of Melbourne Health and a Member of the Museums Board of Victoria.

Previously, Linda has held the position of Chairman at some of Australia's most well-regarded companies, including Healthscope, Australia Post and Yarra Trams.

Linda holds a Master of Business Administration from Harvard Business School, a Bachelor of Arts in Economics from Cornell University and is a Life Fellow of the Australian Institute of Company Directors.

The Board considers Linda Bardo Nicholls AO to be independent.

Recommendation: The Directors (with Linda Bardo Nicholls AO abstaining) recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4: ELECTION OF LEANNE ROWE AM

In accordance with rule 8.1 of the Constitution, Prof. Leanne Rowe AM retires, and being eligible, offers herself for election as a Director of Japara.



Leanne was appointed as a Non-Executive Director of Japara on 1 July 2019. She is Chairman of the Zero Harm Committee and a member of the Audit, Risk and Compliance Committee and the Remuneration and Nomination Committee.

Leanne is a Clinical Professor and Medical Practitioner with over 30 years of clinical experience in the public and private health systems across acute care, aged care, mental health and community health.

She is currently a non-executive director of the Medical Indemnity Protection Society and MIPS Insurance. Previously she was Chairman of the Royal Australian College of General Practitioners and a non-executive director of I-MED Radiology Network, Medibank Private, GMHBA, Australian Health Management, Barwon Health and Beyond Blue.

Leanne is a former Deputy Chancellor of Monash University and has been awarded a Doctor of Laws (honoris causa) for her services. She has also received a Member of the Order of Australia for her services to medicine and is a Fellow of the Royal Australian College of General Practitioners and the Australian Institute of Company Directors.

The Board considers Leanne Rowe AM to be independent.

Recommendation: The Directors (with Leanne Rowe AM abstaining) recommend that Shareholders vote in favour of Resolution 4.

RESOLUTION 5: APPROVAL OF PARTICIPATION OF ANDREW SUDHOLZ IN THE COMPANY'S EQUITY INCENTIVE PLAN

The Board proposes to issue performance rights under the Company's Equity Incentive Plan (**EIP**) to the Company's Chief Executive Officer and Managing Director, Mr Andrew Sudholz. The terms of the performance rights proposed to be issued to Andrew Sudholz are set out below.

Rationale for issue of performance rights to Andrew Sudholz under the EIP

Andrew Sudholz's participation in the EIP will tie this component of his performance based remuneration to the long-term performance of the Company which, the Board believes, will further encourage him to focus on creating value for Shareholders and to remain with the Company.

Terms of the performance rights

A summary of the key rules of the EIP under which the performance rights will be granted to Andrew Sudholz is set out below:

- Unless the Board determines otherwise, no payment is required for the grant of a performance right.
- A performance right will entitle the participant to one Share (or, in certain circumstances, to a cash payment in lieu of a Share) once applicable conditions have been satisfied.
- Subject to the Board's discretion, performance rights will only vest if each vesting condition and all other relevant conditions advised to the participant by the Board in an offer have been satisfied. Vesting conditions are determined by the Board and may include conditions relating to any or all of:
 - continuing employment;
 - performance of the participant;
 - performance of the Company; or
 - the occurrence of specific events.
- If the participant remains an employee and applicable vesting conditions are not satisfied during the relevant performance period, those performance rights will lapse. Participants must not sell, transfer, encumber, hedge or otherwise deal with performance rights.
- The Board has discretion over the treatment of performance rights in the event of a change of control of the Company and cessation of employment.
- Shares or amounts received from performance rights which have vested are subject to claw back under certain circumstances including material misstatement or omission in the Group's financial statements, fraud, dishonesty or gross misconduct and breach of obligations.

Approval for the purposes of the Listing Rules

Listing Rule 10.14 provides that a listed entity must only allow directors or their associates to acquire securities under an employee incentive scheme with the approval of shareholders and provided the Notice of Meeting complies with the requirements set out in Listing Rules 10.15 or 10.15A.

