

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

CAPITOL HEALTH LIMITED

ABN / ARBN:

84 117 391 812

Financial year ended:

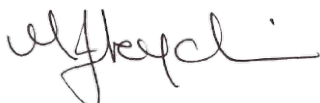
30 June 2018

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

- ☐ These pages of our annual report:
- ☒ This URL on our website: www.capitolhealth.com.au/corporate-governance/

The Corporate Governance Statement is accurate and up to date as at 28 August 2018 and has been approved by the board.

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



Melanie Leydin
Company Secretary

Date: 28 August 2018

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

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

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

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

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>AND</u></p> <p><input type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>AND</u></p> <p><input checked="" type="checkbox"/> in the 2018 Capitol Health Annual Report.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>AND</u></p> <p><input checked="" type="checkbox"/> in the 2018 Capitol Health Annual Report.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>AND</u></p> <p><input checked="" type="checkbox"/> in the 2018 Capitol Health Annual Report</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at www.capitolhealth.com.au/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>AND</u></p> <p><input checked="" type="checkbox"/> in the 2018 Capitol Health Annual Report.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

CAPITOLHEALTH
LIMITED

ABN 84 117 391 812

2018 CORPORATE GOVERNANCE STATEMENT

2018 Corporate Governance Statement

The Board and management of Capitol Health Limited (“Capitol Health” or the “Company”) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. Capitol Health believes that good corporate governance helps ensure the future sustainability 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 (“ASX Recommendations”) in the reporting period. The Recommendations are guidelines designed to improve the efficiency, quality and integrity of the Company. They are not prescriptive, so 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 give reasons for not following them.

This Corporate Governance Statement (“Statement”) sets out a description of the Company’s main corporate practices and provides details of the Company’s compliance with the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

This Statement is current as at 28 August 2018 and has been approved by the Board of Directors of Capitol Health Limited.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1 - ROLE OF THE BOARD AND MANAGEMENT

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of all shareholders, which it accomplishes by:

- setting and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
- reviewing and approving corporate strategies, the annual budget and financial plans;
- establishing corporate governance and ethical business standards;
- monitoring financial performance and liaising with the Company's external auditor;
- appointing and assessing the performance of the Managing Director (or equivalent), and overseeing succession plans for senior executives;
- reviewing and monitoring the systems of risk management and internal control, codes of conduct and legal compliance;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors; and
- reporting to and communicating with shareholders.

The Board Charter sets out the functions and responsibilities of the Board of Capitol Health Limited and is available on the Capitol Health website (www.capitolhealth.com.au).

The Board has delegated to the Managing Director ("MD") responsibility for the day-to-day management of the Company, including the overall operational and business management and profit performance of Capitol Health, whilst also managing the Company in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals. The scope of, and limitations to, these delegations are clearly documented and balance oversight with appropriate empowerment and accountability of senior executives.

RECOMMENDATION 1.2 - APPOINTMENT OF DIRECTORS

The Board has procedures for the selection and appointment of new directors and the re-election of incumbent directors, which are set out in a policy document which is available on the Capitol Health website (www.capitolhealth.com.au).

All selected candidates for Board positions undergo appropriate background checks before being appointed to the Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the existing Directors must stand for election at the next annual general meeting ("AGM").

A regular assessment is made of the current qualifications, skills, and experience of the directors, as well as the skills, experience and expertise needed to deal with current and emerging issues of the business and to effectively review and challenge the performance of management and exercise independent judgement.

Board support for Directors retiring and seeking re-election is not automatic and is reviewed against criteria based on the Board's current skills and qualities and the current and future needs of the Company. The notice of AGM includes the material information relevant to a decision on whether or not to elect or re-elect a director.

RECOMMENDATION 1.3 - APPOINTMENT TERMS

Non-Executive Directors have a written agreement with the Company setting out the terms of their appointment as directors.

The Managing Director and Senior Executives all have written agreements with the Company setting out the terms of their employment.

