

## 2019 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 [www.paragoncare.com.au](http://www.paragoncare.com.au), including the 2019 Annual Report.

This Statement is current as at 23 September 2019 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 provide overall strategic guidance and effective oversight of management.

The Board has a formal Board Charter which is available on our website at: <https://paragoncare.com.au/corporate-governance>.

The Board charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.

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 Company has guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director.

We provide our shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

## Recommendation 1.3: Appointment Terms

Each director and senior executive are parties to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2019 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 2019 Annual Report.

## Recommendation 1.5: Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company's workforce is relatively small, and the directors do not believe it is appropriate to establish formal diversity objectives in relation to gender, age, cultural background and ethnicity at this stage. 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.

As at 30 June 2019 the structure of the workforce was as follows:

	Male	Female	Total
Board	6	0	6
Management	68	27	95
Staff	209	213	422
Total	283	240	523

## Recommendation 1.6: Board 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 does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretary;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

An internal Board performance assessment process took place in August 2019. 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 2019. Senior Executives are appointed by the Chief Executive Officer and their Key Performance Indicators (**KPI's**) contain specific financial and non-financial objectives.

These KPI's are reviewed annually by the CEO. The performance of each Senior Executive against these objectives is evaluated annually.

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 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 2019 year the Committee was comprised of:

- Brent Stewart – Chairman of Committee
- Shane Tanner – Non-Executive Chairman
- Michael Newton – Non-Executive Director
- Geoffrey Sam – Non-Executive Director (former Committee member)

All Committee members were deemed independent Directors at all times during the year.

The Nomination and Remuneration Committee Charter is available on the Company's website at: <https://paragoncare.com.au/corporate-governance>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

### **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>Number of Directors classed 'Proficient' or 'Good'*</b>
Strategy and leadership	5 Directors
Policy development	5 Directors
Corporate governance	5 Directors
Financial analysis and capital markets expertise	5 Directors
Risk and compliance oversight	4 Directors
People management	5 Directors
Commercial experience	5 Directors
Legal and regulatory approval	5 Directors
Health, safety, social and environmental responsibility	5 Directors
Stakeholder communication and engagement	4 Directors
Operational leadership	5 Directors
Global experience	4 Directors
Critical and innovative thinking	5 Directors
Negotiation and influence	5 Directors
Enabling innovation and technology	3 Directors

*\*This figure shows the number of current directors who possess the relevant skill or experience (out of a total of 6 directors as at the date of this Statement)*

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

Full details of each Directors' relevant skills and experience are set out in the 2019 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 has five independent directors, Mr Shane Tanner (Non-Executive Chairman), Mr Brent Stewart, Mr Geoffrey Sam, Mr Michael Newton and Mr Bruce Bian (Non-Executive Directors).

Mr Andrew Just is not considered to be independent on the basis that he is engaged in an executive management role with the Company.

The Board considers the Non-Executive directors 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.

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

<b>Name</b>	<b>Position</b>	<b>Appointment date</b>	<b>Status</b>
Shane Tanner	Non-Executive Chairman	21 December 2005	Independent
Andrew Just	CEO	31 May 2018	Non-Independent
Brent Stewart	Non-Executive Director	31 May 2018	Independent
Geoffrey Sam	Non-Executive Director	3 June 2016	Independent
Michael Newton	Non-Executive Director	25 June 2007	Independent
Bruce Bian	Non-Executive Director	12 March 2019	Independent

#### **Recommendation 2.4: Majority Independence**

As at the date of this Statement, five of our six Directors are deemed independent and the Company does have a majority of independent directors.

The Company has a majority of independent directors on the Board consistent with Recommendation 2.4. The Chairman of the Board, Mr Shane Tanner along with the other independent directors, Mr Brent Stewart, Mr Geoffrey Sam, Mr Michael Newton and Mr Bruce Bian, 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 2019 Annual Report.

#### **Recommendation 2.5: Board Chair**

The Chairman, 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 and the industry and markets in which it 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.

#### **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.

Directors are also encouraged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the Company.

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

### **Recommendation 3.1: 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>.

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

### **Recommendation 4.1: Audit Committee**

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit and Risk Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports:

The Committee comprises of:

- Michael Newton – Chairman of Committee
- Geoffrey Sam – Non-Executive Director
- Brent Stewart – Non-Executive Director

All Committee members were deemed independent Directors at all times during the year.

The Audit and Risk Committee Charter is available on the Company's website at: <https://paragoncare.com.au/corporate-governance>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

## **Recommendation 4.2: Assurances**

The Chief Executive Officer (**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 2019 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 2019 full year financial results were approved by the Board.

## **Recommendation 4.3: External Auditor**

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 2019 Annual Report.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board.

## **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.

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.

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

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

One of the Company's key communication tools is its website located at: [www.paragoncare.com.au](http://www.paragoncare.com.au). The Company endeavours to keep its website up to date.

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

- the Company's Board and 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.

## **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 quarterly 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.

## **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: Electronic Communication with Shareholders**

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

Shareholders queries should be referred to the Company Secretary at first instance.

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

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

The Company'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
- Review compliance with relevant laws and regulations.

The Committee comprises:

- Michael Newton – Chairman of Committee
- Geoffrey Sam – Non-Executive Director
- Brent Stewart – Non-Executive Director

All Committee members were deemed independent Directors at all times during the year.

The Audit and Risk Committee Charter is available on the Company's website at: <https://paragoncare.com.au/corporate-governance>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 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 effectively and efficiently manage risk.

A review of the Company's risk management framework is undertaken by the Board and management on a regular, ongoing basis.

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

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.

The Company has employed the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- (i) 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.
- (ii) the Audit and Risk Committee periodically undertakes an internal review of financial systems and processes where systems are considered to require improvement these systems are developed.

## **Recommendation 7.4: Economic, Environmental and Social Sustainability Risk**

The Company is not subject to any particular or significant single economic, environmental and social sustainability risk. The Company is subject to a range of general economic risks, including macro-economic risks, government policy, general business conditions, changes in technology and many other factors.

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

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

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

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 managing remuneration-related matters.

During the 2019 year the Committee comprised:

- Brent Stewart – Chairman of Committee
- Shane Tanner – Non-Executive Chairman
- Michael Newton – Executive Director
- Geoffrey Sam – Non-Executive Director (former Committee member)

All Committee members were deemed independent Directors at all times during the year.

The Nomination and Remuneration Committee Charter is available on the Company's website at: <https://paragoncare.com.au/corporate-governance>.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

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

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.

Separate disclosure regarding the remuneration of the Company's directors (executive and non-executive) is disclosed in the Company's Annual report, as lodged with the ASX and issued to shareholders.

### **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 Securities Trading Policy is available on the Company's website at: <https://paragoncare.com.au/corporate-governance>.