





## Estia Health Limited Corporate Governance Statement

This Corporate Governance Statement (**Statement**) outlines the corporate governance practices currently in place for Estia Health Limited (**Company** or **Estia**) and also addresses the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Board believes the Company accords with the majority of the ASX Recommendations with any exceptions outlined in the Statement.

The corporate governance policies and practices described in the following are those that have been in place for the 2017-18 financial year, or as at the date of this Statement, where indicated. The Board continues to review the

governance framework and practices of the Company to ensure they meet the interests of shareholders and other stakeholders.

All references to the Group's website are to:  
[www.estiahealth.com.au](http://www.estiahealth.com.au)

**This Corporate Governance Statement was approved by a resolution of the Board on 15 August 2018 and is correct at 15 August 2018.**



## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Principle 1 Lay solid foundations for management & oversight

#### Role Of The Board

The Board is committed to effectively representing and promoting the Company, and creating long-term value for shareholders. The Board is accountable to shareholders for the management of the Company's business and affairs and, as such, is responsible for the overall strategy, governance and performance of the Company. To clarify the roles and responsibilities of Directors and management, and to assist the Board in discharging its responsibilities, the Company has established a Governance Framework (as set out on page 4) which sets out the functions reserved to the Board, and provides for the delegation of functions and authorities to Board Committees and to management. The Board operates under a formal Board Charter which can be found on the Company's website.

#### Appointments To The Board

The process of selection and appointment of new Directors to the Board is that when a vacancy arises, the Nomination and Remuneration Committee identifies candidates with appropriate skills, knowledge, experience, independence and expertise. Candidates with the skills, knowledge, experience, independence and expertise that best complement the Board's effectiveness will be recommended to the Board.

When the Board considers that a suitable candidate has been found, that person may be appointed by the Board to fill a casual vacancy (or as an additional Director) in accordance with Estia's constitution, but must stand for election by shareholders at the next Annual General Meeting (AGM).

The Board ensures that appropriate reference checks are undertaken on any potential new Director prior to appointment to the Board (or putting forward to shareholders

a candidate for election) and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting. With the exception of the Managing Director, Directors must retire at the third AGM following their election or most recent re-election. At least one Director must stand for election at each AGM. Any Director appointed to fill a casual vacancy (or as an additional Director) since the date of the previous AGM must submit themselves to shareholders for election at the next AGM.

Non-executive Directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of the appointment, the Board's expectations in relation to the performance of the Director, procedures for dealing with a Director's potential conflict of interest and the disclosure obligations of the Director, together with the details of the Director's remuneration.

#### Board Committees

The ultimate responsibility for the oversight of the operations of the Company rests with the Board. However, the Board may discharge any of its responsibilities through Committees of the Board in accordance with the Constitution and the *Corporations Act 2001* (Cth) (**Corporations Act**).

The Board has established the following standing Committees, which assist with the execution of its responsibilities. The composition and effectiveness of the Committees are reviewed on an annual basis.

- Audit Committee;
- Risk Management Committee;
- Nomination and Remuneration Committee; and
- Property and Investment Committee.

Each of these Committees operate in accordance with specific charters approved by the Board, which can be found on the Company's website.

The applicable composition requirements and current membership of each of the Board Committees are set out in Table 1 (below).

Table 1

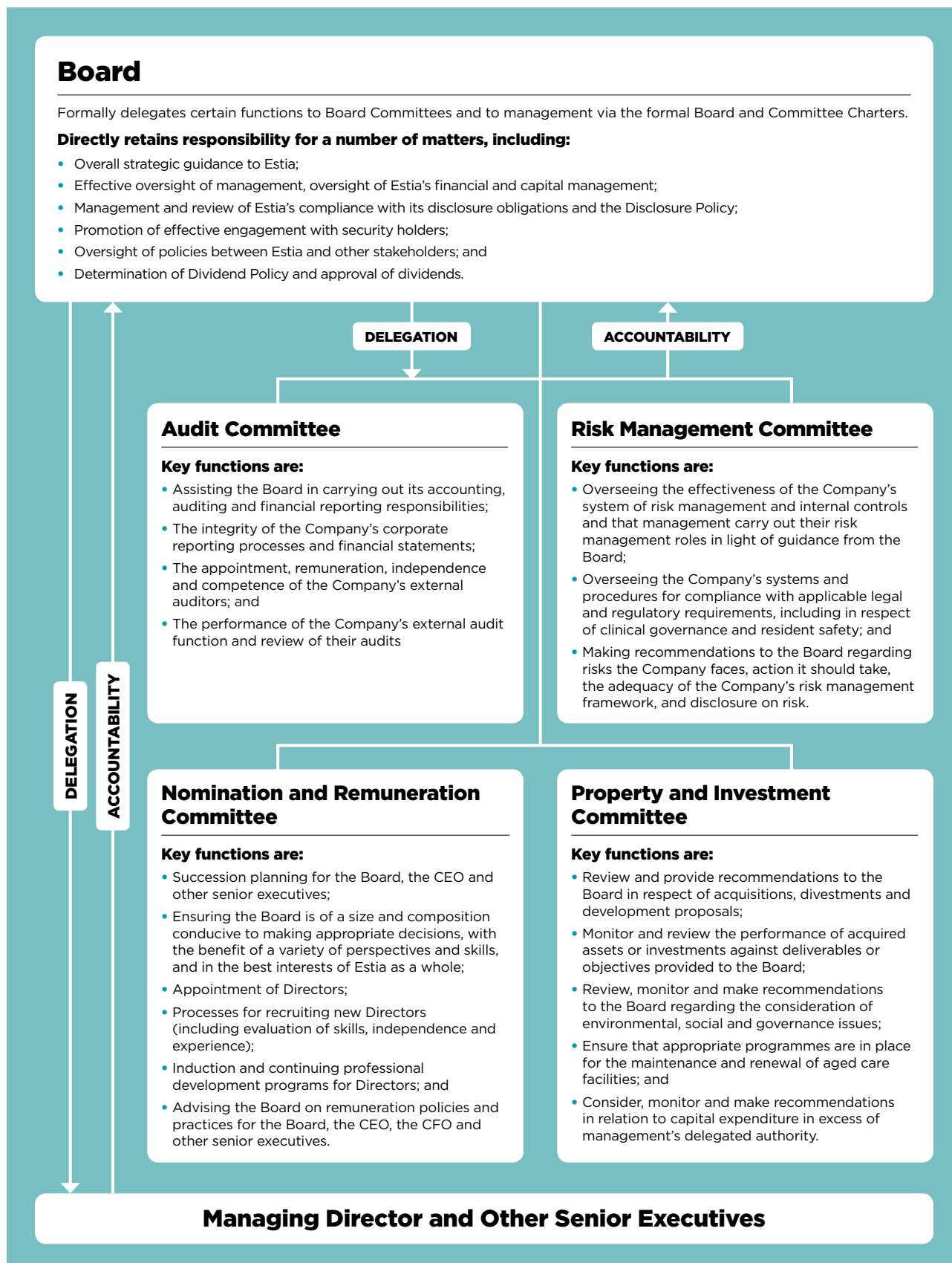
Board Committee	Composition Requirements	Membership
Audit Committee	At least three members, all of whom are non-executive and a majority of whom are independent. The Chairman should be an independent non-executive Director. The Committee must be structured so that between them, the members have the accounting and financial expertise and a sufficient understanding of the aged care industry, to enable the Committee to discharge its duties effectively. The Chairman should be an independent non-executive Director.	Mr Andrew Harrison (Chair), Dr Gary Weiss, and Mr Warwick L. Smith AM.
Risk Management Committee	At least three members, all of whom are non-executive and independent. The chairman should be an independent non-executive Director.	Ms Helen Kurincic (Chair), Mr Andrew Harrison, and Mr Paul Foster
Nomination and Remuneration Committee	At least three members, the majority of whom are independent, non-executive Directors. The chairman should be an independent non-executive Director.	Mr Paul Foster (Chair), Ms Helen Kurincic, and Dr Gary Weiss.
Property and Investment Committee	At least two members, the majority of whom are independent non-executive Directors. The chairman should be an independent non-executive Director.	Mr Warwick L. Smith AM (Chair), Dr Gary Weiss, and Mr Paul Foster.

