

# Corporate Governance Statement for the year to 30 June 2017

The Corporate Governance Statement (Statement) for Novita Healthcare Limited (Novita or Company), has been adopted by the Board of directors (Board) of Novita for the year ended 30 June 2017 and, where applicable, is current as at 24 August 2017.

The Board is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council (CGC) published guidelines (3rd edition) as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Novita on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board is committed to conducting the Company's business in accordance with standards of corporate governance to create and deliver value for Shareholders. The Board has established a corporate governance framework, including corporate governance policies, procedures and charters, to support this commitment. The framework is reviewed regularly and revised in response to changes in law, developments in corporate governance and changes in the business of the Company. The Board has made a strategic decision to exit drug discovery and development which has been the sole focus since 2004 and in 2015 shareholders overwhelmingly approved the acquisition of TALI Health which is a pivotal start to the board's decision to strategically reposition the company in the exciting e-health, 'med tech' sector of the healthcare market. The Board will be looking to build a strong portfolio of innovative healthcare solutions in e-health. This repositioning and to break the connection with the past, is reflected in the approval at the 2016 AGM, shareholders to change the company name from Avexa to Novita Healthcare (Novita being Italian for "innovation"). The acquisition of Newly Pty Ltd in July 2017 was an important step in the realisation of new direction for the Company.

A copy of these charters, procedures and policies are available on the corporate governance page of the website (<http://novitahealthcare.com.au/investors-centre/governance/>) and are signposted throughout this document where relevant.

Novita has assessed its governance practices against the CGC guidelines, which set out recommended governance practices which are likely to achieve good governance outcomes for ASX listed entities in most situations. The ASX Principles are not mandatory, and where the Company has not adopted a recommendation, this statement will explain why.

Novita's corporate governance practices were in place throughout the year ending 30 June 2017. Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Novita, refer to our website: <http://novitahealthcare.com.au/investors-centre/governance/>.

# 1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

## Recommendation 1.1 - Comply:

A listed entity should disclose;

- (a) the respective roles and responsibilities of the board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

### Role of the Board and executive management

The Board is committed to creating Shareholder value within a framework that protects the rights and interests of Shareholders and ensures that Novita is being properly managed.

In defining its roles and responsibilities, the Board has not adopted a formal charter, but instead has regard to the Constitution of Novita and to the categories of matters that are commonly understood to be within the province of a company board.

There is a clear division between the responsibility of the Board and management. The Board has delegated responsibility for day-to-day management to senior management, who are required to work within authority limits and delegations.

The Board has overall responsibility for overseeing the effective management and control of the Company on behalf of shareholders and supervising executive management's conduct of the Company's affairs within a control and authority framework, which is designed to enable risk to be prudently and effectively assessed and monitored.

The roles of the Chairman and executive management are separated and clearly defined:

- The Chairman, is responsible for leadership of the Board, setting the Board's agenda, conducting Board meetings, facilitating effective communication with shareholders and the conduct of shareholder meetings; and
- The Executive management is responsible for the management of the Company within the control and authority framework referred to above. The levels of authority for management are periodically reviewed by the Board and are documented.
- The non-executive directors constructively challenge the development of strategy. They review the performance of management in meeting agreed objectives and monitor the reporting of performance. They have a prime role in appointing and where necessary, recommending the removal of, executive directors, and in their succession planning.

The Board is responsible for approving the Company's overall strategic objectives, facilitating the provision of appropriate financial and human resources to meet these objectives and reviewing executive management's performance.

Matters reserved to the Board for approval includes:

- setting overall financial goals for the Company;
- approving strategies, objectives and plans for the Company's businesses to achieve these goals;
- ensuring that business risks are identified and approving systems and controls to manage those risks and monitor compliance;
- approving the Company's major HR policies and overseeing the development strategies for senior executives;
- review and consider monthly financial reports from management;
- approve Directors' Reports, Financial Reports, Annual Reports, Investors' Updates and any announcements for release to the ASX;
- review and approve any proposed borrowings or commitments by the Company;
- approving financial plans and annual budgets;

- monitoring financial results on an on-going basis;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- approving key management recommendations (such as major expenditure, acquisitions, divestments, restructuring and funding);
- ratifying the appointment and removal of senior executives;
- reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- meeting statutory and regulatory requirements and overseeing the way in which business risks and the assets of the Company are managed.

