

National Veterinary Care Ltd

(ABN 17 166 200 059)



Corporate Governance Statement 2018

2018 Corporate Governance Statement

1. The Company's commitment to corporate governance

The Board is committed to a high standard of corporate governance practices ensuring that the Company complies with the Corporations Act, Listing Rules, the Company's Constitution and other applicable laws and regulations. Good corporate governance is a fundamental part of the culture and business of the Company.

The Company has followed the ASX Corporate Governance Council's Principles and Recommendations (third edition)(**ASX Principles**) where the Board has considered the recommendations to be an appropriate benchmark for the Company's corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for adoption of its own practice, in compliance with the "if not, why not" regime.

The Directors monitor the business affairs of the Company on behalf of its Shareholders and have adopted this Corporate Governance Statement to encourage the Directors to focus their attention on accountability, risk management and ethical conduct. A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. The Board continues to review the framework and practices to ensure they meet the interests of its Shareholders.

This document was adopted by the Board on 24 August 2018.

2. NVC's Approach to Corporate Governance and the ASX Principles

Recommendation 1.1 - Roles and responsibilities of the Board and Executives

The Board has adopted a Board Charter which sets out the roles and responsibilities of the Board and its governance requirements. The Board Charter clearly articulates the division of responsibilities between the Board and Executives to help manage expectations and avoid misunderstandings about their respective roles and responsibilities. A copy of the Board Charter can be found on the Company's website.

Recommendation 1.2 – Checks on Board candidates and provision of information to Shareholders

The Company undertakes appropriate checks before appointing a person or putting forward to Shareholders a candidate for election as a Director of the Company. The Remuneration and Nomination Committee's Charter (the responsibilities for which are now carried out by the full Board) requires background checks to be undertaken and for all relevant information to be provided to Shareholders. A copy of the Company's Remuneration and Nomination Committee's Charter is accessible on the Company's website.

The Company endeavours to provide the following information to Shareholders to enable the Shareholders to make an informed decision as to the candidate's character, experience, education, criminal record and bankruptcy history:

- a) biographical details, including their relevant qualifications and experience and the skills they bring to the Board;

- b) details of any other material Directorships currently held by the candidate;
- c) in the case of a candidate standing for election as a Director for the first time:
 - i. any material adverse information revealed by the checks the Remuneration and Nomination Committee has undertaken on the candidate;
 - ii. details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to act in the best interests of the Company and its Shareholders; and
 - iii. if the Board considers that the candidate will if elected, qualify as an independent Director, a statement to that effect;
- d) in the case of a candidate standing for re-election:
 - i. the term of office currently served by the Director; and
 - ii. if the Board considers the Director to be an independent Director, a statement to that effect;
- e) a statement by the Board as to whether it supports the election or re-election of the candidate.

Recommendation 1.3 – Written agreements with Directors and Executives of the Company

The Company has entered into written agreements with each of its Directors setting out the terms of his or her appointment.

Each member of the Executive team has signed a formal employment contract covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description will be reviewed by the Chair of the Board on an annual basis and, where necessary, be revised in consultation with the relevant employee.

Recommendation 1.4 – Company Secretary is accountable to the Board

The Company Secretary plays an important role in supporting the effectiveness of the Board and its committees. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The responsibilities of the Company Secretary include:

- a) advising the Board and its committees on governance matters;
- b) monitoring that Board and committee policy and procedures are followed;
- c) coordinating the timely completion and despatch of Board and committee papers;
- d) ensuring that the business at Board and committee meetings is accurately captured in the minutes;
- e) helping organise and facilitate the induction and professional development of Directors; and
- f) attending to ASX and statutory filings.

Any decision to appoint or remove a Company Secretary will be made or approved by the Board.

Each Director of the Company can communicate directly with the Company Secretary and vice versa.

Recommendation 1.5 - Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation’s ability to achieve its goals. Accordingly, the Company has developed a Diversity Policy which is available on the Company’s website. This policy outlines the Company’s diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company’s progress in achieving them.