# CORPORATE GOVERNANCE STATEMENT

## CONTINUED

### Governance Framework

The diagram following depicts the operation of the Group's Governance Framework.



## CORPORATE GOVERNANCE STATEMENT CONTINUED

Table 2.

FY18	Board		Audit		Nomination & Remuneration		Risk		Property & Investment	
Number of meetings held:	12		4		4		3		3	
	A	B	A	B	A	B	A	B	A	B
Norah Barlow	12	12	-	-	-	-	-	-	-	-
Gary Weiss	12	12	4	4	-	-	-	-	3	3
Andrew Harrison	12	11	4	4	-	-	3	3	-	-
Paul Foster	12	12	-	-	4	4	3	3	3	3
Warwick L. Smith	12	12	4	4	-	-	-	-	3	3
Patrick Grier <sup>1</sup>	4	3	-	-	1	1	-	-	-	-
Helen Kurincic <sup>2</sup>	12	12	-	-	3	3	3	3	-	-

A = Meetings eligible to attend as Board or Committee members

B = Meetings attended

1. Patrick Grier resigned on 14 November 2017.

2. Helen Kurincic was appointed on 1 July 2017.

The number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each of the Directors is set out in Table 2 (see above).

### The Company Secretary

The Company Secretary acts as secretary of the Board, attending all meetings of the Board and its Committees. The Company Secretary is accountable to the Board through the chairperson on all corporate governance matters and the proper functioning of the Board.

### Board and Director Performance

The Board is committed to enhancing its effectiveness through performance management and review. The Board review process is designed to help enhance performance by providing a mechanism to raise and resolve issues and to provide recommendations to enhance its effectiveness.

The members of the Board, led by the Chairman with the input and support of the Managing Director (MD) and Company Secretary, evaluate the performance and efficient functioning of the Board, its Committees and individual Directors on an ongoing basis.

During the 2018 financial year, the Board undertook a confidential, structured evaluation with an independent third party to review the role, composition, behaviours and processes of the Board. The review involved each Director providing feedback on a range of Board-related topics, covering the role of the Board, composition of the Board, meeting processes, Board papers and relationships and culture of the Board.

The results of that review were presented to the Board and highlighted a number of highly positive attributes about the Estia Board, including all Directors having a natural interest and affinity for the care of the elderly, unity and solidarity among the members, in depth industry knowledge and a

great energy and commitment to build the Estia business. The process also identified areas for increased focus and recommended improvements.

### Senior Executives

The Board delegates the responsibility for the day-to-day management of the Company to the MD, who is assisted by the senior executives who report to her.

The MD consults with the Chairman on any matters which the MD considers are of such a sensitive, extraordinary or strategic nature as to warrant the attention of the Board. The authorisation thresholds for the control of expenditure and capital commitments are established and defined in the Group's Delegated Authority Policy, which are set to optimise the function and decision-making of the executive whilst maintaining appropriate oversight by the Board.

Subject to these policy limits, and the directions of the Audit and Risk Committees, the MD may sub-delegate the day-to-day running of the Company to the senior executive team. The exercise of delegated authority is restricted to specific organisational functions and roles.

The Delegated Authority Policy details the delegated thresholds for various types of commitment and individual positions, as well as the authorisation processes that are required to be followed.

All senior executives are appointed to their positions after a rigorous recruitment process. Each member of the senior executive team, including the MD, have signed formal employment contracts at the time of their appointment, covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each contract refers to a specific formal job description and sets out the remuneration of the executive, including their entitlements to any rights under incentive plans.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Performance of Senior Executives

The evaluation for all executives is based on specific criteria, including the business performance of the Company, whether strategic objectives are being achieved, and the development of management and personnel.

The MD's performance is formally assessed on an annual basis by the Board. All Key Performance Indicators (KPIs) are carefully considered by the Nomination and Remuneration Committee, which evaluates the MD's performance and makes recommendations to the Board.

An annual assessment of the performance of all other senior executives is undertaken by the Board on the basis of recommendations by the MD, who conducts performance reviews in relation to each senior executive.

A performance evaluation for all senior executives, including the MD, was undertaken in the reporting period in accordance with the process disclosed above.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration and KPIs, is set out in the Annual Report under the heading "Remuneration Report".

