

## 2021 Corporate Governance Statement

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The Board of Paragon Care Limited (the **Company** or **Group**) is responsible for the overall corporate governance of the Group. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which Paragon Care Limited has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website <https://paragoncare.com.au/corporate-governance>, including the 2021 Annual Report.

This Statement is current as at 27 August 2021 and has been approved by the Board of Directors of Paragon Care Limited.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1 - Role of the Board and Management**

The role of the Board is to approve the strategic direction of the Group, guide and monitor the management of the Company and its businesses and oversee the implementation of appropriate corporate governance with respect to the Group's affairs. The Board aims to protect and enhance the interests of its shareholders, while considering the interests of other stakeholders, including employees, customers, suppliers, and the wider community.

The Board has a formal Board Charter which is available on the Company's website at <https://paragoncare.com.au/corporate-governance> that clearly sets out those matters expressly reserved for the Board's determination and those matters delegated to management.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Chief Executive Officer (**CEO**). The CEO is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities. The Board maintains ultimate responsibility for strategy, control, and risk profile of the Group.

#### **Recommendation 1.2: Appointment of Directors**

The Nomination and Remuneration Committee facilitates the selection and appointment of Directors. Before the Board appoints a new Director or puts forward a candidate for election, the Nomination and Remuneration Committee will ensure that appropriate background checks are undertaken.

We provide our shareholders with all material information in our possession that is relevant to their decision on whether or not to elect or re-elect a director through a number of channels, including via the notice of meeting and other information contained in the 2021 Annual Report.

## **Recommendation 1.3: Appointment Terms**

Each director and senior executive are party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment, including the remuneration entitlement, declaration of any conflicts of interest as and when they arise, and performance requirements. Directors also receive a deed of indemnity, insurance, and access.

Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2021 Annual Report.

## **Recommendation 1.4: Company Secretary**

The Board is supported by the Company Secretary, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to the Company Secretary.

Under the Company's governance framework, the Company Secretary is accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary.

Details regarding our Company Secretary, including experience and qualifications, is set out in the Directors' Report in our 2021 Annual Report.

## **Recommendation 1.5: Diversity Policy**

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected. To demonstrate the Company's commitment to developing measurable objectives to achieve diversity and inclusion in its workplace, the Company has implemented an updated Diversity & Inclusion Policy in March 2021 which can be viewed at <https://paragoncare.com.au/corporate-governance>.

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. In the upcoming financial year, the Board intends to set out measurable objectives for diversity and inclusion – see below. Given the scale of its operations the Company must ensure that the best candidate at the time is appointed to any vacant position. The directors periodically review the Company's policies in the context of the principles of a Diversity Policy as outlined in Recommendation 1.5.

The Company has reported against a set of standardised gender equality indicators (GEI) provided by the Workplace Gender Equality Agency. The latest WGEA Report will be published later in the year and will be found at <https://www.wgea.gov.au/>.

The GEI indicators as at 31 March 2021 are provided here for information:

## GEI 1 & 2 – Workforce and Governing Body Gender Composition

	Male	Female	Grand Total
Board*(actuals)	5	0	5
CEO	1	0	1
Leadership Team* <i>Note: Does not include contract or NZ staff</i>	4	3	7
General Manager reporting to Leadership Team	1	1	2
Senior Manager	18	4	22
Other Manager	21	10	31
Employee	127	165	292
<b>Grand Total</b>	<b>177 (49.2%)</b>	<b>183 (50.8%)</b>	<b>360</b>

## GEI 3 – Equal Remuneration between Men and Women (Source: WGEA Reporting as at 31/3/21)

Average Annual Remuneration	Male	Female	Grand Total
Leadership Team	88%	116%	100%
General Manager	98%	102%	100%
Senior Manager	100%	98%	100%
Other Manager	102%	96%	100%
Employee	104%	97%	100%
<b>Grand Total</b>			<b>100%</b>

## GEI 4

Paragon Care uses employment terms, conditions and practices which support flexible working arrangement and support employees with family and caring responsibilities. A remote working policy and procedure was developed and deployed across the Group in May 2021 to offer greater flexibility of where work is to be carried out, for those roles eligible.

The workforce is balanced in term of gender representation at the employee level, however, further analysis and review of the enablers to see greater gender balance at the manager level and above is proposed.

## GEI 5

Following the appointment of a General Manager, People and Culture in July 2020, Paragon Care is rolling out a program of greater consultation with staff on a range of matters including Gender Equality in the workplace.