The EIP is an employee incentive scheme for the purposes of the Listing Rules.

The Board proposes to grant performance rights to Andrew Sudholz, each of which will entitle him to a Share (or, in certain circumstances, to a cash payment in lieu of a Share) once applicable conditions are satisfied, and therefore seeks Shareholder approval under Listing Rule 10.14.

Terms on which the performance rights will be issued to Mr Sudholz

Subject to the approval of Resolution 5, it is proposed that up to 655,738 performance rights will be granted to Andrew Sudholz. These performance rights will be subject to the gateway hurdles and vesting conditions (together, the **Performance Conditions**) described below.

If the gateway hurdles are met and the vesting conditions are satisfied, Andrew Sudholz's performance rights will vest and he will be entitled to the number of Shares in respect of those rights which have vested. He will then be entitled to deal with the Shares in accordance with the rules of the EIP (subject to other legal restrictions, such as under the Company's policy for dealing in securities).

The performance rights are subject to a **performance period** of four years from 1 July 2019 to 30 June 2023.

Subject to the Board's discretion in the event of cessation of employment, if the gateway hurdles are not met or none of the vesting conditions are satisfied, none of the performance rights issued to Andrew Sudholz will vest. Any performance rights that remain unvested at the end of the performance period will lapse.

Gateway hurdles

The proposed grant of performance rights to Andrew Sudholz (and other senior executives of the Company under the EIP) is subject to the following gateway hurdles:

- the Company must maintain ongoing aged care accreditation at all residential care homes; and
- there must be no material breach of regulatory or compliance guidelines across the Company's business operations.

Vesting conditions

The proposed grant of performance rights to Andrew Sudholz is also linked to an earnings per share (**EPS**) hurdle and a total shareholder returns (**TSR**) hurdle, weighted at 60% and 40% respectively (i.e. 60% of the performance rights will be dependent on satisfaction of the EPS hurdle and 40% on satisfaction of the TSR hurdle).

EPS hurdle

EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of Shares on issue during a financial year.

The EPS hurdle is measured by calculating the Compound Annual Growth Rate (**CAGR**) of EPS for the performance period and comparing this to the CAGR of EPS targets as set out in the table below:

Group's CAGR of EPS over the performance period	% of performance rights that can vest¹
Below 2%	Nil
At 2%	40%
Between 2% and 4%	40% increasing on a straight line basis
At or in excess of 4%	100%

TSR hurdle

TSR correlates with the amount of dividends paid to shareholders and the growth (or reduction) in the Company's share price.

¹ The maximum performance rights that can vest upon satisfaction of the EPS hurdle is 60% of the total performance rights.

The TSR hurdle is measured by calculating the percentage growth (or reduction) in TSR for the performance period, being the Absolute Total Shareholder Return (**ATSR**), and comparing this to the ATSR targets as set out in the table below:

Group's ATSR over the performance period	% of performance rights that can vest²
Below 5%	Nil
At 5%	40%
Between 5% and 8%	40% increasing on a straight line basis
At or in excess of 8%	100%

The above EPS and TSR targets are set by the Board to reflect the Board's performance expectations for the financial years between 1 July 2019 to 30 June 2023 (that is, during the performance period), taking into account prevailing market conditions and outlook, as well as the performance achieved by the Company for the 2019 financial year. In setting the targets, the Board aims to strike an appropriate balance between making the targets achievable and motivating exceptional performance of its executives. The Board determines the extent to which the Performance Conditions are met or satisfied in its absolute discretion, having regard to any matters that it considers relevant.

In the Board's view, the vesting conditions that must be satisfied before the performance rights vest links the value of the rights to the continued performance and growth of the Company, and the growth in Shareholder returns, therefore providing a significant incentive for Andrew Sudholz.

In accordance with Listing Rules 10.14 and 10.15 and the Corporations Act, the following information is also provided in relation to Andrew Sudholz's proposed participation in the EIP.