### Diversity

Estia is committed to creating and ensuring a diverse work environment in accordance with Estia's purpose, 'One Family Where Everyone Belongs'. The Board and management believe that Estia's commitment to this purpose, contributes to achieving the Company's corporate objectives and embeds the importance and value of diversity within the culture of Estia.

Diversity can broaden the pool for recruitment of high quality employees, enhance employee retention, improve Estia's corporate image and reputation and foster a closer connection with its residents and families. It is important that Estia is able to attract, retain and motivate employees from the widest possible pool of talent.

Estia has a strong commitment to the fundamental principle that gender is not a barrier to participation in our workforce, management, senior executive and on our Board. Our leaders are committed to providing opportunities that allow everyone to reach their full potential.

At Estia, diversity of experience and gender are important criteria taken into account in developing succession plans and appointment processes for the Board and senior executive positions. However, other selection criteria, in particular business acumen and industry exposure, are also fundamentally important. The Nomination and Remuneration Committee reports to the Board regarding succession plans and appointment processes with the aim of achieving the Company's diversity objectives, in particular regarding the number of women in senior executive positions and on the Board.

Estia is committed to an inclusive workplace that embraces and promotes diversity as part of the Company's corporate culture. This involves providing supportive and inclusive diversity-related workplace policies, programs and practices within the business.

Programs or initiatives in place to promote diversity across all aspects in the business are outlined in Table 3 (see below).

A formal Diversity Policy has been adopted by the Board that outlines the Group's commitment to providing an inclusive work environment in which everyone belongs. The Policy is reviewed annually and covers a variety of factors such as gender, work and life balance, and disability. The Company has a diverse mix of employees with the appropriate qualifications for roles within the current business.

Table 3.

Diversity Initiatives	Timeframe	Progress in FY18	Relevance for FY19
Supporting female members of the management teams to participate in the Women & Leadership Accelerated Leadership Performance Program	Ongoing	Nominations for two women for participation opportunities, with the program continuing to contribute to the individual's development plan.	Estia will continue to consider new prospects for supporting leadership opportunities for women in FY2019.
Implementation of a new Estia Group Student Partner Program for up to 2500 trainees in Care and Enrolled Nurse roles that is age, race, gender and minority neutral.	Ongoing	11 Vocational Education and Training (VET) partnerships continue ongoing, as well as review of providers and associations.	Estia will continue to develop and maintain this program in FY2019.
Estia's Graduate Nurse Program. This program supports Estia's succession planning to identify and develop future leaders.	Ongoing	35 graduate nurses enrolled in February 2017 into a structured training program. Content of the program continues to be reviewed annually.	The ongoing commitment to attract and retain quality nurses and grow our own future leaders will continue in FY2019.
Rollout and refinement of online training modules focusing on discrimination, bullying and harassment.	Ongoing	The online training learning module continues to be mandatory for all staff to complete, regardless of role. The induction process now includes online training modules.	A review of online processes to continue into FY2019.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

In 2017, the Board established an objective of achieving 30% female representation on the Board. This objective was achieved with 33.33% of the Board comprising females at the date of this Statement. In addition, as at the date of this Statement, the Company has over 80% female representation across all employees and over 60% female representation at the senior executive level.

Estia has reported against a set of standardised gender equality indicators provided by the Workplace Gender Equality Agency (WGEA). The 2017 full WGEA Report can be found at: <http://www.estiahealth.com.au/investor-centre/corporate-governance>.

A snapshot of the gender diversity levels in the Group, as at 30 June 2018, is set out below at Table 4.

Table 4.

Employee Category	Female	Male	Total	% Female
Board	2	4	6	33.3%
Executive	7	4	11	63.6%
Managers (Corporate Centre and Facility)	84	34	118	71.2%
Employees	6,216	1,372	7,588	81.9%
<b>Total</b>	<b>6,309</b>	<b>1,414</b>	<b>7,723</b>	<b>81.7%</b>

### Principle 2 Structure the Board to add value

#### Board size and composition

The Constitution of the Company provides that there will be a minimum of three Directors.

As at the date of this Statement, the Board of Directors comprises five non-executive Directors, all of whom are independent (including the Chairman) and one executive Director, being the Managing Director and CEO.

The current members of the Board are:

- Dr Gary Weiss (Chairman, Non-executive Director), (appointed 8 February 2016; appointed Chair 31 December 2016);
- Norah Barlow (Chief Executive Officer), (appointed 17 November 2014 to Board, appointed 16 September 2016 as Acting CEO, and appointed November 2016 as permanent CEO, with a commencement date of 17 January 2017);
- Andrew Harrison (Non-executive Director), (appointed 17 November 2014);

- Paul Foster (Non-executive Director), (appointed 24 February 2016);
- Warwick L. Smith AM (Non-executive Director), (appointed 4 May 2017); and
- Helen Kurincic (Non-executive Director), (appointed 1 July 2017).

Directors' details are listed in the Directors' Report in the Annual Report, including details of their other listed entity directorships and experience. This information can also be found on the Estia website.

#### Board Skills and Diversity

The Board considers that its Directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The full biographies of all Directors are included in the Directors' Report in the Annual Report.

Estia seeks to have Directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of and competence to deal with current and emerging issues of the business. Estia has developed a Board Skills Matrix setting out the skills and diversity that the Board has or is looking for in order to identify any gaps in skills that the Board seeks. Estia's succession plans are designed to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board.

During the 2018 financial year, the Board updated the Board Skills Matrix. In revising the Board Skills Matrix, the Board identified that, collectively, the Board should have skills and experiences, which include those outlined in Table 5 (see page 8).

The chart on page 9 illustrates the extent to which the current Board fulfils each of the identified required skills of the Board. These percentages are extracted directly from the 2018 Board Skills Matrix, where Directors are rated on their level of competence in each identified skill. In addition to the skills and experience set out in the Board Skills Matrix, the Board considers that each Director has the following attributes:

- Conducts themselves honestly, and with integrity;
- Is able to think strategically;
- Has the time available to commit to Estia's business;
- A willingness to question and challenge; and
- A commitment to the highest standards of governance.