The Board has delegated some of its functions to the Audit Committee, although overall responsibility for those functions remains with the Board. The charters of the Board Committees require certain matters to be approved by the Board including, among other matters, the executive remuneration policy and the appointment of the external auditors.

## Recommendation 1.2 – Comply:

A listed entity;

- (a) should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Director selection

The Board is responsible for identifying suitable candidates to act as directors of the company and undertaking appropriate checks of candidates. In the year to 30 June 2017 these responsibilities were undertaken by the full Board. The Board has regard to the desired composition of the Board and takes into account the skills required to both discharge the Board's duties and to augment any skill set desirable on the Board.

The Board aims to achieve a mix of skills and diversity in its members. Candidates recommended for appointment as new directors are considered by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. The Board has established the following criteria for the appointment of directors of the Company:

- no actual or potential conflicts of interest at the time of appointment.
- no prior adverse history;
- deserved reputation for honesty, integrity and competence;
- extensive experience at a senior executive level in a field relevant to the Group's operations and preferably with a listed company;
- high level strategic, financial and commercial capability;
- available and willing to devote the time required to meetings and Company business and a real commitment to the Group and its success;
- able to work harmoniously with fellow directors and management;
- skills, experience and knowledge which complement that of incumbent directors.

Where the Board puts forward a candidate for election as a director, the Company provides shareholders with biographical details, details of material directorships and material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a director in its notice of meeting.

Under the Company's constitution the directors have the power to appoint directors to fill a vacancy or as an addition to the Board.

Any director, except a managing director, appointed in this way must retire from office, and is eligible for re-election, at the next AGM following his or her appointment.

Under the terms of the Company's constitution, all directors other than the managing director must retire from office or seek re-election by the third AGM after his or her election or within three years, whichever is the later. Further, at least one director must retire from office at each AGM, unless determined otherwise by a resolution of the Company's shareholders.

The Company provides shareholders with the following material information in its possession relevant to a decision on whether or not to elect or re-elect a director in its notice of meeting:

- the director's biographical details, including relevant qualifications, skills and experience;
- other material directorships held by the director;
- the term of office currently served by the director;
- whether the Board considers the director to be an independent director;
- whether the Board supports the election or re-election of the director.

### Recommendation 1.3 - Comply:

A listed entity should have a written agreement with each director and senior executives setting out the terms of their appointment.

Formal letters of appointment, which are contracts for service but not contracts of employment, have been put in place for all non-executive directors. The letters set out the key terms and conditions of their engagement, including time commitments, corporate expectations and, if appropriate, any special duties or assignments.

Senior executives have employment contracts setting out, among other things, their term of office, rights, responsibilities and entitlements on termination, and job descriptions setting out their duties.

### Recommendation 1.4 - Comply:

The Company Secretary of the Company should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board is assisted by the Company Secretary who, under the direction of the Chairman, is responsible for facilitating good information flows within the Board and its Committees and also between senior executives and non-executive directors, as well as the induction of new directors and the ongoing professional development of all directors.

The Company Secretary is responsible for monitoring compliance with the Board's procedures and for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board.

The Company Secretary for the year ended 30 June 2017 was Lee Mitchell. Mr Mitchell resigned as Company Secretary on 10 October 2016 and John Osborne was appointed on the same day.

### Recommendation 1.5 – Do not comply:

It is recommended a listed entity:

- (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose at the end of each reporting period measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:

- i. the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined “senior executive” for these purposes); or
- ii. if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators” as defined in and published under that Act.

Novita is committed to workplace diversity and in prior years had in place a formal diversity policy however the Company is now very small, it has less than 15 employees and contractors and many of which are engaged on a part-time basis as at the date of this report and as from the 2016 AGM, three directors. The Company aspires to having a policy that sets measurable objective and reporting periodically upon progress but at this early stage of its new direction and development these issues have little relevance. There are no women on the Board however the majority of senior executives and overall staff are women.

Notwithstanding the Company not having a formal diversity policy with measurable objectives it does engage with employment practices that do support a diverse workplace and these employment practices include:

- Career Development and Promotion: Novita facilitates equal employment opportunities based on relative ability, performance or potential. All employees are treated fairly and evaluated objectively.
- Safe Work Environment: Novita helps to build a safe work environment by taking action against inappropriate workplace and business behaviour that does not value diversity including discrimination, harassment, bullying, victimisation and vilification.
- Flexibility in the Workplace: Novita has a culture which takes account of domestic responsibilities of its employees.

