

ParagonCare

7 October 2015

Australian Securities Exchange
Company Announcements Office

Paragon Care Limited - Statement of Corporate Governance

Paragon Care Limited (“**Company**”) advises that pursuant to the requirements of ASX Listing Rule 4.7.4 the Company’s Statement of Corporate Governance follows.

John Osborne
Company Secretary

For more information please contact:

Mark Simari

Managing Director

Tel: 1300 369 559

Email: mark@paragoncare.com.au

stephen.munday@paragoncare.com.au

Stephen Munday

Chief Financial Officer

Tel: 1300 369 559

Email:

PARAGON CARE LIMITED

ABN 76 064 551 426

Unit 1, 56 Norcal Road, Nunawading, Victoria, Australia 3131

Telephone: 1300 369 559 Facsimile: 61 3 8833 7890

www.paragoncare.com.au

Statement of Corporate Governance

PGC Corporate Governance Statement

Paragon Care Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. For the year ended 30 June 2015 the Board reviewed the Company's framework and practices in the context of the 3rd edition of the ASX Corporate Governance Principles and Recommendations released in March 2014 (the Principles and Recommendations). The Paragon Care Corporate Governance Statement (the Statement) and the supplementary policies and charters are available on the Company's website (www.paragoncare.com.au) under the "Corporate" tab. The Company and its controlled entities together are referred to as the group in this Statement.

A description of the group's corporate governance practices in the year ended 30 June 2015 and the comparison to the Principles and Recommendations requirements is provided below.

Principle 1 - Lay solid foundations for management and oversight

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

The Board adopted a Board Charter with effect from 1 July 2014 and it is available on the Company's website via this link. The principles detailed are consistent with the responsibilities of the Board discharged in the year to 30 June 2015. The responsibilities of the Board include:

- Developing and approving the corporate strategy and monitoring implementation of strategy.
- Evaluating, approving and monitoring the strategic and financial plans of the Company.
- Evaluating, approving and monitoring the annual budgets (including financial and other reporting) and business plans.
- Evaluating, approving and monitoring the progress of major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company.
- Appointment of the Chairman of the Company.
- Appointing, monitoring, managing the performance of, and if necessary terminating the employment of the Managing Director, Senior Management and Company Secretary. The Board will consider the Managing Director and Senior Management's authorities and accountabilities, as well as objectives and performance indicators to provide monitoring benchmarks.

- Managing succession planning for the positions of Managing Director and such other key management positions which may be identified from time to time.
- Liaising with the Managing Director in relation to the appointment and termination of such key management positions which may be identified from time to time.
- Ensuring appropriate resources are available to the Managing Director and Senior Management.
- Reviewing, ratifying and monitoring the Company's risk and audit framework, (including but not limited to) systems of risk management and internal control. Reviewing, ratifying and monitoring compliance with the Company's risk and audit policies and protocols.
- Reviewing, ratifying and monitoring the Company's operations in relation to, and compliance with relevant regulatory and legal requirements.
- Actively and regularly involved in strategic planning and reviewing, developing and considering strategic planning issues and identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing.
- Periodic review with management on how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.
- Reviewing and approval of all disclosures related to any departures from the ASX principles of good corporate governance.
- Reviewing and approval of the disclosure of any of the Company's policies and procedures to the general public.
- Supervision of the public disclosure of all matters that the ASX best practice recommendations and recommend be publicly disclosed consistent with the Continuous Disclosure Policy approved by the Board.
- Establishing and monitoring performance and reporting of Committees of the Board.
- Appointment of Directors to Committees established by the Board.
- Approval and monitoring delegations of authority.
- Enhancing and protecting the reputation of the organisation

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the managing director and senior management team.

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

The identification and selection of directors and senior management is undertaken by the Nominations & Remuneration Committee with effect from 1 July 2014. The [Nominations & Remuneration Committee Charter](#) is available on the Company's website via this link. In addition to being responsible for guiding the remuneration structure of the Company this committee is responsible for identifying suitable candidates to act as directors of the Company and undertaking appropriate checks of candidates. The details of the all Company's

directors can be found in the 2015 Annual Report and for directors that were elected at the 2014 Annual General Meeting in the Notice of Meeting.

All directors and senior management have written agreements with the Company detailing the terms of their appointment. The Company Secretary is appointed by the Board and reports to the chairman on all Board matters.

Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. However given the relatively small size and number of employees of the Company the directors do not believe it is currently appropriate to establish formal diversity objectives in relation to gender, age, cultural background and ethnicity, but rather to ensure that the best candidate at the time is appointed to any vacant position.

Board and senior management evaluation

The Board undertakes a self assessment of its collective performance, the performance of the Chairman and of its committees. The assessment also considers the adequacy of induction and continuing education and access to information. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment carried out in accordance with this process was undertaken during June 2015.

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

Detail on the principles and amounts of non-executive director and senior management remuneration can be found in the Remuneration Report section 2015 Annual Report.

Principle 2 - Structure the Board to add value

The Nominations & Remuneration Committee is responsible for establishing the criteria for Board membership, reviewing Board membership and identifying suitable candidates to act as directors to contribute to Board's duties and responsibilities. The [Nominations & Remuneration Committee Charter](#) can be found on the Company's website via this link.