## CORPORATE GOVERNANCE STATEMENT

### CONTINUED

Table 5.

Desired Skill	Description
Strategy	Ability to think strategically and identify and critically assess opportunities and threats, and develop effective strategies in the context of changing market conditions, including disruptions and innovations.
M&A	Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments at corporate level.
Industry Experience – Aged Care	Experience and broad understanding of the aged care industry including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework. Understanding of customer services and what drives consumers.
Industry Experience – Healthcare	Experience and broad understanding of the healthcare industry including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
Workplace Health & Safety, Environmental Sustainability	Experience with workplace health & safety, environmental, social and sustainability responsibilities, requirements and reporting.
Executive Team Leadership/ CEO Experience/Board Leadership	Experience in CEO or other senior executive leadership roles. Experience in board or other Committee leadership roles.
People & Performance	Experience in HR planning and management, familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management.
Technology	Expertise in the area of technology applied to consumer service companies, including governance of technology projects, digital, privacy and security, and keeping abreast of emerging technology relevant to the group.
Regulatory, Legal and Risk Management	Ability to identify key risks to the group in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems. Knowledge and experience in best practice governance structures including establishing risk and compliance frameworks, identification of and monitoring key risks to the company related to each key areas of operation. Knowledge of legal and regulatory requirements of the group.
Accounting, Finance & Treasury	The ability to analyse financial statements and reporting, critically assess the financial performance of the group, contribute to budget planning and the efficient use of capital and resources.
ASX Governance	Knowledge and experience with other ASX-listed entities best practice governance structures, policies and processes.
Property – including acquisition, disposal, management & development	Expertise in analysis of development feasibility and assessment, strategies for optimising value and understanding and mitigating risk from development opportunities.
Government Relations & Public Policy	Expertise in the critical analysis of government/public policy both in of terms of policy development, interest group input and lobbying, and legislation. Effective networks.
Capital Management	Expertise in efficient capital management, investment banking, capital raisings, corporate advisory, including alternative capital sources, distributions, yields and markets.

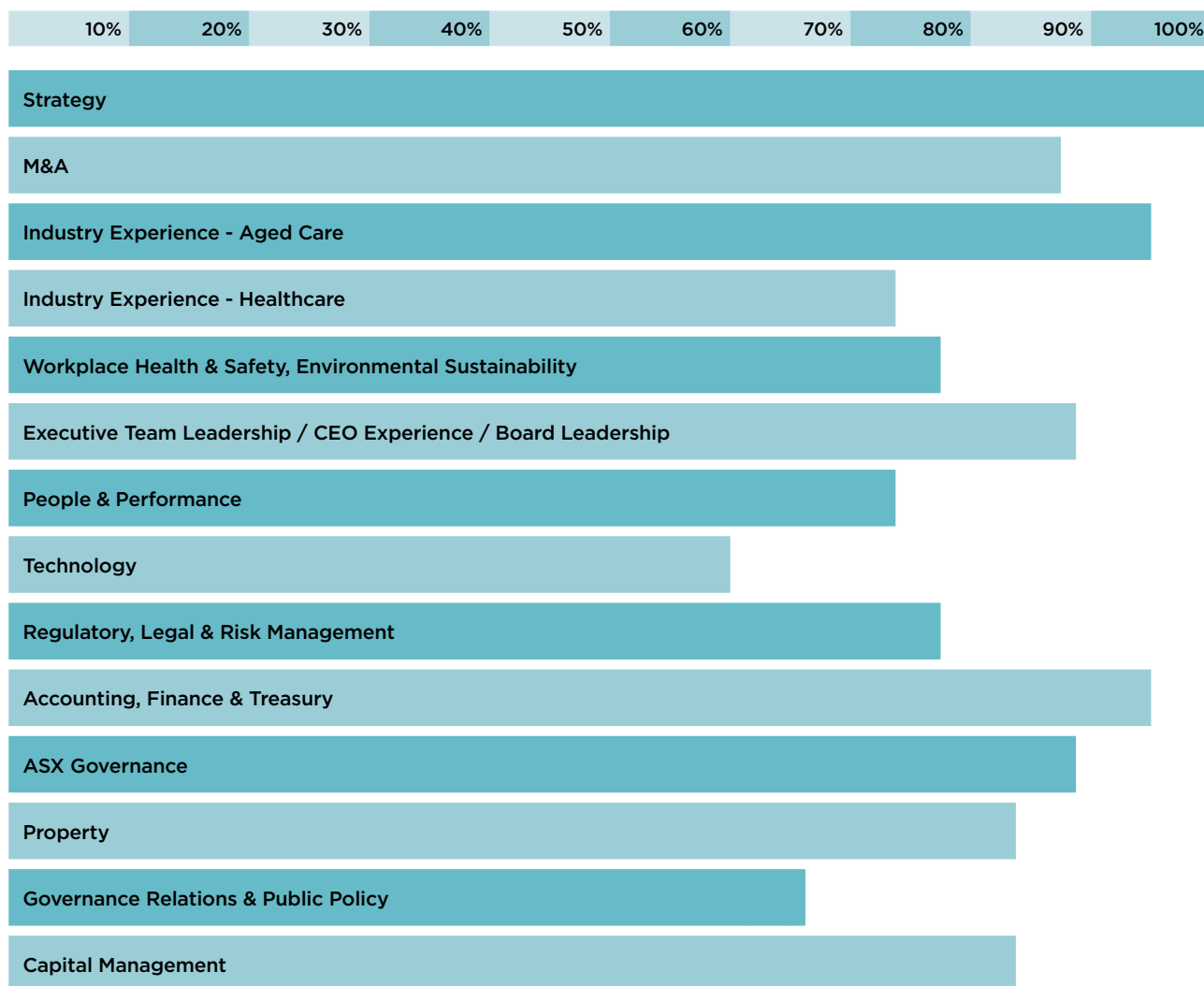


## CORPORATE GOVERNANCE STATEMENT CONTINUED

### BOARD SKILLS 2017

Percentage of Directors with relevant skill

#### Board Skills Summary



All Directors are expected to maintain the skills required to discharge their obligations to the company. Estia provides professional development opportunities for Directors to develop their knowledge, industry awareness and skills to perform their role as Directors. Industry experts are regularly invited to present to the Board on both industry changes and the ASX listed environment. Directors attend courses through the Australian Institute of Company Directors and Estia regularly provides industry research papers to the Board.