### Recommendation 1.6 – Comply:

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors, and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in accordance with that process.

The Chairman periodically (usually annually) conducts a review of the effectiveness of the Board and individual Directors, to assess performance and examine ways of assisting the Board in performing its duties more effectively. The reviews are informal and typically includes:

- (a) comparing the performance of the Board and Director’s with the rights and responsibilities set out in the Constitution of Novita and matters commonly understood to be within the province of a company board;
- (b) examination of the Board and Director’s interaction with management;
- (c) the nature of information provided to the Board by management; and
- (d) management’s performance in assisting the Board to meet its objectives.

The evaluation process was undertaken in the year to 30 June 2016 and it has resulted in a significant change in the composition of the Board. The directors consider that the current size and structure of the Board is appropriate and, at the present time, consider that a more structured review/evaluation process is unlikely to add any material value and that the Board’s existing time and resources are better utilised in assisting with the execution of the Company’s strategies.

### Recommendation 1.7 - Comply:

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the process.

The Board oversees the performance evaluation of senior executives. The evaluation 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 Board notes that the size of the Company and the executive team is such that performance is able to be monitored on an ongoing basis.

## 2. PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

### Recommendation 2.1 – Do not comply:

The Board of a listed entity should;

- (a) have a nomination committee which:
  - a. has at least three members, a majority of whom are independent, and
  - b. is chaired by an independent director; and disclose:
    - c. the charter of the committee.
    - d. the members of the committee; and
    - e. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board had a Remuneration and Nomination Committee (RNC) up to 30 June 2016 however the Board the Committee's responsibilities from 1 July 2016. The charter of the now defunct RNC is no longer available on the website. The Board will review the corporate governance procedures of the Company and support the Chairman in his consideration of the composition and effectiveness of the Board. In addition to proposing candidates for director appointment the Board, with the aid of independent advice, reviews fees payable to non-executive directors and reviews and considers Board succession planning.

The Directors undertake consideration of whether they are fulfilling their responsibilities to shareholders and ensuring the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors by:

- assessing the size, composition, diversity and skills required by the Board to enable it to fulfil its responsibilities to shareholders, having regard to the Company's current and proposed scope of activities;
- assessing the extent to which the required knowledge, experience and skills are represented on the Board;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- overseeing succession planning for the Board;
- establishing processes for the review of the performance of individual directors and the Board as a whole;
- assessing the terms of appointment and remuneration arrangements for non-executive directors.

The Board in its deliberations on nomination and remuneration matters recognises that Mr Kirkwood, the Company's Executive Chairman potentially may not be viewed as independent as he was Executive Chairman during the year ended 30 June 2017. Nevertheless, the Board considers that Mr Kirkwood's role is unlikely to impair his independence.

## Recommendation 2.2- Comply:

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company recognises that the adoption and disclosure of a Board's skills matrix assists in providing confidence to shareholders. The Company considers that the members of its Board contribute the skills vital to the continued success of the Company and in the event that there are additional skills required these are outsourced where necessary to the Company's independent advisers. The Company has identified particular skills and attributes important to the Company at its current stage of development and with a view to its future needs.

The following table sets out the key skills and experience of the directors as at 24 August 2017 and the extent to which they are represented on the Board and its committees:

		<b>Board (Total 3 Directors)</b>	<b>Audit Committee (Total 3 Directors)</b>
<b>Strategy &amp; sustainability</b>	Strategic skills. Contributes to the formulation, testing and approval of a business strategy. Alert to opportunities, risks and trends.	3 Directors	3 Directors
<b>Financial Skills</b>	Financial skills and credentials. Aware of financial risk. Understands financial reporting requirements and financial regulations	3 Directors	3 Directors
<b>Marketing &amp; growth</b>	Understands growth and marketing strategies or has marketing skills	3 Directors	3 Directors
<b>Corporate Governance</b>	Background in corporate governance and compliance. Familiar with corporate legislation and statutory requirements	3 Directors	3 Directors
<b>Operations &amp; asset optimisation</b>	Understands operational improvements and extracting maximum value from existing assets	3 Directors	3 Directors
<b>Human Capital</b>	Experience in setting management performance goals, overseeing and managing performance, developing executive bench strength and succession plans.	3 Directors	3 Directors
<b>External Engagement</b>	Experience with external stakeholder groups (community, regulators, government), including networks and ability to exert influence.	3 Directors	3 Directors
<b>Industry Knowledge</b>	Expertise and knowledge pertinent to the industries or environments in which the Company operates	3 Directors	3 Directors
<b>Corporate Finance</b>	Experience and skills associated with mergers, acquisitions, demergers, capital raising and debt financing	3 Directors	3 Directors