<i>Maximum number of securities that may be issued to Andrew Sudholz if Shareholder approval is provided</i>	Andrew Sudholz will be granted up to 655,738 performance rights. The formula used to calculate the maximum number of performance rights to be granted to Andrew Sudholz is based on 1.0 times Andrew Sudholz's maximum total fixed remuneration at the time of grant (being \$800,000), divided by the volume weighted average price of the Company's Shares over the last 10 trading days up to and including 28 June 2019 (being \$1.22). This results in a maximum of 655,738 performance rights being granted.
<i>The date by which the Company will issue the securities</i>	The Board has resolved to grant the performance rights to Andrew Sudholz no later than 12 months following the AGM, subject to Shareholders approving Resolution 5.
<i>Price at which the securities will be issued</i>	The performance rights will be issued at nil cost. Once the performance rights vest, each performance right entitles Andrew Sudholz to one Share at nil cost.
<i>Information required under Listing Rule 10.15.4 and 10.15.4A</i>	No other Directors are eligible to participate in the EIP on the basis that all Directors, other than Andrew Sudholz, are Non-Executive Directors and are, therefore, ineligible to be Participants in the EIP.

² The maximum performance rights that can vest upon satisfaction of the ATSR hurdle is 40% of the total performance rights.

	392,784 performance rights were granted under the EIP to Andrew Sudholz at nil cost on 14 November 2016. This grant related to long term incentive for the 2017 financial year as approved by Shareholders at the Company's 2016 annual general meeting. These performance rights have since been forfeited as the vesting conditions were not met.
<i>Terms of any Loan</i>	No Loan will be provided by the Company in relation to the grant of the performance rights proposed to be made to Andrew Sudholz.
<i>Directors' interest in the outcome of the resolution</i>	Other than Andrew Sudholz, no other Director has an interest in the outcome of this Resolution.

Approval of potential termination benefits

The benefits that can be given to people who hold a 'managerial or executive office' on leaving their employment with a company are restricted under section 200B of the Corporations Act. A benefit in connection with a person ceasing to hold such an office may only be given by a company where the benefit falls within an exemption under the Corporations Act or is approved by shareholders.

The term 'benefit' has a wide meaning which may extend to the benefits Andrew Sudholz may receive through the Board exercising its discretion under the EIP when Andrew Sudholz ceases to be employed by the Company.

Under the EIP, where Andrew Sudholz ceases his employment before the Performance Conditions are met or satisfied, the Board may exercise its discretion to determine that some or all of his performance rights will vest (immediately or subject to conditions) and therefore be entitled to a Share per vesting performance right or cash payment in lieu of a Share. The exercise of this discretion may constitute a 'benefit' for the purposes of section 200B of the Corporations Act.

Accordingly, the Board seeks Shareholder approval for the exercise of the Board's discretion in respect to Andrew Sudholz's participation in the EIP in the event that he holds:

- a managerial or executive office in the Company at the time of cessation of his employment or at any time in the preceding three years; and
- unvested performance rights at the time of cessation of his employment.

If Shareholder approval is given, the value of this benefit will not be counted towards the cap in the termination benefits that can be given to managerial or executive officers without Shareholder approval.

The value of the proposed benefit cannot be ascertained at the time of this Notice as the number of vesting performance rights and the value of the resulting Shares will depend on various matters including:

- the level of discretion exercised by the Board in determining the number of performance rights that vest;
- the time of cessation of Mr Sudholz's employment; and
- the Shares price at the time of vesting.

Recommendation: The Directors (with Andrew Sudholz abstaining) recommend that Shareholders vote in favour of Resolution 5.

