JAPARA

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Letter from the Chairman of the People, Culture and Remuneration Committee

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Japara Healthcare Limited Audited Remuneration Report for the financial year ended 30 June 2021.

The report is presented against the background of a year where the impact of the COVID-19 pandemic has been extreme throughout the aged care sector. With a significant presence in Victoria, Japara was affected by both the COVID-19 outbreaks and the extended Victorian lockdowns. While the availability of vaccines promises some relief going forward, as the COVID-19 virus mutates and the Delta strain is more contagious, lockdowns have continued in the first months of the new financial year.

In a material event after year-end, the Board announced it was recommending an acquisition offer from the not-for-profit aged care provider, Calvary, at $1.40 a share. The outcome of this offer will be decided by shareholders at an Extraordinary General Meeting in October 2021.

FY2021 Performance

Japara ended the year with EBITDA[1] of $19.8 million and a Net Loss after Tax of $14.1 million. These results reflected lower occupancy and resident revenue due to the pandemic; higher costs of care, infection control, and biosecurity measures, as well as the growing gap between indexation of Federal Government care funding and Fair Work Annual Wage Reviews.

Greenfield and brownfield development projects at Trugo Place, Corymbia and Albury & District were completed together with significant refurbishments at Balmoral Grove, Cordelia Grove and Elouera. All other proposed greenfield development projects were paused.

Balance sheet strength and liquidity were maintained with adequate cash and undrawn debt available. All Japara homes were fully accredited at year end.

FY2021 Remuneration Framework

Executive remuneration at Japara has three components: fixed remuneration (salary), and separate at-risk rewards for short-term and long-term results.

The remuneration framework is designed to balance several factors: financial and non-financial outcomes; short-term and long-term performance; the interests of shareholders and executives; talent retention; and recognition of the complexity and effort demanded of executives in a challenging and heavily regulated environment.

The framework presented to shareholders in the FY2020 Remuneration Report continued largely unchanged for FY2021 and followed the structure of common gateways to be achieved to qualify for any incentive award assessment.

The FY2021 gateways for the Short-Term Incentive (**STI**) were 1) ongoing accreditation at all residential aged care homes and 2) no material breach of regulatory or compliance guidelines across the Group's business. The FY2021 gateway for the Long-Term Incentive (**LTI**) was no material breach of regulatory or compliance guidelines across the Group's business.

The measures for the STI are individual performance measures for each executive. The STI is awarded in deferred equity or cash at the Board's discretion. The performance metrics for the LTI are growth in Earnings Per Share and Total Shareholder Return measured over four years. The LTI is granted in performance rights which vest at the end of the four-year testing period.

FY2021 Remuneration Outcomes

There was no change to the fixed remuneration for the executive leadership team in FY2021 and no change to the incentive opportunities (as a percentage of fixed remuneration). The performance assessment scorecards for STI entitlements (set out in the Remuneration Report) show that while the executives successfully passed the gateways, not all performance measure were achieved and individual STI awards were reduced accordingly. The impact of external factors (particularly COVID-19) on target outcomes, business priorities and executive workloads were also considered. Additionally, the Board applied its discretion to reduce STI awards in light of the Group's financial performance against the FY2021 budget. As a result, the overall outcome of the STI was a range of 10%-25% of total fixed remuneration. Further, in recognition of the potential acquisition of the Company, the Board determined that it would be inappropriate to issue Japara shares, and consequently awarded FY2021 STI in cash.

1. Earnings before interest, tax, depreciation, amortisation and impairment of non-current assets.

The FY2021 LTI was granted in the form of performance rights with a four-year performance testing period ending 30 June 2024. One-off equity grants made to the CEO and CFO/CIO in FY2020 fully vested into Japara shares as the vesting condition had been met. There were no other historic or other grants which vested or lapsed during the year or remained eligible for vesting at year end. In the light of recent acquisition activity, the Board has sought to provide ongoing stability for the business by introducing a one-off conditional deferred payment to key executives to retain their employment through to the end of FY2022.

For the FY2021 year, non-executive directors took a fee reduction of 20%. The size of the Board was also reduced following the retirement of Richard England, a long serving director of Japara. JoAnne Stephenson replaced Richard as Chair of the Audit, Risk and Compliance Committee and I replaced JoAnne as Chair of the People, Culture and Remuneration Committee.