		<b>Board (Total 3 Directors)</b>	<b>Audit Committee (Total 3 Directors)</b>
<b>International Business</b>	International business experience from working with multinational companies and international expansion	3 Directors	3 Directors

### Recommendation 2.3 - Comply:

A listed entity should disclose:

- (a) the names of the directors considered by the Board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion;
- (c) the length of service of each director.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report.

Novita's Directors are considered to be independent when they are independent 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 exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following current and former directors of Novita are considered to be independent having regard to the CGC's recommendations:

<b>Name</b>	<b>Position</b>
Mr Jefferson Harcourt	Non-Executive Director (Appointed 25 February 2016)
Mr Mark Simari	Non-Executive Director (Appointed 1 September 2016)

The Board recognises the CGC's recommendation that the Chair should be an independent director. The Board further recognises that Mr Kirkwood, the Company's Executive Chairman potentially may not be viewed as independent as he was Executive Chairman during the year ended 30 June 2017.

Nevertheless, the Board considers that Mr Kirkwood's role is unlikely to impair his independence. Further, the Board believes that Mr Kirkwood is the most appropriate person to lead the Board and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole the benefits from his long standing experience of its operations and business relationships.

The Board believes that each of the Directors can make, and do make, quality and independent judgements in the best interests of the Company. Any Director who has a conflict of interest in relation to a particular item of business must declare their conflict and abstain from voting or participating in Board deliberations to which a conflict of interest relates.

The term in office held by each director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in office</b>
Mr Iain Kirkwood	6 years and 2 months / Appointed Chairman in April 2011
Mr Jefferson Harcourt	18 months
Mr Mark Simari	12 months

### Recommendation 2.4 - Comply:

A majority of the Board of a listed entity should be independent directors.

At the time of reporting there are three directors on the Company Board Two of the three directors (including the chair) are considered to be clearly independent with regards to the criteria established in the ASX CGCs Principles and Recommendations. The Board considers that Mr Kirkwood is independent but may not be considered independent by reference to the criteria under the ASX CGCs Principles and Recommendations.

### Recommendation 2.5 – Do not comply:

The Chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Due to the reasons set out in Recommendation 2.3, the Chairman of the Company may not be considered to be an independent director.

### Recommendation 2.6 - Comply:

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

All directors are expected to develop and maintain the skills and knowledge required to perform their role as directors effectively and discharge their duties to the Company. The Company has formal induction procedures in place to introduce new directors to the Company and gain an understanding of the Group’s financial position, strategies, operations, risks and other policies and responsibilities.

Professional development opportunities to further develop the skills and knowledge required to effectively perform as directors of the Company are provided regularly and considered on an ongoing basis.

All directors have unrestricted access to the general counsel and company secretary and employees of the Group as and when required. Subject to law, the directors also have access to all records of the Company and information held by Group employees and external advisors. Directors are provided, on an “as needed” basis, with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group. The Board receives regular detailed financial and operational reports from senior executives to enable it to carry out its duties.

### 3. PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

#### Recommendation 3.1- Comply:

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Company considers that confidence in its integrity can only be achieved if its employees and officers conduct themselves ethically in all of their commercial dealings on the Company's behalf. The Company has therefore recognised that it should actively promote ethical conduct amongst its employees, officers and contractors.

The Company has adopted, amongst other policies designed to promote ethical and responsible decision making, a code of conduct which applies to all directors, officers, employees, consultants and contractors. The objectives of the code of conduct are to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Group;
- employees are aware of their responsibilities under their contract of employment and always act in an ethical and professional manner; and
- all persons dealing with the Group, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of the Company.