The Company has set up the following measurable objectives to ensure we leverage the diverse contributions of

our people:

Objectives	Description	Status as at 30 June 2021
<b>Gender Diversity</b>	<ul style="list-style-type: none"> <li>Implement female representation at Board level.</li> <li>Conduct a Group wide review of talent management processes and procedures by end FY22 to enable greater future female representation at the managerial levels going forward.</li> </ul>	<ul style="list-style-type: none"> <li>This will be done as soon as practicable and when the opportunity presents itself.</li> <li>Ongoing</li> </ul>

### **Recommendation 1.6: Board, Committees, and Individual Directors Performance Assessment**

The Board is committed to formally evaluating its performance, the performance of its Committees, and individual Directors, as well as the governance processes supporting the Board. The Board's, Committees' and individual Directors' performances are assessed annually.

The Board and Committees' performance assessment is conducted through the completion of a questionnaire / survey by each director, and which is facilitated by the Company Secretary. The Company Secretary subsequently prepares and provides a report to the Nomination and Remuneration Committee which outlines the feedback received on the Board's and Committees' performance. The Nomination and Remuneration Committee then discusses areas and actions for improvement and reports them to the Board.

Individual Directors' performance is assessed through one-on-one discussions between the Company Secretary and each Board member. The Company Secretary subsequently collates the feedback and provides a report to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee then discusses areas and actions are then taken on-board for the Director's self-development.

The Company undertook an internal Board, Committees, and individual Directors' assessment during the period under review in accordance with the above process. An analysis of the data collected indicated that the Board and Committees are functioning effectively against all criteria. The Board and Committees are committed to their roles and each Board member is dedicated to proactively support the Company and its stakeholders.

### **Recommendation 1.7: Senior Executive Performance Assessment**

Senior Executives are appointed by the CEO and their Key Performance Indicators (**KPIs**) contain specific financial and non-financial objectives. These KPIs are reviewed annually by the CEO. The performance of each Senior Executive against these objectives is evaluated annually.

In the case of the CEO, this review is conducted by the Nomination and Remuneration Committee and the results are reported to the Board.

Performance evaluations were undertaken during the reporting period by the Company in accordance with the process.

## **PRINCIPLE 2 – BOARD STRUCTURE**

## Recommendation 2.1: Nomination Committee

The Company's Nomination and Remuneration Committee Charter provides for the creation of a Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Nomination and Remuneration Committee Charter is available on our website at <https://paragoncare.com.au/corporate-governance>.

The Board has established a Nomination and Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board.

During the financial year 2021 the Committee was comprised of:

- Mr Brent Stewart – Chair of Committee
- Mr Shane Tanner – Committee Member
- Mr Mark Simari – Committee member

All Committee members, except for Mr Simari, were always deemed independent Directors during the year. All Directors have relevant experience as shown in their biographies in the Directors Report. Details of meetings held by the Committee during the year and member attendance are set out in the 2021 Directors' Report.

In accordance with the Company's Nomination and Remuneration Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on recruitment, retention, and termination policies for senior management.

## Recommendation 2.2: Board Skills Matrix

Our objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise, and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process.

The skills and experience represented on the Board and relevant to the Company's business are set out in the matrix below:

<b>Skills and experience</b>	<b>Board Representation</b>
Strategy and leadership	High
Policy development	High
Corporate governance	High
Financial analysis and capital markets expertise	High
Risk and compliance oversight	High
People management	High
Commercial experience	High
Legal and regulatory approval	High
Health, safety, social and environmental responsibility	High
<b>Skills and experience</b>	<b>Board Representation</b>

Stakeholder communication and engagement	High
Operational leadership	High
Global experience	High
Critical and innovative thinking	High
Negotiation and influence	High
Enabling innovation and technology	High

Full details of each Directors' relevant skills and experience are set out in the 2021 Directors' Report.

### Recommendation 2.3: Independent Directors

An independent director is a non-executive director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the director's terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board's assessment of each current Director is set out below.

Name	Position	Appointment Date	Status
Mr Shane Tanner	Non-Executive Chair	21 December 2005	Independent
Mr Brent Stewart	Non-Executive Director	31 May 2018	Independent
Mr Geoffrey Sam	Non-Executive Director	3 June 2016	Independent
Mr Mark Simari	Non-Executive Director	27 November 2019	Non-Independent
Mr Xinzhou Paul Li	Non-Executive Director	27 January 2021	Non-Independent

The Board considers Messrs Tanner, Stewart, and Sam to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Board has considered the holdings of shares in the Company by these Non-Executive directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board also considers that they are otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and that each of these Directors is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Mr Simari is considered by the Board not to be independent as he was employed in an executive capacity by the Company and there has not been a period of at least three years between ceasing such employment and serving on the Board.