RECOMMENDATION 1.4 - COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, though the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes advising the board and its committees on governance matters; monitoring that board and committee policy and procedures are followed; coordinating the timely completion and despatch of board and committee papers; ensuring that the business at board and committee meetings is accurately captured in the minutes; and helping to organise and facilitate the induction and professional development of directors.

All Directors have unfettered access to the Company Secretary and the appointment and removal of the Company Secretary must be made or approved by the Board.

RECOMMENDATION 1.5 - DIVERSITY

Capitol Health recognises the benefits of diversity of gender, age, experience, relationships and background and is proud to have a strong representation of both genders in its workforce. The Company's Diversity and Inclusion Policy is available on the Capitol Health website (www.capitolhealth.com.au).

In accordance with its Diversity and Inclusion Policy the Board has established the following diversity and inclusion objectives for the 2019 financial year:

- Maintain female representation across the Company at or above 50%.
- Develop the leadership capabilities of our female and male talent so that we can have more gender balanced teams at all levels of seniority.
- Continue to embed a strong culture of inclusion where employees with diverse backgrounds, experience and personal attributes thrive and can be their best.

Capitol Health is a "relevant employer" under the Workplace Gender Equality Act and its most recent "Gender Equality Indicators" are published at <https://www.wgea.gov.au/report/public-reports>.

RECOMMENDATION 1.6 - BOARD PERFORMANCE ASSESSMENT

The evaluation of the performance of the Board, its committees and individual directors is undertaken in accordance with the Performance Evaluation Process (available on the Capitol Health website www.capitolhealth.com.au). An internal Board performance assessment process took place in August 2018. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria. It was also noted that there were some opportunities identified to improve Board effectiveness.

RECOMMENDATION 1.7 - SENIOR EXECUTIVE PERFORMANCE ASSESSMENT

The Performance of the Managing Director was evaluated in August 2018 in accordance with the Performance Evaluation Process (available on the Capitol Health website www.capitolhealth.com.au).

During the 2018 financial year, Capitol Health also conducted formal senior executive staff reviews.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1 – NOMINATION COMMITTEE

The Board has appointed a Nomination and Remuneration Committee, which consists of three members, all of whom are independent directors, being Mr Demetriou, Ms Sheffield and Mr Loveridge. The Committee is chaired by Mr Demetriou, who is also Chair of the Board. 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 attendances are set out in the 2018 Directors' Report. The Nomination and Remuneration Committee Charter is available on the Capitol Health website (www.capitolhealth.com.au).

The primary function of the Nomination and Remuneration 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

Skill	Current Board Representation
Professional Director Skills	
Risk & Compliance	High
Financial & Audit	High
ASX Governance	Medium
Strategy	High
Business Operations	High
Policy Development	Medium
Capital Markets	Medium
Technology	Medium
People and Performance	High
Executive Management	High
Industry Specific Skills	
Healthcare management experience	Medium
Sales and Marketing	High
Stakeholder Engagement	High
Client Engagement	High
Industry Relations	Medium

CAPITOL HEALTH LIMITED

Interpersonal Skills

Leadership	High
Ethics and Integrity	High
Contribution	High
Negotiation	High
Critical Thinker	High
Crisis Management	High

Other Aspects to Assess

Previous Board Experience	High
Experienced CEO	High
Corporate History	High

To the extent that any skills are not directly represented on the Board, they are augmented through senior management and external advisors.

RECOMMENDATION 2.3 – INDEPENDENT DIRECTORS

Capitol Health's Executive Directors and their length of service are:

Executive Director	Appointment Date
Andrew Harrison	11 November 2016

Capitol Health's Non-Executive Directors and their length of service are:

Non-Executive Director	Appointment Date
Andrew Demetriou	17 November 2014
Nicole Sheffield	23 December 2015
Richard Loveridge	5 September 2017

The Board recognises the important contribution that independent directors make to good corporate governance. In accordance with the ASX Recommendations, the Board defines an independent director as a director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board or to act in the best interests of Capitol Health and its shareholders.