Under the code of conduct, employees of the Group must, amongst other things:

- act honestly and in good faith at all times and in a manner which is in the best interests of the Company as a whole;
- conduct their personal activities in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company;
- always act in a manner that is in compliance with the laws and regulations of the country in which they work;
- report any actual or potential breaches of the law, the code of conduct or the Company's other policies to the company secretary; and
- not permit or condone the making of payments, gifts, favours, bribes, facilitation payments or kickbacks in the expectation of preferred treatment for themselves or the Company.

A copy of the code of conduct is available in the corporate governance section of the Novita website (refer <http://novitahealthcare.com.au/wp-content/uploads/2017/08/NHL-Novita-Code-of-Conduct-2017-08.pdf> ).

The Company actively promotes and encourages ethical behaviour and protection for those who report violations of the code of conduct or other unlawful or unethical conduct in good faith and ensures that matters are dealt with promptly and fairly.

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the Company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the Company. A director is required to notify the Company of any new material personal interests or change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the Corporations Act 2001 (Cth) (Corporations Act).

## 4. PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### Recommendation 4.1 – Partially comply:

The Board of a listed entity should:

- (a) have an audit committee which:
  - a. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
  - b. is chaired by an independent director who is not the Chair of the board and disclose:
    - c. the charter of the committee;
    - d. the relevant qualifications and experience of the members of the committee; and
    - e. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including that processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board has established an Audit Committee, which operates under a charter approved by the Board. A copy of the Charter is set out on the Company's website. (refer <http://novitahealthcare.com.au/wp-content/uploads/2017/08/NHL-Novita-Audit-Committee-Charter-2017-08.pdf> ).

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 delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Audit Committee is responsible for providing recommendations to the Board in relation to the appointment and removal of external auditors.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The members of the Audit Committee during the year were:

Mr Iain Kirkwood	Chairman of the Audit Committee (Appointed as Non-Executive Chairman on 18 April 2011)
Mr Jefferson Harcourt	Non-Executive Director (25 February 25, 2016)
Mr Mark Simari	Non-Executive Director (Appointed 1 September 2016)

Mr Iain Kirkwood is a Fellow of CPA Australia and a qualified Chartered Accountant with 35 years' experience in a range of industries. He has served as Chairman of the Company since April 2011. He is Director of a number of companies, where as part of his role he serves as a member of the Audit Committee.

Mr Jefferson Harcourt is a non-executive director who holds a Bachelor of Engineering and a Graduate of the Australian Institute of Company Directors. Mr Harcourt sits on a number of private technology company boards in the medical device and security markets and has extensive product development and commercial expertise in commercialising technology.

Mr Mark Simari is an independent non-executive director who holds a Bachelor of Accounting and Diploma of Financial Services. He is the Managing Director of Paragon Care Limited and many years of experience at board level in strategy, acquisitions, business planning and operations in publicly listed and private companies.

For details relating to the number of meetings of the Audit Committee held during the year, and the attendees at those meetings, refer to the directors' report.

CGC recommendation 4.1 as to the structure of the Audit Committee has not been fully complied with during the reporting period as Mr Iain Kirkwood, a member of the Audit Committee serves as Executive Chairman of the Company.

The Audit Committee currently consists of two non-executive directors who are both considered independent and is chaired by Mr Kirkwood who may not be considered to be independent by reference to the ASX CGCs Principles and Recommendations as he is currently serving as the Executive Chairman of the Company.

For additional details regarding the Audit Committee, including a copy of its Charter, please refer to our website.

### Recommendation 4.2 - Comply:

The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In accordance with section 295A of the Corporations Act, the Interim Chief Executive Officer and Financial Controller have provided a written statement to the Board that:

- their view concerning the Company's financial report is founded, to the best of their knowledge, on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

### Recommendation 4.3 - Comply:

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's external auditor attends every AGM and is available to answer questions relevant to the audit.

## 5. PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1 - Comply:

A listed entity should;

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

The Company has an established continuous disclosure policy designed to ensure that all investors have equal and timely access to material information relating to the Company. The policy articulates the type of information that needs disclosure, the process of internal notification, the roles and

responsibilities in the disclosure process, the process of promoting an understanding of disclosure requirements and external media and analyst communication protocols.

This policy is available on the Company's website. (Refer <http://novitahealthcare.com.au/wp-content/uploads/2017/08/NHL-Novita-Continuous-Disclosure-Policy-2017-08.pdf> )

## 6. PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

### Recommendation 6.1 - Comply:

A listed entity should provide information about itself and its governance to investors via its website.