The Board will abide by the following principles:

- a) the Board has established measurable gender diversity objectives and will assess annually the objectives and progress in achieving them;
- b) the Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience; and
- c) the Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Company.

The Board has set the following measurable objectives for achieving gender diversity and will ensure those targets continue to be achieved during 2019:

Number of Females	Current (%)	Target by 2020 (%)
Board	50	50
Senior Management ¹	67	50
Total employees	85	50

¹ Senior Management consists of the managers who report directly to the CEO, or his direct reports.

At 30 June 2018, women represent approximately 85% of the Company’s employees, hold 67% of senior management positions and represent 50% of the Board (or 67% of the non-executive directors on the Board).

Given the high proportion of women employed within the Company, and the veterinary industry in general (compared with the targets), the Company is also committed to broader diversity and inclusion strategies which support all employees to reach their full potential, such as flexible working arrangements (part time and flexible working hours), international secondment and recruitment programs and cultural awareness and training events.

The Company is a relevant employer under the Workplace Gender Equality Act. The Company’s most recent “Gender Equality Indicators” is available on the Workplace Gender Equality Agency’s website.

Recommendation 1.6 – Process for the periodic evaluation of the Board

On an annual basis, the full Board sitting as the Board conducts a review of the Board structure, composition and performance and also reviews the performance of the Board committees and individual Directors. The Board has developed an informal annual self-assessment process for its collective performance, the performance of the Chair and its committee. A questionnaire is to be completed by each Director, evaluating his or her individual performance, that of other Board members and of the Board as a

whole. The results and any action plans are to be documented together with specific performance goals which are to be agreed for the coming year.

A non-executive Director will be responsible for the performance evaluation of the Chair after having canvassed the views of the other Directors.

The Board will ensure that a performance evaluation is undertaken in relation to each reporting period. A performance evaluation was undertaken in accordance with the above process during the year.

Recommendation 1.7 – Process for the periodic evaluation of Executives

The Company has developed a process for the annual appraisal of Senior Executives measuring performance in multiple areas, including contribution to the overall success of the business. The appraisal is designed to measure success in achieving objectives set for the past twelve months and to set objectives for the ensuing twelve months. Succession planning is also built into the appraisal process to encourage development of future leaders within the Company.

A performance evaluation was undertaken in accordance with the above process during the year.

Recommendation 2.1 and Recommendation 8.1 – Remuneration and Nomination Committee

From 30 June 2017, the full Board has carried out the responsibilities of the former Remuneration and Nomination Committee. The Board considers this to be appropriate, having regard to the small size of the Board and the skills, knowledge, experience, independence and diversity which enable it to discharge its duties and responsibilities effectively.

The Charter of the Remuneration and Nomination Committee is available on the Company's website.

The Board is responsible for ensuring that the Company's executive remuneration policies, practices and procedures are:

- a) aligned with the Company's overall business objectives and market practice;
- b) motivate executives to pursue the Company's long-term growth;
- c) demonstrate a clear relationship between the Company's performance and performance of executives; and
- d) align the interests of executives with the creation of value for Shareholders.

The number of times that the Board met throughout the reporting period and the individual attendances of the members at those meetings are disclosed in the Directors' Report section of the 2018 Annual Report which is available on the Company's website.

Recommendation 2.2 – Board skills matrix

The Board considers that a diverse range of skills, background, knowledge and experience is required to effectively govern the Company. The Board has developed a competencies matrix to help identify any gaps in the collective skills, competencies and experience that the Board currently has or is looking to achieve in its membership. The Board Competencies Matrix is attached as Annexure A to this document.

The Board regularly evaluates the mix of skills, experience and diversity of background, skills and perspectives that will be effective in supporting and enabling delivery of good corporate governance and value for Shareholders. When the need for a new Director is identified, the required experience and competencies of the new Director are defined in the context of this matrix and any gaps that may exist.