Mr Li is also considered by the Board not to be independent as he holds more than 5% of the voting shares of the Company through the entity, Perpetual Corporate Trust Ltd.

### Recommendation 2.4: Majority Independence

As at the date of this Statement, three out of five Directors are deemed independent and the Company has a majority of independent directors on the Board, which is consistent with Recommendation 2.4. The Chair of the Board, Mr Shane Tanner, along with the other independent directors, Mr Brent Stewart, and Mr Geoffrey Sam provide an active role in challenging management.

Further information regarding our Directors, including their experience and qualifications, is set out in the Directors' Report of our 2021 Annual Report.

## **Recommendation 2.5: Board Chair**

The Chair, Mr Shane Tanner, is an independent Director and is the most appropriate person for the position of Chairman because of his expertise and his in-depth knowledge of the Company, the industry, and markets in which the Company operates.

The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter.

The roles of Chair and CEO are exercised by different individuals, being Mr Shane Tanner and Mr Phil Nicholl respectively.

## **Recommendation 2.6: Induction, Education and Training**

In accordance with the Company's Nomination and Remuneration Committee Charter, the Nomination and Remuneration Committee is responsible for establishing and reviewing induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

New directors are provided with copies of all relevant documents and policies governing the Company's business, operations, and management, at the time of joining the Board. The Company can provide appropriate professional development opportunities for directors to assist in their roles. Directors are also encouraged to personally undertake appropriate training and refresher courses conducted by the Australian Institute of Company Directors.

## **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1: Statement of Values**

Paragon Care's values are the guiding principles and norms that define what type of organisation it aspires to be and what it requires from its directors. The Company's values and statement of values are outlined below and are also available on <https://paragoncare.com.au/about>:

- **Customer:** We want to be seen as a true business partner to all our customers both internal and external.
- **Integrity:** We believe that trust is a fundamental requisite of good business. That is why we regard integrity as a critical core value. It is about being open, honest, and respectful at all times with our colleagues, with our customers and with all our stakeholders.
- **Transparency:** We believe that by always operating with high levels of transparency that all stakeholders will always feel aligned and part of the business' strategic direction.
- **Teamwork:** To deliver on our objectives and aspirations it is critical that we always embrace a team approach to everything that we do.
- **Accountability:** To deliver outcomes that exceed all expectations we believe that you have to be prepared



to do the hard work, nothing is done simply because it is easy. Taking ownership and accountability helps us continually progress and improve as a team.

Paragon Care's Executive Team are responsible for instilling these values across the organisation.

### **Recommendation 3.2: Code of Conduct**

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

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

The Company and its directors have always promoted ethical and responsible decision-making and the Company's Code of Conduct and this may be viewed on the Company's website at: <https://paragoncare.com.au/corporate-governance>. Any material breach of the Company's policies, including a breach of the Code of Conduct, is raised, and reviewed at each Board meeting.

### **Recommendation 3.3: Whistleblower Policy**

The Whistleblower Policy demonstrates that the Company is committed to the highest standards of conduct and ethical behaviour in all its business activities. The Company supports a culture of honest and ethical behaviour in ensuring good corporate compliance and governance. The policy sets out, amongst other things, instances of suspected misconduct which can be reported to the internal and external parties and summarises the protections offered to whistleblowers.

Any material breach of the Company's policies, including any breach of the Whistleblower Policy, is raised, and reviewed at each Board Meeting.

The Whistleblower Policy is available on the Company's website <https://paragoncare.com.au/corporate-governance>.

### **Recommendation 3.4: Anti-bribery and Corruption Policy**

The Anti-Bribery and Corruption Policy demonstrates that the Company is committed maintain high standards of integrity and accountability in conducting its business. The policy provides a framework of guidelines and principles to encourage ethical behaviour in the conduct of business.

Any material breach of the Company's policies, including any breach of the Anti-Bribery and Corruption Policy, is raised at the Audit and Risk Committee level, with the latter reporting on them at the next Board meeting.

The Anti-Bribery and Corruption Policy is available on the Company's website <https://paragoncare.com.au/corporate-governance>.

## **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**



## **Recommendation 4.1: Audit Committee**

The Company's Audit and Risk Committee Charter provides for the establishment of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which shall be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on our website at <https://paragoncare.com.au/corporate-governance>.