The Company has a detailed website which is maintained regularly to ensure accuracy of information. Investors and stakeholders can access all ASX announcements, presentations, annual financial statements and corporate governance information on this website. Company announcements available on the website are presented in a clear and balanced way containing both positive and negative information. The Company's senior management regularly participate in investor roadshows and conferences and those presentations are uploaded to the website.

### Recommendation 6.2 - Comply:

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors

Pursuant to CGR Principle 6, Novita's objective is to promote effective communication with its shareholders at all times.

Novita is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about Novita's activities in a balanced and understandable way;
- complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act in Australia;
- communicating effectively with its shareholders and making it easier for shareholders to communicate with Novita.

### Recommendation 6.3 - Comply:

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- through the release of information to the market via the ASX;
- through the distribution of the annual report and notices of AG
- through shareholder meetings and investor relations presentations;
- through letters and other forms of communications directly to shareholders
- by posting relevant information on the Company's website: <http://www.Novita.com.au>.

The external auditors are required to attend the AGM and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

### Recommendation 6.4 - Comply:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company has utilised the services of Automic Registry as its security registry and provides a link to their website from the Company's website (<http://novitahealthcare.com.au/investors-centre/fags/>) so that security holders can obtain forms and select their method of interaction with the registry via its online portal.

## 7. PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

### Recommendation 7.1 – Partially comply

The Board of a listed entity should;

- (a) have a committee or committees to oversee risk, each of which;
  1. has at least three members, a majority of whom are independent directors, and
  2. is chaired by an independent director;  
and disclose:
    3. the charter of this committee; and
    4. the members of the committee; and
    5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of members at those meetings;
- or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

The Audit Committee oversees Novita's risk management framework. The Audit Committee charter is available on the governance page of the Company's website.

The members of the Audit Committee are set out in section 4 of this Statement.

There is a departure from ASX Principle 7.1 which recommends that a risk committee:

- have at least three members;
- a majority of whom are independent Directors; and
- is chaired by an independent Director.

Effective from 1 July 2015 the Audit Committee currently consists of three non-executive directors who are considered independent. Notwithstanding, the Chairman of the Audit Committee is Mr Iain Kirkwood who may not be considered independent by reference to the ASX CGC Principles and Recommendations.

Details of the Audit Committee's meetings and attendance of the members are set out in the Directors' Report.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior management. The Managing Director is responsible for regularly reporting directly to the Audit Committee and the Board on all matters associated with risk management, including whether the Company's material business risks are being managed effectively. In fulfilling his duties, the Managing Director has unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate, with the approval of the Board.

In addition, the Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Audit Committee and Audit Committee Charter;
- insurance programs;
- regular budgeting and financial reporting;

- clear limits and authorities for expenditure levels;
- procedures/controls to manage environmental and occupational health and safety matters;
- procedures for compliance with continuous disclosure obligations under the ASX listing rules; and
- procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

The Company's risk management system is an ongoing process. It is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities. Further information on financial risk management is outlined in the financial statements.

### Recommendation 7.2 – Partially Comply:

The Board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Audit Committee and the Chairman monitor the Company's material business risks and reports are compiled and considered from time to time and the Board considers that the internal control system is operating effectively in all material aspects given the nature of the Company's activities.

The Company's risk framework was the subject of a formal review during this reporting period and reported to shareholders in the Non-Renounceable Rights Issue Offer Document dated 29 July 2016. In addition, the Chairman reports periodically to the Board as to the effectiveness of the implementation of the Company's risk management and internal control system.

### Recommendation 7.3 - Comply:

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function as it considers the ongoing processes in place for assessing risk and improving the effectiveness of internal controls to be adequate when supported by the external audit function.

In addition, the Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Audit Committee and Audit Committee Charter;
- insurance programs;
- regular budgeting and financial reporting;
- clear limits and authorities for expenditure levels;
- procedures/controls to manage environmental and occupational health and safety matters;
- procedures for compliance with continuous disclosure obligations under the ASX listing rules;
- procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

The Financial Controller has reported to the Board as to the effectiveness of the implementation of the Company's risk management and internal control system.