RESOLUTION 6: REINSERTION OF PROPORTIONAL TAKEOVER APPROVAL PROVISIONS

The Corporations Act permits a company to include in its constitution provisions prohibiting the registration of a transfer of securities resulting from acceptance of an offer made under a proportional takeover bid (i.e. where a takeover bid is made to acquire less than 100% of a class of the company's issued securities under an offer for a specified proportion of the holding of each shareholder), unless shareholders in a general meeting approve the bid (by ordinary resolution). Provisions of this kind are designed to make sure that shareholders have a proper opportunity to consider the merits of a proportional takeover bid and to assist shareholders to receive maximum value for their securities if a proportional takeover bid for securities in the company is made.

At the date of this Explanatory Memorandum, Rule 6 of the Constitution contains provisions as set out in Appendix A (**Provisions**) dealing with approval of proportional takeover bids for the Company's securities in accordance with the Corporations Act.

It is a requirement of the Corporations Act that the Provisions apply for a maximum period of three (3) years, unless renewed. The Provisions were last approved by Shareholders at the annual general meeting of the Company held on 21 October 2016 and accordingly will expire on 21 October 2019, being four days prior to the AGM. It is proposed that the Provisions be reinserted in the Constitution following their expiry. If reinserted, the Provisions will remain exactly the same as they currently operate at the date of this Explanatory Memorandum and will have effect for a period of three (3) years, commencing on the date the resolution to reinsert them is passed, unless renewed by a further special resolution of Shareholders or set aside by a court order. If Resolution 6 to reinsert the Provisions is passed, the holders of 10% of the Company's securities may, within 21 days after the day on which the resolution is passed, apply to the court to have the alteration set aside. The court can only set aside the alteration if the court is satisfied that it is appropriate in all the circumstances to do so.

The Corporations Act requires that the following information be provided to Shareholders when considering the inclusion of proportional takeover provisions in the Constitution.

Effect of the Proportional Takeover Approval Provisions

If a company's constitution includes proportional takeover provisions and if a proportional takeover bid is made, the directors of the company must convene a meeting of the shareholders of the class of securities for which an offer has been made to vote on a resolution to approve the bid. The takeover bidder and its associates are not entitled to vote on this resolution. To be effective in approving the bid, the resolution must be passed prior to the 14th day before the last day of the bid period or a later date allowed by the Australian Securities & Investments Commission (**the Deadline**). The Provisions proposed for renewal provide that an approving resolution is taken to be passed if greater than 50% of the votes on the resolutions are voted in favour of the proportional takeover bid, excluding votes of the bidder and its associates. If no such resolution is voted on by the Deadline, a resolution approving the bid is taken to have been passed. If a resolution to approve the bid is rejected, binding acceptances to acquire securities are required to be rescinded and all unaccepted offers and offers failing to result in binding contracts are taken to have been withdrawn. If the bid is approved or taken to have been approved, transfers resulting from the offers may be registered provided they comply with other provisions of the Corporations Act and the Constitution. The Provisions do not apply to full takeover bids (being bids for all the securities in a particular class) and expire three (3) years after the date they are approved, unless renewed by Shareholders by special resolution or set aside by a court order.

Reasons for Proposing the Resolution

The Directors consider that renewal of the Provisions is in the best interests of all Shareholders. Without the Provisions, a proportional bid can be used to acquire control of the Company without Shareholders being given the opportunity to dispose of all of their securities in the Company to the bidder. Shareholders may be exposed to the risk of being left as a minority in the Company and to the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their securities. The Provisions allow Shareholders to decide whether a proportional takeover bid should be permitted to proceed. Apart from these general considerations, the Directors are not in a position to point to any special factual matters or principles that underlie the reasons for the proposal that the Provisions be reinserted. Further, to assess the merits of the proposal, Shareholders need to make a judgement as to what events are likely to occur during the three (3) year life of the proposed reinsertion of the Provisions.

