

JAPARA HEALTHCARE LIMITED

ACN 168 631 052

Board Charter and Relationship with Management

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Board Charter and Relationship with Management

1 Introduction

The Board of the Company has adopted this Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, best practice and applicable laws.

This Charter includes an overview of:

- Board composition and process;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board Charter and the charters adopted by the Board for its standing Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

This Charter is to be reviewed by the Board as required and at least annually.

2 Board composition

2.1 Board composition and size

- The Board is appointed by the shareholders by election. Non-executive Directors are engaged through a letter of appointment.
- The Board, assisted by the Remuneration and Nomination Committee, determines the size and composition of the Board, subject to the terms of the Company's Constitution.
- It is intended that the Board should comprise a majority of independent Non-executive Directors and comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, including gender.
- The Board, together with the Remuneration and Nomination Committee, will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remain appropriate for the Company's current business needs, subject to any limits imposed by the Constitution and the terms served by existing Non-executive Directors.
- Expert advice is taken by the Board in circumstances where additional skills are required.

2.2 Director independence

- The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.
- The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence that is consistent with the ASX Corporate Governance Principles and Recommendations (3rd edition) (see Attachment 1).

- The Board has not established an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they prevent the Board from benefiting from the contribution of Directors who have, over a period of time, developed Company and operational insight. Accordingly, tenure is just one of a range of factors the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board process.

3 Board role and responsibilities

3.1 Board role

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework. This includes establishing and observing high ethical standards and providing leadership and oversight of the Company's organisation wide governance systems to ensure Aged Care Quality Standards are met; and
- ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

3.2 Board key responsibilities

The responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Chief Executive Officer (**CEO**);
- planning succession of other senior management and the Board;
- contributing to and approving corporate strategy;
- setting management performance objectives and approving operating and other budgets;
- ensuring the organisation meets all the Aged Care Quality Standards by promoting a culture of safe, inclusive resident centred quality care and services, and monitoring systems relating to information management, continuous improvement, financial governance, workforce governance, regulatory compliance, feedback and complaints;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy, policy and business plans (including with reference to the Aged Care Quality Standards and the Charter of Aged Care Rights);
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;

- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies; and
- performing such other functions as are prescribed by law or are assigned to the Board.

3.3 Reserved authorities

Matters which are specifically reserved for the Board or its Committees include:

- appointment of a chairman;
- appointment and removal of the CEO;
- appointment and removal of the Chief Financial Officer;
- appointment of directors to fill a vacancy or as additional Directors;
- establishment of Board Committees, their membership and delegated authorities;
- determination of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

3.4 Directors

- Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour, including complying with applicable Company policies and procedures.
- Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.
- Directors will be expected to participate in all induction and orientation programs and continuing education or training arranged for them.
- The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman.

4 Delegation of duties and powers

4.1 Relationship with management

- Directors may delegate their powers as they consider appropriate. However, ultimate responsibility for strategy and control rests with the Directors.
- Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.
- Directors are entitled to request additional information at any time when they consider it appropriate.

4.2 Role of the CEO

- The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the CEO).

- The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO.
- The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board.

4.3 Delegation to Committees

- The Board from time to time establishes Committees to streamline the discharge of its responsibilities.
- Each standing Committee adopts a formal charter setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- The permanent standing Committees of the Board are the Audit, Risk and Compliance Committee, the Remuneration and Nomination Committee and the Zero Harm Committee.
- The Committees will assist the Board by focusing on the following activities:

1. Audit, Risk and Compliance Committee:

- appointment and replacement of the internal auditor and external auditor;
- oversee the Company's relationship with the internal and external auditor and the internal and external audit functions generally;
- assist the Board in relation to the reporting of financial information and oversee the preparation of the financial statements and reports;
- oversee that an effective process of identification and management of material risk exists;
- review and report to the Board on the Company's ongoing risk management program, including that adequate policies and procedures have been designed and implemented to manage identified material risks;
- review and report to the Board that a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- review and report to the Board that proper remedial action is undertaken to redress areas of weakness.