#### Director Appointments

Under the Nomination and Remuneration Committee Charter, the Committee reviews and where appropriate, makes recommendations to the Board on the size and composition of the Board, including assessment of necessary and desirable competencies of Board members.

To this end, the Nomination and Remuneration Committee periodically assesses the appropriate mix of competencies, skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board.

The Nomination and Remuneration Committee is also responsible for reviewing and making recommendations to the Board on its membership, including recommendations for the appointment and re-election of Directors and where necessary, proposing candidates for consideration by the Board. The Nomination and Remuneration Committee must have regard to the factors set out in the Nomination and Remuneration Committee Charter, including that the Board should comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds in accordance with the Diversity Policy.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

Ultimately, the full Board determines who is invited to fill a casual vacancy (or be appointed as an additional Director) after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking. In accordance with the Company's Constitution, a Director appointed by the Board holds office until the conclusion of the next AGM when he or she will be eligible for election at that meeting.

The Nomination and Remuneration Committee's current membership is set out earlier in this Statement and the independence of the members is discussed below.

### Director Remuneration and Induction

Non-executive Director remuneration is reviewed on an annual basis.

A Director induction program has been designed and Directors are expected to participate in this induction and orientation program on appointment.

Directors and executives are provided with training when required.

Non-executive Directors receive Director's fees outlined in their letters of appointment and the level of remuneration is reviewed on an annual basis with reference to external benchmarking.

### Directors' Independence

The Board has considered specific principles in relation to Directors' independence. The Board considers an independent Director to be a non-executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles.

On an annual basis, the Board assesses the independence of all Directors against the criteria outlined in Box 2.3 of the ASX Recommendations.

The Board considers that Gary Weiss, Andrew Harrison, Paul Foster, Warwick L. Smith and Helen Kurincic are free from any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgment, and are able to fulfil the role of an independent Director for the purposes of the ASX Recommendations. Accordingly, a majority of the Board is independent.

Norah Barlow is considered non-independent by virtue of her executive MD position.

### Directors' Interests

Directors are required to keep the Board advised of any interest that may be in conflict with those of the Company, and restrictions are applied to Directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, the Director

concerned may be required to leave the Board meeting while the matter is considered in their absence.

The Company has also entered into a deed of disclosure with each Director, which is designed to facilitate the Company's compliance with its obligations under the ASX Listing Rules relating to the disclosure of changes in Directors' interests in Estia securities. Directors and their nominated related party shareholdings are also monitored to identify changes that may require in accordance with the ASX Listing Rules disclosure.

Standing items at each Board meeting include:

- Director's Shareholding Register; and
- Director's Standing Notice Register.

### Chair of the Board

The role of Chair of the Board and CEO is not occupied by the same individual. The Board has agreed that the positions of Chair and CEO must be separate, and that the Chair should be an independent non-executive Director.

Dr Gary Weiss was appointed Chair of the Company in December 2016, and is considered an independent non-executive Director as outlined above.

### Board Meetings

The Board typically schedules meetings on a monthly basis, with additional meetings convened as required. An agenda for each meeting is prepared by the Company Secretary, together with the Chair and input from the MD and CFO, and is distributed prior to the meeting along with supporting papers.

Standing items include the MD's report and the Financial Report, as well as reports addressing matters of strategy, governance and compliance. Senior executives are directly involved in Board discussions as required.

### Independent Advice

Following consultation with the Chair, Directors may seek independent professional advice at Estia's expense. Generally this advice will be available to all Directors if the Chair considers the advice relevant for them to discharge their responsibilities as Directors.

## Principle 3 Act ethically and responsibly

### Code Of Conduct and Ethical Behaviour

The Board recognises the need to observe the highest standards of corporate practice and business conduct.

The Board has a formal Code of Conduct to be followed by the Board along with all employees, officers, contractors, consultants and other persons that act on behalf of Estia and associates of Estia. The key aspects of this Code are to:

- Provide the highest standards of clinical care to residents;

## CORPORATE GOVERNANCE STATEMENT CONTINUED

- Act with honesty, fairness and integrity in all dealings both internally and externally;
- Respect all people, their ideas and cultures and reflect this in words and actions; and
- Maintain a safe working environment to safeguard the health and safety of employees, consultants, contractors, customers, suppliers and other persons who visit Estia's workplaces, or who Estia works with.

The Code of Conduct sets out Estia's policies on various matters including conflicts of interest, protection and use of Estia's assets and property, anti-bribery and giving or acceptance of gifts (including money), dealings with politicians and government officials, confidentiality, privacy, fair dealings (including in relation to suppliers, competitors and residents), discrimination, bullying, harassment and vilification, health and safety, compliance with laws and regulations, responsibility to shareholders and the financial community, insider trading and whistle-blower protections.

In addition to their obligations under the Corporations Act relating to inside information, all Directors, employees and consultants have a duty of confidentiality to the Company in relation to confidential information they possess about the Group.

The Code of Conduct also sets out the consequences for a breach of the code, including the possibility of legal or disciplinary action.

The Company's Code of Conduct may be viewed on the Company's website.

### Employee and Director Trading in Estia Securities

The Company has a Trading Policy that governs the ability of Directors, executives and employees to trade in the Company's securities. Subject to necessary prior written consents being obtained, the Trading Policy prohibits trading in the following periods;

- from the day after the half year end – 1 January – to the close of trading on the business day after the Company's half yearly results are announced to the ASX;
- from the day after the financial year end – 1 July – to the close of trading on the business day after the Company's annual results are announced to the ASX;
- from 28 days before, to the close of trading on the business day after, the Company's AGM;
- from 28 days before a prospectus or similar disclosure document is lodged by the Company with the ASX;
- the duration of the offer period for an offer of securities made under a prospectus or similar disclosure document; and
- any extension to a closed period, and any additional period, as specified by the Board.