Present Acquisition Proposals

As at the date of the accompanying Notice of Annual General Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Review of Previous Operation of Proportional Takeover Approval Provisions

For a proposed resolution to renew proportional takeover approval provisions, the Corporations Act requires that Shareholders be given a statement which retrospectively examines the advantages and disadvantages, for Shareholders and Directors, of the proportional takeover approval provisions proposed to be renewed for the period during which the provisions have been in effect. The Directors advise that they are not aware of any potential proportional takeover bid that was discouraged by the existence of the Provisions and are not aware of any additional advantages and disadvantages during that period beyond those discussed below. While the Provisions are being reinserted rather than renewed (given that at the date of the Meeting they will have been last approved more than three (3) years ago), the Directors are giving Shareholders this statement in the interests of transparency as the Provisions operate as at the date of this Explanatory Memorandum.

Review of Potential Advantages and Disadvantages

The Corporations Act also requires that Shareholders be given a statement of the potential future advantages and disadvantages of the proportional takeover approval provisions for the Shareholders and Directors. This information follows:

Potential Advantages

The Provisions will enable Shareholders to have an opportunity to consider, discuss in general meeting and vote on whether any proportional takeover bid should be approved. This means that Shareholders will have an opportunity to present their views in respect to any potential change in ownership and control of the Company resulting from a proportional takeover and have an opportunity to vote against a proportional takeover bid which may result in a situation arising in which Shareholders may be locked in as a powerless minority. This may allow Shareholders to act in a more cohesive manner and may increase their bargaining power in the face of a proportional bid. Even Shareholders who have accepted the bid, perhaps because they feel constrained to do so, may oppose the bid at the meeting. Greater than 50% of the votes cast at the meeting must be voted in favour of the bid, excluding votes of the bidder and its associates, in order to approve a proportional bid. This will enable Shareholders to prevent a proportional takeover bid proceeding if they believe that control of the Company should not be permitted to change under the bid. Directors believe that this will assist in making sure that the terms of any proportional bid are structured so as to be attractive and fairly priced to a majority of Shareholders. The Provisions may also discourage the making of a proportional takeover bid that might be considered opportunistic.

For the Directors, the Provisions enable Directors to ascertain the views of Shareholders on a proportional takeover bid. The Directors would also remain free to make a recommendation on whether a partial takeover offer should be accepted or not.

Potential Disadvantages

For Shareholders, it may be argued that the Provisions may reduce the likelihood of a successful proportional takeover bid for securities in the Company and, as a result, may discourage any proportional takeover bids for the Company. This, in turn, may reduce the opportunities which Shareholders may have to sell their securities at an acceptable price (or premium) to persons seeking control of the Company. It may also be argued that the Provisions reduce "takeover speculation" in respect to the Company and the price of securities may be potentially decreased. In addition, the Provisions constitute a restriction on the ability of individual Shareholders to deal freely with their securities, as an individual Shareholder who wishes to accept an offer for their securities under a proportional takeover bid will be unable to do so unless greater than a majority of eligible Shareholders who vote are in favour of the bid. The Provisions also mean that, if a proportional takeover bid is made, the Company will incur the cost of calling a Shareholders' meeting to vote on the bid.

For the Directors, there are no specific disadvantages following from renewal of the Provisions. The Directors note that it may be argued that the renewal of the Provisions is an advantage to them as a takeover defence mechanism that could protect the incumbent Board against a proportional bid.

However, the Directors believe that argument ignores the basic object of the Provisions, which is to empower Shareholders, not the Board.

Recommendation: The Directors consider that the modification to the Constitution to reinsert the Provisions is in the best interests of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 6.

DEFINITIONS

Terms used in the Notice of Annual General Meeting including the Explanatory Memorandum have the following meanings:

AEDT means Australian Eastern Daylight Time.

Appendix A means the appendix to the Notice of Annual General Meeting.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as the context requires).

Board means the Board of Directors of the Company.

Company or **Japara** means Japara Healthcare Limited ACN 168 631 052.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended from time to time.

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum.

Group means the Company and its controlled entities.

Listing Rules means the listing rules of ASX as amended from time to time.