2. Remuneration and Nomination Committee:

- review and recommend to the Board the size and structure of the Board and criteria for membership, including review of succession plans;
- review and recommend arrangements for the executive directors (including the CEO) and senior executives;
- review changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for the Company;
- review and recommend to the Board the remuneration arrangements non-executive directors of the Board, including fees, travel and other benefits;
- assist the Board as required in relation to the performance evaluation of the Board, its Committees and individual directors;
- review the senior management performance assessment processes and results;

- review and recommend to the Board incentive strategy, performance targets and bonus payments for senior executives;
- review and recommend to the Board any changes to the Company's employee equity incentive plans;
- administer the Company's employee equity incentive plans;
- review the effectiveness of the Company's Diversity Policy;
- review the relative proportion of women and men in the workforce at all levels of the Group on an annual basis;
- review remuneration by gender and recommend strategies or changes to address any pay gap; and
- monitor relevant areas of risk including a periodic review of staff compliance breaches (including consequences) when requested by the Board.

3. Zero Harm Committee:

- oversee the development and implementation of policies and practices relating to workplace health and safety, resident safety and clinical care (including the promotion of inclusive resident centred quality care in line with the Charter of Aged Care Rights and the Aged Care Standards) and environment and sustainability (**Target Areas**);
 - oversee the development and implementation of company-wide processes and procedures for compliance with policies and legal and regulatory obligations for Target Areas;
 - ensure regular review of processes and procedures so that all material risks are identified, reported and investigated, and remedial action taken;
 - endorse and monitor key performance indicators and targets that underpin the Company's zero harm goals in Target Areas (including measures which consider 'the voice' of residents and their representatives);
 - monitor reporting systems for breaches of legal and regulatory obligations, any accidents and incidents and any investigations and remedial action in Target Areas; and
 - determine whether reporting and risk management procedures in Target Areas are effective.
- The Board may also delegate specific functions to ad hoc Committees on an 'as needs' basis.
 - The powers delegated to these Committees are set out in Board resolutions.

5 Board process

5.1 Meetings

- The Board will meet regularly.
- Periodically, Non-executive Directors will meet without Executive Directors or management present.
- Directors will use all reasonable endeavours to attend Board meetings in person.
- The Company's Constitution governs the regulation of Board meetings and proceedings.

5.2 The Chairman

- The Board will appoint one of its members to be Chairman.
- It is intended that the Chairman should be an independent Non-executive Director.
- The Chairman represents the Board to the shareholders and communicates the Board's position.

5.3 The Company Secretary

- The Board will appoint at least one Company Secretary.
- The Company Secretary is accountable to the Board.
- The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.
- All Directors will have direct access to the Company Secretary.

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Guidelines of the Board of directors – Independence of directors

Part 2 of the Company's Board Charter refers to the 'independence' of directors.

Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of directors.

In general, directors will be considered to be 'independent' if they are not members of management (a non-executive director) and they:

- are not substantial shareholders of the Company, or officers of, or otherwise associated with, a substantial shareholder of the Company;
- are not employed, or been previously employed in an executive capacity by the Company or another group member, and there has been a period of at least 3 years between ceasing such employment and serving on the Board;
- have not within the last 3 years been a senior executive of a provider of material professional services to the Company or another group member;
- have not within the last 3 years been in a material business relationship (e.g. as a supplier or customer) with the Company or other group member or an officer of someone with such a relationship;
- have no material contractual relationship with the Company or another group member, other than as a director of the Company;
- have no close family ties with any person who falls within any of the categories described above;
- have not been a director of the Company for such a period that their independence may have been compromised; and
- are free from any other interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality thresholds

The Board will consider thresholds of materiality for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses), in the context of each situation.
- In general, the Board will consider a holding of 5% or more of the Company's shares to be material.

- In general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular director would be reviewed by the Board.
- Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Company.

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Performance evaluation process in relation to the Board and its Committees

- Annually the Board will assess its performance and utilises the Board Charter and Relationship with Management, as well as other Corporate Governance documents, to assist in its review. Similarly, each Board Committee will annually assess its performance, utilising the respective Committee Charter and other Corporate Governance documents to assist in its review, with results to be advised to the Board.
- Feedback may also be collected by the Board Chairman, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- The CEO and other senior management are also invited to provide feedback on individual director, the Board and Committee performance.
- Reviews and performance evaluations of individual non-executive Directors will be conducted in private discussions which are managed by the Board Chairman, except in the case of the Board Chairman which is managed by the Chairman of the Remuneration and Nomination Committee.
- The performance of Directors standing for re-election will also be considered by the other Directors, with feedback to be provided to the Remuneration and Nomination Committee for re-election recommendation purposes by the Board.
- Where appropriate, external advisors are engaged to provide an independent review of the Board and its Committees, and to provide additional advice.