Directors, officers, key management personnel and their associates may, in exceptional circumstances as defined in the Policy, trade in prohibited periods but only with the prior written consent of the Chair of the Board (for trades

by Directors, the CEO and the Company Secretary), the CEO (for trades by the Chair of the Board) or the Company Secretary (for trades by other officers and designated persons). Notwithstanding the trading periods and approval requirements, a person is prohibited from trading at any time if they possess material and/or price-sensitive information about the Company that is not generally available to the public.

The Trading Policy also prohibits short term trading, margin lending, and hedging of the unvested securities of the Company.

The Company's Trading Policy may be viewed on the Company's website.

## Principle 4 Safeguard integrity in corporate reporting

The Audit Committee's current membership, the independence of the members and details of the Committee meetings and attendance by each Committee member during FY18, are set out earlier in this Statement, and the Directors' Report in the Annual Report.

### The Audit Committee

The Audit Committee is responsible for assisting the Board in discharging its responsibilities to safeguard the integrity of the Group's financial reporting and accounting processes, and overseeing the Group's external and internal audit functions.

The Audit Committee operates pursuant to a Charter (available on the Company website) which sets out the roles and responsibilities of the Audit Committee, taking into account contemporary governance practices. The Charter includes details on the appointment and oversight of the external auditor.

The qualifications and experience of the members of the Audit Committee are outlined in the Directors' Report in the Annual Report, and are briefly summarised below:

### Chair of Audit Committee:

#### Mr Andrew Harrison

**Non-executive Director, BEC; MBA; CA**

Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from the Wharton School at the University of Pennsylvania, and is a Chartered Accountant.

Andrew is an experienced company director and corporate adviser. Andrew is currently chairman of Bapcor Limited, WiseTech Global Limited, IVE Group Limited and Xenith IP Limited. Andrew has previously held executive and non-executive directorships with public, private and private equity owned companies, including as CFO of Seven Group Holdings, Group Finance Director of Landis + Gyr. and CFO and Director of Alesco.

Andrew was previously a Senior Manager at Ernst & Young (Sydney and London) and Gresham Partners Limited, and an Associate at Chase Manhattan Bank (New York).

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Dr Gary Weiss

**Non-executive Director and Chairman, LL.B (Hons). LL.M (with Dist), JSD**

Dr Weiss's qualifications and experiences have been listed in the Directors' Report in the Annual Report.

### The Hon. Warwick L. Smith AM

**Non-executive Director, AM, LL.B**

Mr Smith's qualifications and experiences have been listed in the Directors' Report in the Annual Report.

### CEO and CFO Declarations

In accordance with the Company's obligations under the Corporations Act, and Recommendation 4.2 of the ASX Recommendations, Mrs Barlow (the MD) and Mr Lemlin (the CFO) have made the following certifications to the Board in relation to the Financial Statements for the financial year ended 30 June 2018 (and it is intended that this certification be provided for each set of financial statements produced by the Company as required in this recommendation):

- The financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act so that those records:
  - correctly record and explain the Group's transactions and financial position and performance; and
  - would enable true and fair financial statements to be prepared and audited;
- The financial statements, and the notes referred to in paragraph 295(3)(b) of the Corporations Act, for the financial year comply with the Australian Accounting Standards;
- The financial statements and notes for the financial year give a true and fair view of the financial position and performance of the Group; and
- There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- The statements in the bullet points directly above are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies of the Board;
- The Group's risk management and internal compliance and control systems are operating effectively in all material respects in relation to financial reporting risks; and
- Nothing has come to their attention since 30 June 2018 (or after the end of another financial period) that would indicate any material change in the statements above.

The Company ensures the external auditor is available to shareholders at the AGM to answer any questions they may have relevant to the external audit.

## Principle 5

### Make timely and balanced disclosure

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring that its shareholders are kept well-informed of all major developments affecting the Company's state of affairs, in order to promote transparency and investor confidence.

The Group has a Disclosure and Communication Policy which incorporates the continuous disclosure framework as set out in the ASX Listing Rules (Chapter 3), as well as the revised ASX Listing Rule's Guidance Note 8. This Policy is available on the Company's website.

The Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of the Board for achieving compliance. More specifically, the Policy:

- Sets out Estia's obligations under ASX Listing Rule 3.1 and the Corporations Act;
- Establishes the roles and responsibilities of the Board and the Company Secretary in respect of Estia's continuous disclosure obligations;
- Establishes internal processes for reporting of information considered to be potentially price-sensitive and for consideration of information reported by the Board;
- Establishes processes for the disclosure of price sensitive information, taking into account the clarification provided by ASX Guidance Note 8; and
- Establishes guidelines for briefing of analysts, investor and media groups, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market.

## Principle 6

### Respect the rights of security holders

The Board aims to ensure that its shareholders are kept well-informed of all major developments and business events that are likely to materially affect the Company's operations and financial standing, and the market price of its securities. Information is communicated to shareholders through:

- The Company's website in the Investor Centre section;
- Annual and half year financial reports lodged with the ASX and made available to all shareholders;
- Announcement of market-sensitive and other information, including annual and half year results announcements, and analyst presentations released to the ASX; and
- The Chairman and CEO's addresses to, and the results of, the AGM.



## CORPORATE GOVERNANCE STATEMENT CONTINUED

The Company's website contains a significant amount of information for investors.

The following information for investors is located in the Investors Centre section of the website:

- Corporate Profile;
- Share Price details;
- Dividend information;
- ASX releases;
- Media releases;
- Annual reports;
- Registry information;
- Contact information;
- Details on the Board of Directors; and
- Corporate Governance information – including Charters and Policies.

The Company's Disclosure and Communication Policy includes a formal procedure for dealing with potentially price-sensitive information. The Policy sets out how the Company meets its disclosure obligations under ASX Listing Rule 3.1. The Company's policy is to immediately lodge with the ASX, and place on its website, all market-sensitive information, including annual and half year result announcements, and analyst presentations.

The Company produces two sets of financial information each financial year: the half year financial report for the six months ended 31 December and the annual financial report for the year ended 30 June. These are made available to shareholders and other interested parties via the Company website and the ASX.

Shareholders have the right, and are encouraged, to attend the Company's AGM, held in October or November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on the Company website and lodged with the ASX.

Shareholders are encouraged to vote on all resolutions and, unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the AGM may lodge a proxy in accordance with the Corporations Act.

Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile or electronically.