Key Management Personnel or **KMP** has the meaning given to that term in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

Meeting (or **AGM**) means the Annual General Meeting of members of the Company to be held on 25 October 2019 at the RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, Victoria, Australia at 2.00pm AEDT.

Notice of Annual General Meeting means this notice of annual general meeting, including the Explanatory Memorandum and the proxy form.

Resolutions means the resolutions set out in the Notice of Annual General Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder (or **member**) means a registered member of the Company.

Share Registry means Link Market Services Limited ACN 083 214 537.

APPENDIX A

Proportional Takeover Approval Provisions

Insert the following new clause after clause 5:

6. Plebiscite to approve proportional takeover bids

6.1 Definitions

The meanings of the terms used in this rule 6 are set out below.

Term	Meaning
Approving Resolution	in relation to a Proportional Takeover Bid, a resolution to approve the Proportional Takeover Bid passed in accordance with rule 6.3.
Approving Resolution Deadline	in relation to a Proportional Takeover Bid, the day that is 14 days before the last day of the bid period and during which the offers under the Proportional Takeover Bid remain open or a later day allowed by the Australian Securities and Investments Commission.
Proportional Takeover Bid	a takeover bid that is made or purports to be made under section 618(1)(b) of the Act in respect of securities included in a class of securities in the company.
Relevant Class	in relation to a Proportional Takeover Bid, means the class of securities in the company in respect of which offers are made under the Proportional Takeover Bid.

6.2 Transfers not to be registered

Despite rules 5.1(c) and 5.2, a transfer giving effect to a contract resulting from the acceptance of an offer made under a Proportional Takeover Bid must not be registered unless an Approving Resolution to approve the Proportional Takeover Bid has been passed or is taken to have been passed in accordance with rule 6.3.

6.3 Approving Resolution

- (a) Where offers have been made under a Proportional Takeover Bid, the Board must:
- (1) convene a meeting of the persons entitled to vote on the Approving Resolution for the purpose of considering and, if thought fit, passing a resolution to approve the Proportional Takeover Bid; and
 - (2) ensure that the resolution is voted on in accordance with this rule 6.3, before the Approving Resolution Deadline.
- (b) The provisions of this constitution relating to general meetings apply, with such modification as the circumstances require, to a meeting that is convened under rule 6.3(a), as if that meeting were a general meeting of the company.

- (c) The bidder under a Proportional Takeover Bid and any associates of the bidder are not entitled to vote on the Approving Resolution and if they do vote, their votes must not be counted.
- (d) Subject to rule 6.3(c), a person who, as at the end of the day on which the first offer under the Proportional Takeover Bid was made, held securities of the relevant class, is entitled to vote on the Approving Resolution relating to the Proportional Takeover Bid.
- (e) An Approving Resolution that has been voted on is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than 50%, and otherwise is taken to have been rejected.
- (f) If an Approving Resolution has not been voted on in accordance with this rule 6.3 as at the end of the day before the Approving Resolution Deadline, an Approving Resolution will be taken to have been passed in accordance with this rule 6.3 on the Approving Resolution Deadline.

6.4 **Sunset**

Rules 6.1, 6.2 and 6.3 cease to have effect at the end of 3 years beginning:

- (a) where those rules have not been renewed in accordance with the Act, on the date that those rules were adopted by the company; or
- (b) where those rules have been renewed in accordance with the Act, on the date those rules were last renewed.

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Japara Healthcare Limited (the Company) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm (AEDT) on Friday, 25 October 2019 at the RACV City Club (Bayside Rooms 5 & 6), Level 2, 501 Bourke Street, Melbourne, Victoria, Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1 & 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1 & 5, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Approval of Participation of Andrew Sudholz in the Company's Equity Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – David Blight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Reinsertion of Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Director – Linda Bardo Nicholls AO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Election of Director – Leanne Rowe AM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please 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 indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (AEDT) on Wednesday, 23 October 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Japara Healthcare Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**