Recommendation 2.3 – Directors’ independence

The Board has adopted specific principles in relation to Directors’ independence. These state that to be independent, a Director must be a non-executive Director and:

- a) not be a substantial Shareholder of the Company or an officer of, or otherwise associated directly with, a substantial Shareholder of the Company;
- b) within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a Director after ceasing to hold any such employment;
- c) within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- d) not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- e) must have no material contractual relationship with the Company or a controlled entity other than as a Director of the Group;
- f) be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company; and
- g) must not have any close family ties with any person who falls within any of the categories described above.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Director’s net worth is considered material for these purposes.

In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the Shareholders’ understanding of the Director’s performance.

A Director’s independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a Director will not be deemed independent if he or she has served on the Board of the Company for more than ten years.

Having regard to the factors listed above, all of the non-executive directors were considered by the Board to be independent Directors during the year. The Board does not consider Tomas Steenackers to be an independent Director as he is employed by the company in an executive capacity.

The Board composition for the year to 30 June 2018 was as follows:

Director	Position	Dates	Length of service
Susan Forrester	Chair; Non-executive director/Independent	App: 5 February 2015	3 years 5 months
Tomas Steenackers	CEO; Managing Director	App: 5 February 2015	3 years 5 months
Stephen Coles	Non-executive director/Independent	App: 5 February 2015	3 years 5 months
Kaylene Gaffney	Non-executive director/Independent	App: 28 February 2017	1 year 4 months

Recommendation 2.4 – Majority of the Board are independent Directors

3 of the 4 Directors are independent Directors.

Recommendation 2.5 – Independence of Chair

The Chair of the Board is an independent Director and is not the same person as the CEO. The Board Charter provides for the Directors to elect an independent Director to perform the role of the Chair.

Recommendation 2.6 – Induction program for new Directors

The Company has a program for inducting new Directors and provides appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. All new Directors are provided with an induction including comprehensive meetings with the CEO, Executives and management and the provision of information on the Company including Company and Board policies and other material documents.

All Directors are expected to maintain the skills required to effectively discharge their duties and obligations to the Company. Directors are strongly encouraged to undertake continuing professional development education.

Recommendation 3.1 – Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that all Company personnel always act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

A copy of the Company's Code of Conduct can be found on the Company's website.

Recommendations 4.1 and 7.1 – Establishment of an Audit Committee and Risk Committee

To date, the size of the Board is not sufficient to warrant two separate committees for Audit and Risk. As a result, the Company has established an Audit and Risk Management Committee.

During the year, the Committee's Members were:

- Kaylene Gaffney – Chair (appointed 1 March 2017) and
- Stephen Coles – Member

During FY2018 year, the Audit and Risk Management Committee had only two members, both of whom were non-executive, independent directors (including the Chair of the Committee). The Board considered this to be appropriate, having regard to the small size of the Board.

The relevant qualifications of the members of the Audit and Risk Management Committee are disclosed in the Directors' Report which is contained within the 2018 Annual Report and is available on the Company's website.

The Charter of the Audit and Risk Management Committee can be found on the Company's website.

In accordance with its Charter, the Audit and Risk Management Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Audit and Risk Management Committee monitors the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks.

The number of times the Audit and Risk Management Committee met throughout the reporting period and the individual attendances of the members at those meetings are disclosed in the Directors' Report section of the 2018 Annual Report which is available on the Company's website.

Recommendation 4.2 – CEO and CFO declaration

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

Recommendation 4.3 – External auditor attends AGM

The external auditor attends the Company's annual general meeting to be available to answer Shareholders questions about the conduct of the audit and the preparation and content of the audit report.

Recommendation 5.1 – Written policy for complying with its continuous disclosure obligations

The Company has a Continuous Disclosure and Shareholders Communication Policy setting out the requirements aimed to ensure full and timely disclosure to the market of all material issues relating to the Company to ensure that all stakeholders have an equal opportunity to access information. The Company's Continuous Disclosure Policy reflects the continuous disclosure requirements of the Listing Rules and Corporations Act.