The Company's risk management system is an ongoing process. It is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities. Further information on financial risk management is outlined in the Company's financial statements.

## Recommendation 7.4 - Comply:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

For the purposes of assisting investors to understand better the nature of the risks faced by Novita, the Board has prepared a list of risks as part of the Principle 7 disclosures. The Company in its disclosure document, Non-Renounceable Rights Issue Offer Document, released to ASX on 29 July 2016 provided a detailed review of Risk Factors.

The Company has in place policies and procedures, including a risk management framework (as implemented under the Company's Audit Committee and its accompanying Charter), which is developed and updated to help manage these risks.

The Company regularly assesses economic, environmental and social sustainability risks for their materiality and any impact on the Company's ability to create or preserve value for security holders over the short, medium or long term.

"Economic sustainability" – the long term ability of the listed entity to continue operating at a particular level of economic production.

- Inherent uncertainties that exist in any development/commercialisation program for technologies.
- ability to raise sufficient funds (via the debt or equity capital markets) to fund the Company's development/commercialisation programme;
- the intellectual property of the Company may become subject to claims;
- failure to achieve commercial levels of sales; and
- increasing costs of operations, including labour costs, materials, suppliers or other items and equipment.

"Environmental sustainability" – the long-term ability of a listed entity to continue operating in a manner that does not compromise the health of the eco-systems in which it operates.

Novita does not consider that it has any material exposure to environmental sustainability risks.

"Social sustainability" – the long-term ability of a listed entity to continue operating in a manner that meets accepted social norms and needs.

Novita does not consider that it has any material exposure to social sustainability risks.

## 8. PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

### Recommendation 8.1 – Does not Comply:

The Board of a listed entity should:

- (a) have a remuneration committee which;
  1. has at least three members, a majority of whom are independent directors; and
  2. is chaired by an independent director; and disclose:
    3. the charter for the committee;
    4. the members of the committee; and
    5. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of members at those meetings;
- or:
- (b) if it does not have a remuneration committee disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board had a Remuneration and Nomination Committee (RNC) up to 30 June 2016 and from that date all remuneration matters were dealt with in meetings of Directors (but with executive personnel absent).

The Board reviews the corporate governance procedures of the Company and supports the Chairman in undertaking a self-assessment of its collective performance, the performance of the Chairman and of its committees. In addition to proposing candidates for director appointment the Board reviews, with the aid of independent advice, fees payable to directors and senior executives of the Company.

The Board fulfils responsibilities to shareholders previously discharged by the RNC in ensuring that the Board is appropriately structured and comprised of individuals who are best able to discharge the responsibilities of directors by:

- assessing the size, composition, diversity and skills required by the Board to enable it to fulfil its responsibilities to shareholders, having regard to the Company's current and proposed scope of activities;
- assessing the extent to which the required knowledge, experience and skills are represented on the Board;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- overseeing succession planning for the Board;
- establishing processes for the review of the performance of individual directors and the Board as a whole;
- assessing the terms of appointment and remuneration arrangements for non-executive directors.

### Recommendation 8.2 - Comply:

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company has a clearly distinguished structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company is required to disclose in its annual report details of remuneration to directors. Please refer to the Remuneration Report for details regarding the remuneration structure of executive and non-executive directors and the senior executives.

### Recommendation 8.3 - Comply:

A listed entity which has an equity-based remuneration scheme should;

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and
- (b) disclose the policy or a summary of it.

The Company has a Performance Rights Plan which entitles all employees after a qualifying period of 12 months to be eligible to participate if invited to do so by the Board.

A summary of the Performance Rights Plan is provided in the notes to the annual financial statements. In the year ended 30 June 2017 Performance Rights were granted to the Chief Research Officer the detail of which may be found in the Remuneration Report section of the 2017 Annual Report. No securities have been issued under the Performance Rights plan.

The Company's Securities Trading policy which governs permitted trading and transactions, including in respect of employees, is available on the Company's Website (refer <http://novitahealthcare.com.au/wp-content/uploads/2017/08/NHL-Novita-Securities-Trading-Policy-2017-08.pdf>). The Policy prohibits Directors and employees from using derivatives or other products which operate to limit the economic risk of unvested Company Securities. It also prohibits those persons from entering into a margin loan or similar funding arrangement to acquire any Company Securities, or grant lenders any rights over their Company Securities.