The Board has established an Audit and Risk Committee, which consists of three members:

- Mark Simari – Committee Chair
- Geoffrey Sam – Committee Member
- Brent Stewart – Committee Member

All Committee members, except for Mr Simari, were always deemed independent Directors during the year. All Directors have relevant experience as shown in their biographies in the Directors Report. Details of meetings held by the Committee during the year and member attendance are set out in the 2021 Directors' Report.

While the Board acknowledges that the Chair Committee should be an independent Director, the Board believes that appointing Mr Simari, non-independent Non-Executive Director, as Chair of the Committee will be more effective in leading the Committee as he has in-depth knowledge of the business as co-founder and former Chief Executive Officer and Managing Director of the Company. The Board also believes that with two independent Non-Executive Directors sitting on the Committee, the Audit and Risk Committee is sufficiently balanced to ensure that the Committee independently verifies and safeguards the integrity of the Company's corporate reporting, including the process for the appointment and removal of the external auditor and the audit engagement partner.

In accordance with the Company's Audit and Risk Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review and monitor the integrity of the Company's financial reports and statements;
- monitor the performance and independence of the external auditor; and
- reviewing the consolidated accounts of the company.

It also has risk management and internal control functions as set out under Recommendation 6.1.

Details of meetings held by the Committee during the year and member attendances are set out in the 2021 Directors' Report.

## **Recommendation 4.2: Assurances**

The CEO and Chief Financial Officer (**CFO**) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2021 full year financial results, where the CEO and CFO provided a declaration to the Board that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the 2021 full year financial results were approved by the Board.

## **Recommendation 4.3: Verification of integrity of periodic corporate reports**

Our external auditor, RSM Australia Partners (**RSM**), attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

RSM's independence declaration is contained in the Directors' Report in our 2021 Annual Report.

Any periodic corporate report the Company releases to the market that is not audited or reviewed by an external auditor is reviewed and approved by the Board so that it is satisfied the report in question is materially correct, balanced and provides investors with appropriate information to make an informed investment decision. Following review by the Board of Directors the report is formally approved prior to release.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

### **Recommendation 5.1: Continuous Disclosure Policy**

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy, which is available on our website at <https://paragoncare.com.au/corporate-governance>.

The Board has overarching responsibility for compliance with continuous disclosure obligations and Board approval is required for certain key matters (as set out in the Continuous Disclosure Policy) and matters may be referred to the Board for approval by the Chair of the Board, the Chair of the Audit and Risk Committee, or the Company Secretary.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive, and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management, and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

### **Recommendation 5.2: Provide Board with copies of all material market announcements**

Paragon Care ensures that its Board receives copies of all material market announcements prior to release to the market followed by immediate notification including announcement following each release to the market.

### **Recommendation 5.3: Investor Presentations**

In accordance with the recommendation, the Company ensures that all substantive presentations are released to the market to enable security holders the opportunity to participate in the presentation.

## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

## **Recommendation 6.1: Information and Governance**

Information about the Company and its corporate governance policies is available on our website at <https://paragoncare.com.au/corporate-governance>.

The Company also maintains a separate investor page on our website to provide shareholders with links to annual and interim reports, ASX announcements, presentations, and other key information.

## **Recommendation 6.2: Investor Relations**

We endeavour to communicate with shareholders and other stakeholders in an open, regular, and timely manner so that the market has sufficient information to make informed investment decisions.

Through its shareholder communications, we aim to provide information that will allow existing shareholders, potential shareholders, and financial analysts to make informed decisions about the Group's intrinsic value and meet its obligations under the ASX's continuous disclosure regime.

Our investor relations program includes:

- issuing regular written shareholder communications such as half yearly financial reporting and an Annual Report to address the Company's strategy and performance;
- sending and receiving shareholder communications electronically;
- maintaining the Board and corporate governance and investor sections on our website including posting all announcements after they have been disclosed to the market;
- promoting two-way interaction with shareholders, by supporting shareholder participation at general meetings including encouraging shareholders to send their questions to the Company prior to the annual general meeting and responding to their questions and feedback; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the Group.

Shareholder queries should be referred to the Company Secretary in the first instance.

Our Shareholder Communications Policy is available on our website at <https://paragoncare.com.au/corporate-governance>.

## **Recommendation 6.3: Shareholder Meeting Participation**

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

## **Recommendation 6.4: All substantive resolutions at a security holder meeting are decided by poll**

To ascertain the true will of Paragon Care's security holders attending and voting at its security holder meetings, whether they attend in person, electronically or by proxy or other representative, in most situations where this can be achieved the company will conduct the voting procedure by a poll.