A copy of the Company's Continuous Disclosure and Shareholders Communication Policy can be found on the Company's website.

Recommendation 6.1 – Provision of information via the Company's website

The Company provides information about itself and its governance to investors via its website - <http://www.nvcltd.com.au/>. The Company's corporate governance information can be accessed from the "Corporate Governance" section of the Company's website. The Company's website has links to:

- a) the names, photographs and brief biographical information for each of its Directors and Executives;
- b) its constitution, its Board charter and the charters of each of its Board committees;
- c) its corporate governance policies;
- d) copies of its annual reports and financial statements (once prepared);
- e) copies of its announcements to ASX; and
- f) copies of notices of meetings of Shareholders and any accompanying documents.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

Recommendation 6.2 – Investor relations program to facilitate effective two-way communication

The Company has a Continuous Disclosure and Shareholders Communication Policy that outlines the processes followed by the Company to ensure communications with Shareholders and the community is effective, consistent and adheres to the principles of continuous disclosure. A copy of the Continuous Disclosure and Shareholders Communication Policy is available on the Company's website.

The Company will engage with its Shareholders by providing information about itself and its governance via its website. The Company's website includes:

- a) an overview of its current business, a description of how the Company is structured and summary of the Company's history;
- b) a key events calendar showing the expected dates in the forthcoming year for significant events for investors and analysts, the annual general meeting, books closing dates for determining entitlement to dividends and ex-dividend and payment dates for dividends or distributions;
- c) once known, the time, venue and other relevant details for results presentations and the AGM;
- d) historical information about the market prices of the Company's securities;
- e) a description of the Company's dividend policy;
- f) information about the Company's dividend history;
- g) copies of media statements;
- h) contact details for enquiries from Shareholders, analysts or the media;
- i) contact details for the Company's securities registry; and
- j) links to download key security holder forms, such as transfer and transmission forms, dividend or distribution reinvestment plan forms.

Recommendation 6.3 – Disclosure of the policies and processes it has in place to facilitate and encourage participation at meetings of Shareholders

The Company permits Shareholders to cast their proxies prior to a General Meeting if they are unable to attend. In addition, the Company affords Shareholders who are not able to attend an Annual General Meeting and exercise their right to ask questions about, or make comments on, the management of the Company, the opportunity to provide questions or comments ahead of the meeting. Where appropriate, the Company will answer these questions at the meeting, either by being read out and then responded to at the meeting or by providing a written answer at the meeting.

Recommendation 6.4 – Shareholders have the option to receive communications from and send communications to the Company and its share registry electronically

Shareholders are encouraged to communicate with the Company electronically, including via the "contact us" facility on the Company website and receiving forms and documents electronically or accessing material directly from the Company's website. The Company gives Shareholders the option to receive communications from, and send communications to, the Company and its security registry electronically.

Recommendation 7.2 – Review of the Company’s risk management framework annually

The Audit and Risk Management Committee Charter requires the Committee to at least annually undertake a structured review of the risk management framework of the Company to satisfy itself it continues to be sound and that the Company is operating within the risk appetite set by the Board.

Such a review has taken place during each reporting period.

Recommendation 7.3 – Internal audit function

While the Company does not have an internal audit function, the Company is committed to understanding and managing risk and to establishing an organisational culture that ensures risk management is included in all activities, decision making and business processes. The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit and Risk Management Committee and reviewed by the full Board. The Audit and Risk Management Committee’s Charter can be accessed on the Company’s website. The Audit and Risk Management Committee recommends any action it deems appropriate to the Board for its consideration.

The Board’s collective experience will enable accurate identification of the principal risks that may affect the Group’s business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Company has developed a strategic risk register identifying and ranking the main strategic risks facing the company and provides an explanation as to how those risks are managed. The Board reviews this register on a regular basis.