Transcripts of the Chair's and CEO's reports to shareholders are also released to the ASX upon the commencement of the AGM. These transcripts, together with the results of the AGM, are also posted on the Company website and the ASX.

All shareholders are provided the option to receive communications from, and send communications to, the Company and the share registry electronically (and are encouraged to do so, with election documentation included in regular mail outs to shareholders).

### Principle 7 Recognise and manage risk

The Audit Committee and Risk Management Committee form an integral part of Estia's robust governance framework. The Risk Management Committee is dedicated to identifying Estia's systems and procedures for compliance with applicable legal and regulatory requirements, with a particular emphasis on clinical care and risk and the promotion of transparency and accountability of the Group's clinical performance against legislated standards and best practice benchmarks. The Audit Committee (with details set out under Principle 4) focuses on financial risk within the business and plays a key role in assisting the Board to fulfil its accounting, auditing and financial reporting responsibilities. Together, the Audit and Risk Management Committees form a seamless and interlocking framework of risk management which comprehensively identifies and manages risk across the Group.

The Company reviews the Group's risk management framework at least annually. This review was undertaken in FY18 as part of the reconstitution of the Audit and Risk Committees described above.

#### The Risk Management Committee

The Risk Management Committee's current membership, the independence of Committee members and attendance by each Committee member at the Risk Management Committee meetings during FY18 is set out earlier in this statement.

The Risk Management Committee is responsible for overseeing the effectiveness of the Company's system of risk management and internal controls. The Committee also ensures that management continue to carry out their risk management roles, under the guidance of the Board.

The Risk Management Committee, in accordance with the Charter (available on the Company's website) also oversees the Company's systems and procedures, to ensure compliance with applicable legal and regularly requirements, including with respect to clinical governance and resident safety. Where deemed appropriate, the Risk Management Committee will also make recommendations to the Board regarding risks that the Company faces, actions it should take, and the adequacy of the Company's risk management framework, and disclosure on risk.

The qualifications and experience of the members of the Risk Management Committee are outlined in the Directors' Report in the Annual Report and are briefly summarised below.

#### Chair of Risk Management Committee:

**Ms Helen Kurincic**

**Non-executive Director, MBA; Grad Dip Wom Stud;  
PBC Crit Care; Cert Nsg; FAICD**

Helen holds a Master of Business Administration from Victoria University.

Helen has extensive executive and non-executive experience across the healthcare sector. Helen is Chairman of Integral Diagnostics Ltd and a non-executive Director

## CORPORATE GOVERNANCE STATEMENT CONTINUED

of HBF Health Ltd and Sirtex Medical Limited. Helen was previously the Chief Operating Officer and Director of Genesis Care for 7 years from early inception in 2007, creating Australia's largest radiation oncology and cardiology service business. Previous roles also include non-executive Director of DCA Group Ltd which included residential aged care in Australia and New Zealand; non-executive Director of AMP Capital Investor's aged care business Domain Principal Group, CEO and Executive Director of residential aged care provider Benetas and board member of Melbourne Health and Orygen Research Centre. Helen has also been actively involved in healthcare government policy reform across various areas of the healthcare sector.

### **Paul Foster**

**Non-executive Director, B.Comm; MA; MAICD**

Mr. Foster's qualifications and experiences have been listed in the Directors' Report in the Annual Report.

### **Andrew Harrison**

**Non-executive Director, BEc; MBA; CA**

Mr. Harrison's qualifications and experiences have been listed in the Directors' Report in the Annual Report.

### **Risks**

The management of the Company and the execution of its growth strategies are subject to a number of risks, which could adversely affect the Company's future development.

These risks are monitored and managed by the Board, Risk Management Committee and management in accordance with the framework set out in the Risk Management Committee Charter.

### **Internal Audit**

During FY18, comprehensive reviews were conducted by Estia's Quality Team. The reviews targeted clinical and quality compliance and evaluated the effectiveness of internal control process and procedures.

As is the case with the wider health care industry, the Australian residential aged care industry is highly regulated by the Australian Government. Providers must be approved by the Department of Health, hold allocated places issued by the Department of Health and ensure that their facilities are accredited to legislated standards. The Accreditation standards set out 44 indicators as the expected minimum outcomes for aged care facilities. Estia regularly audits itself to ensure its homes are meeting the 44 Accreditation standards. The Executive Director (ED) at each home is responsible for implementing Estia's clinical governance framework. They are supported by Regional, State and National functions that assist EDs in maintaining accreditation and compliance.

### **Property and Investment Committee**

Given the significant size of Estia's property portfolio and the continued expansion of the business anticipated in the future, Estia has established a dedicated Property and Investment Committee to oversee this important part of the Group.

The Committee, in accordance with its Charter (available on the Company's website), is responsible for reviewing and making recommendations to the Board in respect to;

- Assisting the Board in overseeing the investment and acquisition activities of the Group, including the development, acquisition and disposal of real estate assets;
- Reviewing and providing recommendations to the Board in respect of acquisitions (including merger and acquisition activity), divestments and development proposals;
- Monitoring and reviewing the performance of acquired assets or investments against deliverables or objectives initially provided to the Board;
- Ensuring that appropriate programs are in place for the maintenance and renewal of aged care facilities, including for the restoration, repair, replacement and/or modernisation of existing facilities;
- Reviewing, monitoring and making recommendations to the Board regarding the consideration of environmental, social and governance (ESG) issues in support of sustainability efforts, including utilities usage, waste management, transportation planning and similar matters; and
- Consider, monitor and make recommendations in relation to capital expenditure in excess of management's delegated authority.

The qualifications and experience of the members of the Property and Investment Committee are outlined in the Directors' Report contained in the Annual Report, and as follows:

### **Chair of Property and Investment Committee:**

**Hon. Warwick L. Smith AM**

**Non-executive Director, AM, LL.B**

Mr. Smith is currently Chairman, Australia China Council and a Board Director of ANZ Bank China and Chairman, ANZ Bank Thailand and formerly Chairman, New South Wales and Australian Capital Territory and Senior Managing Director of ANZ Bank where he was a member of the Institutional Leadership team. He is Chairman of the Advisory Board of Australian Capital Equity, holders of interests in Seven Group Holdings, West Australian News, Coates Hire, WesTrac and Caterpillar industrial services and equipment in Western Australia and New South Wales; Global Trustee of the Asia Society and Chairman Emeritus of the Asia Society in Australia and Chairman of the Flagship Property Group. He is currently Special Envoy, Trade & Investment – New South Wales (NSW) Government, Department of Premier & Cabinet.