## **Recommendation 6.5: Electronic Communication with Shareholders**

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

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1: Risk Committee**

The Company's Audit and Risk Committee Charter provides for the establishment of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which shall be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on our website at <https://paragoncare.com.au/corporate-governance>.

The Board has established an Audit and Risk Committee, which consists of three members:

- Mark Simari – Committee Chair
- Geoffrey Sam – Committee Member
- Brent Stewart – Committee Member

All Committee members, except for Mr Simari, were always deemed independent Directors during the year. All Directors have relevant experience as shown in their biographies in the Directors Report. Details of meetings held by the Committee during the year and member attendance are set out in the 2021 Directors' Report.

While the Board acknowledges that the Chair Committee should be an independent Director, the Board believes that appointing Mr Simari, non-independent Non-Executive Director, as Chair of the Committee will be more effective in leading the Committee as he has in-depth knowledge of the business as co-founder and former Chief Executive Officer and Managing Director of the Company. The Board also believes that with two independent Non-Executive Directors sitting on the Committee, the Audit and Risk Committee is sufficiently balanced to ensure that the Committee independently verifies and safeguards the integrity of the Company's corporate reporting, including the process for the appointment and removal of the external auditor and the audit engagement partner.

In accordance with the Company's Audit and Risk Committee Charter the Committee also has delegated responsibilities in relation to risk management which includes assisting the Board to:

- review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- reviewing compliance with relevant laws and regulations

Details of meetings held by the Committee during the year and member attendances are set out in the 2021 Directors' Report.

### **Recommendation 7.2: Review of Risk Management Framework**

The Group's risk management framework is supported by the Board of directors, management team and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. The management team is responsible for monitoring and ensuring that appropriate processes and controls are in place to manage risk effectively and efficiently.

A review of the Company's risk management framework is undertaken by the Board and management on a regular, ongoing basis. The Board has reviewed its risk management framework during the period under review.

### **Recommendation 7.3: Internal Audit**

The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control, and governance, along with recommendations to improve the efficiency and effectiveness of these systems and processes.

The Audit and Risk Committee Charter provides for the Committee to monitor the need for an internal audit function.

The Company did not have an internal audit function for the past financial year. Due to the size of the Company, the Board does not consider it necessary to have an internal audit function.

During the past financial year, the Company employed the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- the Audit and Risk Committee monitors the need for an internal audit function having regard to the size, location and complexity of the Company's operations;
- senior management facilitate the periodic review of financial and non-financial systems and processes and present to the Board the objectives and scope, proposed outcomes and any recommendations arising from the review.

### **Recommendation 7.4: Environmental and Social Risk**

The Company is not subject to any particular or significant single environmental and social risk. The Company is subject to range of general economic risk, including macro-economic risks, government policy, general business conditions, changes in technology and many other factors. Details on those risks are available in the 2021 Annual Report.

The Board does not believe the Company has any material exposure to environmental and social risks at the present time.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY**

### **Recommendation 8.1: Remuneration Committee**

The Company's Nomination and Remuneration Committee Charter provides for the creation of a Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Nomination and Remuneration Committee Charter is available on our website at <https://paragoncare.com.au/corporate-governance>.

The Board has established a Nomination and Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board.

During the financial year 2021 the Committee was comprised of:

- Mr Brent Stewart – Chair of Committee
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All Committee members, except for Mr Simari, were always deemed independent Directors during the year. All Directors have relevant experience as shown in their biographies in the Directors Report. Details of meetings held by the Committee during the year and member attendance are set out in the 2021 Directors' Report.

In accordance with the Company's Nomination and Remuneration Committee Charter, the Committee has delegated responsibilities in relation to remuneration matters which includes assisting the Board by recommending:

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- incentive schemes;
- superannuation arrangements; and
- the remuneration framework for directors.

### **Recommendation 8.2: Remuneration Policies and Practices**

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration policies for the directors and senior executives. If necessary, it obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

Details of the Company's remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company's Annual Report. The Remuneration Report highlights the balance between fixed pay, short term incentive and long-term incentives, and includes details of the remuneration paid and the relationship to the Company's performance.

### **Recommendation 8.3: Equity Based Remuneration Scheme**

The Company has a Securities Trading Policy which includes a policy prohibiting participants of an equity-based remuneration scheme from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

A copy of the Company's Share trading Policy is available on the Company's website at: <https://paragoncare.com.au/corporate-governance>.