Recommendation 7.4 – Material exposure to economic, environmental and social sustainability risks

The Company recognises that how it conducts its business activities impacts directly on a range of stakeholders, including its Shareholders, employees, customers, suppliers, creditors, consumers, government and the local communities in which it operates. There has been an increase in demand from investors for businesses to provide greater transparency on economic, environmental and social sustainability matters so they can assess investment risk.

In accordance with the Corporate Governance Principles and Recommendations, Recommendation 7.4, the Company has disclosed its exposure to material business risks in the Directors’ Report section of the 2018 Annual Report which is available on the Company’s website.

Recommendation 8.2 – Disclosure of policies and practices regarding remuneration of non-executive Directors and remuneration of executive Directors and other Executives

The Company’s policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other Executives is set out in the Remuneration and Nomination Committee Charter. The Remuneration and Nomination Committee Charter is accessible on the Company’s website. The Company has adopted the ASX Corporate Governance Council’s guidelines in formulating its remuneration policies and practices as set out in Recommendation 8.2. Further information on Directors’ and executives’ remuneration, including principles used to determine remuneration, is set out in the Directors’ Report under the heading "Remuneration Report" in the 2018 Annual Report which is available on the Company’s website.

Recommendation 8.3 – Transactions which limit the economic risk of participating in the Company’s equity-based remuneration scheme

The Company has an equity-based remuneration scheme. The Company’s Securities Trading Policy provides that participants in the scheme must not enter into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested equity interest. A copy of the Company’s Securities Trading Policy is accessible on the Company’s website.

Endorsement

The Company is committed to this document and to its implementation.

This document was adopted by the Board on 24 August 2018.

Definitions

In this document:

ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Board	means the Board of the Company.
Chair	means the Director of the Company appointed as the chairperson of the Board from time to time.
CFO	means the chief financial officer or equivalent officer (by whatever title known) of the Company.
Company	means National Veterinary Care Ltd ACN 166 200 059.
Company Secretary	means the person appointed company secretary of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Director	means a Director of the Company.
Group	means the Company and its controlled entities.
Listing Rules	means the listing rules of ASX.
Managing Director/CEO	means the managing Director (or if there is no managing Director, the CEO) or equivalent officer (by whatever title known) of the Company.
Shareholders	means Shareholders of the Company.
Recommendation	means a recommendation of the ASX Corporate Governance Council contained in the Corporate Governance Principles and Recommendations (third edition).

Annexure A - Board Competencies Matrix

Director	Forrester	Coles	Gaffney	Steenackers
Core Business Skills and Knowledge				
Strategic expertise	E	E	C	E
Financial literacy	C	E	E	E
Relevant legal knowledge	E	C	C	C
Managing risk	E	E	E	E
Managing people	E	E	E	E
Achieving change	E	E	E	E
Listed markets experience	E	E	E	E
Relevant industry knowledge				
Veterinary Services	C	E	L	E
Management Services	C	C	C	E
Distributed networks	C	E	E	E
Regulation & Compliance	E	E	E	C
Relevant corporate experience:				
Technology and Digital Management	C	C	C	E
Business development	E	E	C	E
Brand management and marketing	C	C	C	E
Customer relationship management	C	E	C	E
Assurance	C	C	E	C
Governance	E	E	E	C
Human Resources	E	C	C	E
Information Management & technology	L	C	E	E
Mergers & Acquisitions	E	E	E	E
Role experience				
-ASX 200 Director	E	E	E	NA
Qualifications (highest by category):				
- Accounting	-	-	FCA	
- Business	EMBA		B.Bus (Acc), GradDip Bus (ProfAcc), MBA (Int)	B Business MBA
- Law	LLB(Hons) Solicitor	-	-	
- Clinical - Veterinary Science	-	BVSc, MACVSc, Dip AVDC	-	-
- Other	Company Directors Diploma		FCA	-
- Professional	FAICD		GAICD	-

Key: E= Experienced
C= Competent
L= Limited