In assessing independence, the Board had regard to the "Factors relevant to assessing the independence of a director" in Box 2.3 of the ASX Recommendations. Having individually reviewed the position and associations of each of the three non-executive directors, the Board has concluded that they are all independent.

RECOMMENDATION 2.4 – MAJORITY INDEPENDENCE

The Board comprises a majority of independent directors. As set out in the ASX Recommendations, the Board acknowledges that having a majority of independent directors makes it harder for any individual or small group of individuals to dominate the board's decision-making and maximises the likelihood that the decisions of the board will reflect the best interests of the entity and its security holders generally

and not be biased towards the interests of management or any other person or group with whom a non-independent director may be associated.

RECOMMENDATION 2.5 – INDEPENDENT CHAIR

The responsibilities of Capitol Health's independent Chairman, Mr Demetriou, include the following, as set out in the Board Charter (available on the Capitol Health website www.capitolhealth.com.au):

- providing leadership to the Board;
- ensuring the efficient organisation of the Board and conduct of its functions;
- chairing Board and shareholder meetings;
- ensuring all directors are briefed on material matters arising at or between Board meetings;
- facilitating effective contributions by all Directors; and
- promoting constructive and respectful relations among Board members and between Board and management.

The roles of Chairman and Managing Director are exercised by different individuals, being Mr Demetriou and Mr Harrison.

RECOMMENDATION 2.6 – INDUCTION, EDUCATION AND TRAINING

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 is able to 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 – CODE OF CONDUCT

As part of the Board's commitment to corporate governance, the Company has adopted a Code of Conduct to guide Directors and officers in carrying out their duties and responsibilities. The Code of Conduct outlines the obligations incumbent upon each director and officer, including compliance with all corporate governance practices and documents approved by the Board from time to time.

The Code of Conduct also encourages and permits Directors and officers to report to the Chairman any behaviour, practice or activity which they believe in good faith is:

- unethical or improper conduct;
- financial malpractice, impropriety or fraud;
- breach of laws or regulations; or
- auditing non-disclosure or manipulation of the external audit process.

The Company will ensure that any Director or officer making such a complaint in good faith will not be mistreated, disadvantaged in their position with Capitol Health or intimidated.

The Code of Conduct is available on the Capitol Health website (www.capitolhealth.com.au).

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

RECOMMENDATION 4.1 – AUDIT COMMITTEE

The Company has an Audit and Risk Committee comprising three independent, Non-Executive directors, Mr Loveridge, Mr Demetriou and Ms Sheffield. The Committee is chaired by Mr Loveridge, an independent director who is not the Chair of the Board in accordance with the ASX Recommendations. All directors have relevant experience as shown in their biographies in the Directors Report.

The Audit and Risk Committee Charter (available on the Capitol Health website www.capitolhealth.com.au) sets out the role of the Committee, which includes assisting the Board to:

- 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. The number of meetings held and the individual attendances of Committee members at those meetings are disclosed in the 2018 Directors' Report.

RECOMMENDATION 4.2 - ASSURANCES

Prior to approval of the Company's annual financial statements, the Board obtains a declaration from the Managing Director and Head of Finance that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

RECOMMENDATION 4.3 – EXTERNAL AUDITOR ATTENDS AGM

The Company's external auditor attends every Annual General Meeting as required by the Corporations Act, and members are allowed a reasonable opportunity at the meeting to ask the auditor questions relevant to the audit, their report and independence, and the accounting policies adopted by the Company.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

RECOMMENDATION 5.1 – CONTINUOUS DISCLOSURE POLICY

The Company's Continuous Disclosure Policy is available on the Capitol Health website (www.capitolhealth.com.au). This Policy sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the ASX Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements.

The Board has overarching responsibility for compliance with Capitol Health's continuous disclosure obligations and Board approval is required for certain key matters (as set out in the policy) and matters may be referred to the Board for approval by the Managing Director or the Company Secretary. All other matters may be approved by the Managing Director in consultation with other members of the Disclosure Committee.