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

The Company as at 30 June 2015 had four directors, two of whom are independent non executive directors (Mr Tanner, the Chairman, and Mr Newton). The two executive directors are Mr Simari – Managing Director, and Mr Cheong - Marketing Manager. Mr Rice, the Company's Chief Operating Officer, is an Alternate Director for Mr Simari.

Contrary to Recommendation 2.4 the independent non-executive directors are in the minority, but at this stage of development it is considered appropriate for a majority of directors to have a hands-on role within the Company. The Chairman of the Board, Mr Tanner, is an independent, non-executive director and he, with the other independent director, Mr Newton, provide an active role in challenging management.

The Company ensures all directors have and maintain the skills to discharge their roles effectively by an induction process for new directors and development programs for directors. The Company considers the skills matrix contemplated in Recommendation 2.2 is premature given the evolving nature of the Company and its development.

Principle 3 – Act ethically and responsibly

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

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

The Company and its directors have always promote ethical and responsible decision-making and effective 1 July 2014 the Company has formalised its [Code of Conduct](#) and this may be viewed on the Company's website via this link.

Principle 4 - Safeguard integrity in corporate reporting

The Board established an Audit & Risk Management Committee with effect from 1 July 2014 and this Committee reviews and make recommendations in relation to the integrity of the Company's financial reporting processes and its financial statements, and oversee the risk management processes within the Company. The Audit & Risk Management Committee Charter may be viewed on the Company's website via this link.

The Audit & Risk Management Committee comprises the 2 independent non-executive directors, contrary to the Principles and Recommendations that suggests there be a minimum of three members. There are only 2 independent non-executive directors on the Company's Board and it is not appropriate for any executive director to be on this committee so it can be independent of management in discharging its responsibility of overseeing the integrity of management's financial administration and risk management. Consistent with the requirements of Section 295A of the Corporations Act the Company's Managing Director or Chief Financial Officer provide a declaration that, in their opinion, the financial records of the Company for a each financial year and half year have been properly maintained in accordance

with the Act and that the financial statements and the notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. The directors must receive this declaration before they approve the financial statements for the financial year and half year.

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Mr Robert Miano of RSM Bird Cameron was appointed as the external auditor in November 2009. In June 2014 pursuant to §324DAA of the Corporations Act the Board resolved to permit Mr Miano, if required, to continue as auditor until 30 June 2016. Reasons for the extension include continuity of knowledge and experience that Mr Miano has accumulated over the years, as well as, key relationships formed during this period' is considered a material benefit to maintaining the quality of audit work for a further period covering the two financial years ending 30 June 2015 and 2016

The external auditor will attend the Company's annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 - Make timely and balanced disclosure

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

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

The Company and its directors fully appreciate their responsibilities under the ASX Listing Rules and has fully understood and complied with the Company's continuous disclosure obligation. Effective from 1 July 2014 the Company adopted a Continuous Disclosure Policy and this may be viewed on the Company's website via this link.

Principle 6 - Respect the rights of security holders

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

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

One of the Company's key communication tools is its website located at www.paragoncare.com.au .

The Company endeavours to keep its website up-to-date. Important information about the Company can be found under the section marked Corporate Governance on its website.

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

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

The website also contains a facility for shareholders to direct inquiries to the Company, but at present it does not provide shareholders with the option of receiving communications from the Company via email. The Company's relatively small shareholding base has not warranted the extra expense however the Company periodically reviews this communication option. The Company's shareholders may also deal directly with its share registry, Link Market Services through its website <https://investorcentre.linkmarketservices.com.au/Login/Login>

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

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

Principle 7 - Recognise And Manage Risk

In the year to 30 June 2015 the Company commenced the process of undertaking a review of the Company's overall risk framework with the objective of formalising its risk management policies over the coming year. From 1 July 2014 the Audit & Risk Management Committee has had the responsibility for initiating the review process and monitoring the systems of risk oversight, management and internal control. The Audit & Risk Management Committee Charter may be found on the Company's website via this link. The Board has established internal controls and reviews areas of operational and financial risks. The Company has strategies to mitigate identified risks of the business. The Company carries sufficient insurance for the size and nature of its business to protect shareholders' equity.).

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

Principle 8 - Remunerate fairly and responsibly

The Company's seeks to pay its directors and executives' sufficient remuneration to attract, retain and motivate high quality personnel. The policy objectives are as follows:

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

In the year to 30 June 2015 the Company had a Nominations & Remuneration Committee and the details of its members and the directors' attendance at remuneration committee meetings are set out in the directors' report of the 2015 Annual Report. The Nominations & Remuneration Committee Charter may be found on the Company's website via this link.

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

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

Further information on directors (executive and non-executive) and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration Report" in the 2015 Annual Report. www.paragoncare.com.au

On an annual basis the Board reviews with senior management the past results and documented action plans together with specific performance objectives which are agreed for the coming year. Senior management performance is evaluated annually against the operational and financial objectives agreed by the Board. The Company does have an option plan available for employees however there is no equity based performance incentive scheme offer to senior management. The Board considers that given the relatively small size of the Company and its stage of development such incentive schemes are not appropriate but this will remain under periodic review by the Nominations & Remuneration Committee.