Warwick is also Board Director of Seven Group Holdings and Coates Hire Ltd.

Formerly, he was Chairman of E\*TRADE, the Australian Sports Commission and an Executive Director with Macquarie Bank; and a Federal Government Minister with a parliamentary career spanning 15 years with portfolios including the Minister for Sport, Territories and Local

## CORPORATE GOVERNANCE STATEMENT CONTINUED

Government, Minister Assisting the Prime Minister on the Olympic Games in Sydney and Minister for Family Services and Aged Care. He was also Australia's first Telecommunications Ombudsman and has received a Centenary Medal and an Order of Australia.

### **Dr. Gary Weiss**

**Non-executive Director and Chairman, LL.B (Hons). LL.M (with Dist), JSD**

Dr Weiss's qualifications and experiences have been listed in the Annual Report.

### **Paul Foster**

**Non-executive Director, B.Comm; MA; MAICD**

Mr. Foster's qualifications and experiences have been listed in the Directors' Report in the Annual Report.

### **Economic, Environmental and Social Sustainability Risks**

The Board recognises the importance of economic and social sustainability, and to this end has ensured sustainability is integrated into the business.

An ESG Committee, led by the Chief Quality and Risk Officer, has now been established to drive the implementation of ESG initiatives in day-to-day business activities and decision making across the Group.

The Committee has defined sustainability as encompassing:

- A commitment to social responsibility and the community;
- Minimising the Company's impact on the environment; and
- Maintaining strong governance of the Company's practices and systems.

Reporting quarterly to the Board, and inclusive of representation from the Operations, Finance, Property, Communications and Procurement Departments, the ESG Committee conducts qualitative research with supplier groups, considers governance objectives, waste and energy management, and ensures progress is made for awareness and advocacy campaigns and projects.

Key achievements since the establishment of the Committee have included:

- Installation of solar panels and LED lighting to 29 homes, and solar hot water systems to 11 homes, and a commitment to continue this process into 2019.
- Reduction of carbon emissions by 5,692 tonnes p.a.
- Focus on gender diversity with 53% female representation at Board and Executive level
- Safe workplace initiatives improved Lost Time Injury Frequency Rate (LTIFR) from 16.21 to 9.09
- Staff engagement survey driving cultural change initiatives.
- Employee Assistance Programs available 24/7 and free to staff and immediate families.
- Ongoing engagement with our local communities through volunteering, fundraising activity for local charities and support of local groups including men's sheds, hobby groups, entertainers, and RSLs.

- Establishment of the Risk Committee reporting through to the Board.
- Risk profiling complete
- Initiatives to improve data security
- Cyber security training implemented

## **Principle 8** **Remunerate fairly and responsibly**

### **Nomination and Remuneration Committee**

The Board has established a Nomination and Remuneration Committee, which in accordance with its Charter (available on the Company's website), is responsible for reviewing and making recommendations to the Board in respect to:

- Appointment and re-election of Directors;
- Induction and continuing professional development programs for Directors;
- Development and implementation of processes for evaluating the performance of the Board, its committees and Directors;
- Processes for recruiting new Directors (including evaluation of skills, independence and experience);
- The appointment and re-election of Directors;
- Succession planning for the Board, the MD and other senior executives; and
- Ensuring that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills in the best interests of the Company as a whole (see Board Skills Matrix set out earlier in this Statement).

The Group distinguishes the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

Estia's policy is to reward executives with a combination of fixed, performance-based and equity-based incentives. In relation to ASX Recommendation 8.3, the Group's Trading Policy prohibits employee shareholders (which includes those that have obtained shares via the equity-based remuneration scheme) short-term trading, margin lending, and hedging of unvested Group securities.

Non-executive Directors receive Board fees that are set having regard to the responsibilities and risks of the role and market competitiveness. To preserve independence and impartiality, no element of non-executive Director remuneration is 'at risk' (that is, it is not based on the performance of the Group).

## CORPORATE GOVERNANCE STATEMENT CONTINUED

For details of the Group's remuneration structure, please refer to the Remuneration Report contained within the Annual Report.

The Nomination and Remuneration Committee's current membership, the independence of Committee members and attendance by each Committee member at Committee meetings during FY18, are set out earlier in this Statement. The qualifications and experience of the members of the Nomination and Remuneration Committee are outlined in the Director's Report in the Annual Report, and are briefly summarised below:

**Chair of Nomination and Remuneration Committee:**  
**Paul Foster**

**Non-executive Director, B.Comm; MA; MAICD**

Paul holds a Bachelor of Commerce from the University of Wollongong and a Master of Arts from UNSW Australia.

Paul is an experienced financial services professional and company director, with more than 20 years of investment experience in the infrastructure, private equity and real estate asset classes, including substantial investments in the healthcare sector. Until May 2015, Paul was head of AMP Capital's Infrastructure investment business in Australia and New Zealand, where he was responsible for the management of \$4.5 billion of infrastructure investments on behalf of Australian and global superannuation funds and investors. In

this role and amongst investments spanning the aged care, transport, timberland and social infrastructure sectors, Paul was responsible for the investment that created the second largest for profit aged care business in Australia. Paul was a Director of the Opal Aged Care Group (formerly Domain Principal Group) between 2010 and 2015 and was Chairman of the group in 2011. Prior to AMP Capital Paul was an investment professional at Macquarie Bank and Perpetual Investments.

**Helen Kurincic**

**Non-executive Director, MBA; Grad Dip Wom Stud; PBC Crit Care; Cert Nsg; FAICD**

Ms Kurincic's qualifications and experiences have been listed in the Director's Report in the Annual Report.

**Dr Gary Weiss**

**Non-executive Director and Chairman, LL.B (Hons). LL.M (with Dist), JSD**

Dr Weiss's qualifications and experiences have been listed in the Directors' Report in the Annual Report.

**This Corporate Governance Statement was approved by a resolution of the Board on 15 August 2018.**