CAPITOL HEALTH LIMITED

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. 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.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

RECOMMENDATION 6.1 – INFORMATION AND GOVERNANCE

Capitol Health's website at www.capitolhealth.com.au contains key information about the company and its corporate governance practices and policies, as well as biographies of the Board members & Company Secretary.

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

RECOMMENDATION 6.2 – INVESTOR RELATIONS PROGRAM

The Company's Continuous Disclosure Policy which is available on the Capitol Health website (www.capitolhealth.com.au), sets out its processes regarding interaction with shareholders, media, analysts, investors and the public. Capitol Health commits to dealing fairly, transparently and openly with both current and prospective shareholders and will ensure that it complies with the Continuous Disclosure Policy to ensure that there is no selective disclosure of information.

Shareholders are actively encouraged to take advantage of the benefits of electronic communications.

Shareholders and investors can raise any issues or concerns at any time by contacting the Company by email at investors@capitolhealth.com.au or by writing to the Managing Director or Company Secretary at Level 3, 81 Lorimer Street, Docklands, VIC 3008. Where possible, bearing in mind the Company's obligations under the Corporations Act, the ASX Listing Rules and the Continuous Disclosure Policy, responses will be provided.

RECOMMENDATION 6.3 – SHAREHOLDER MEETING PARTICIPATION

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Capitol Health website www.capitolhealth.com.au), 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. Shareholders may elect to receive communications electronically.

The Board regards the AGM 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 the external auditor of the Company.

RECOMMENDATION 6.4 – ELECTRONIC COMMUNICATION WITH SHAREHOLDERS

Shareholders are actively encouraged to take advantage of the benefits of electing to receive communication from the Company and its share registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1 – RISK COMMITTEE

Capitol Health's Audit and Risk Committee also has delegated responsibilities in relation to risk management as set out in the Audit and Risk Committee Charter. Its role 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.

RECOMMENDATION 7.2 – RISK MANAGEMENT FRAMEWORK

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

The Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Risk Management Policy is available on the Capitol Health website (www.capitolhealth.com.au). The Company's risk management framework is reviewed on a periodic basis, and a review was undertaken during the past year.

RECOMMENDATION 7.3 – INTERNAL AUDIT

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

The Audit and Risk Committee oversees relevant financial and non-financial risks.

During this past reporting period, the Company has 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 facilitates the periodic review of financial and non-financial systems and processes and presents to the relevant Committee the objectives and scope, proposed outcomes and any recommendations arising from the review; and
- the Board reviews risk management and internal compliance procedures at each Board meeting and any risk matters raised for consideration by senior management.

RECOMMENDATION 7.4 – ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK

The Company's primary economic risk is its exposure to MBS Schedule fees. The Board does not believe the Company has any material exposure to environmental and social sustainability risks at the present time.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1 – REMUNERATION COMMITTEE

Capitol Health's Nomination and Remuneration Committee also has delegated responsibilities in relation to remuneration matters as set out in the Nomination and Remuneration Committee Charter. Its role includes assisting the Board to:

- make recommendations to the Board on:
 - a. executive remuneration and incentive policies;
 - b. the remuneration packages of senior management;
 - c. incentive schemes;
 - d. superannuation arrangements; and
 - e. 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 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 Capitol Health's remuneration practices for its Non-Executive 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's Employee Incentive Plan prohibits participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. It provides that a participant must not enter into any scheme, arrangement or agreement (including options and derivative products) under which the participant, in respect of Awards that remain subject to the Plan Rules:

- may alter the economic benefit to be derived from any such Awards, irrespective of future changes in the market price of Shares; and / or
- purports to mortgage, pledge, assign, encumber or create security over any interest in any such Awards; and / or
- sell, transfer, dispose of, swap, option, alienate the rights or obligations attaching to or otherwise deal with any such Awards.

The Plan Rules further state that where a participant enters, or purports to enter, into any scheme, arrangement or agreement which breaches the above, the Award immediately lapses.

CAPITOLHEALTH LIMITED

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