FY2022 Remuneration Settings

The Board has reviewed the Remuneration Framework and concluded, in the absence of the acquisition of the Company, that it remains fit for purpose for FY2022. The following changes have been made to the remuneration settings for FY2022:

- 2.25% increase in executive fixed remuneration (exclusive of a 0.50% increase in legislated Superannuation Guarantee);
- no change in incentive opportunities as a percentage of fixed remuneration for executives; and
- re-instatement of non-executive directors' fees to 2019 levels.

In the event that the acquisition of the Company proceeds, the testing and award of FY2022 STI and LTI may be accelerated.

A majority of the Group's other employees are nurses or other staff engaged at our homes who are covered under separately negotiated State-based Enterprise Agreements and Awards which typically contain fixed annual increases.

The Board looks forward to shareholders' continuing support of Japara's remuneration policies and guidelines and recommends this Report to you.

David Blight
Chairman – People, Culture and Remuneration Committee

30 August 2021

16. Remuneration Report – Audited

Contents

16.1 Key management personnel

This remuneration report sets out the remuneration arrangements of key management personnel (**KMP**) in accordance with the *Corporations Act 2001* and Australian Accounting Standards for the year ended 30 June 2021 (**FY2021**).

For the purposes of this report, KMP is defined as those people who have the authority and responsibility for planning, directing and controlling the Group's activities, either directly or indirectly.

The following non-executive directors of the Company and Group executives were classified as KMP for the entire FY2021 period (unless otherwise stated):

Non-executive directors	
Linda Bardo Nicholls AO	Chairman
JoAnne Stephenson	Chairman of the Audit, Risk and Compliance Committee (from 1 September 2020) Chairman of the People, Culture and Remuneration Committee (to 1 September 2020)
Leanne Rowe AM	Chairman of the Zero Harm Committee
David Blight	Chairman of the People, Culture and Remuneration Committee (from 1 September 2020)
Richard England (to 1 September 2020)	Chairman of the Audit, Risk and Compliance Committee (to 1 September 2020)
Executives	
Chris Price	CEO & Managing Director (**CEO**)
Anthony Rice	CFO and Chief investment Officer (**CFO/CIO**)
Lindon Le Griffon	Chief Operations Officer (**COO**)

16.2 Executive remuneration principles

16.2.1 Remuneration policy

KMP remuneration is determined in accordance with a documented remuneration policy which has been approved by the board of directors (**Board**). The policy provides a framework governing the Group remuneration arrangements and is underpinned by the principles of fair and responsible compensation.

16.2.2 Executive remuneration arrangements

The remuneration structure for executives is designed to attract and retain high calibre, exceptionally skilled and experienced candidates, reward them fairly and competitively for their roles and the achievement of performance targets. In addition, it seeks to strike a balance between clinical quality and resident well-being, improved performance outcomes, regulatory compliance and shareholder, consumer and community expectations.

The remuneration structure specifically takes into account:

- the scope and responsibilities of the executive's role;
- the capability and experience of the executive;
- compliance with required clinical, regulatory and other governance standards;
- remuneration of a comparator group comprising ASX 300 companies with similar characteristics to the Group, including industry sector, scale and business complexity;
- shareholder, consumer and community expectations; and
- the executive's ability to influence Group performance including clinical quality and resident well-being, operational performance and profitability and earnings growth.

16.3 FY2021 executive remuneration outcomes

16.3.1 Company performance

Executive remuneration arrangements are designed to incentivise senior management to deliver improved earnings and shareholder return outcomes and ensure our clinical quality practices across the portfolio deliver positive outcomes for the well-being of our residents. The Board considers a range of financial and non-financial performance metrics when setting and assessing executive remuneration incentives, which take into consideration such outcomes.

The following table summarises earnings and shareholder return metrics for the Group over the last five years:

Financial measure	**FY2021**	**FY2020**	**FY2019**	**FY2018**	**FY2017**
EBITDA ($'000)	**19,822**	32,875	49,553	50,653	60,160
Net profit/(loss) after tax ($'000)	**(14,106)**	(292,087)	16,433	23,327	29,712
EPS (cents)	**(5.28)**	(109.47)	6.16	8.78	11.22
Dividends per share (cents)	**0.00**	2.00	6.15	7.75	11.25
Year end share price ($)	**1.28**	0.49	1.13	1.81	2.10

The Group's financial performance since 1 July 2016, measured in terms of earnings and shareholder returns, has been declining. This performance has been significantly impacted by external factors including COVID-19 and others specific to the residential aged care sector including declining occupancy, changing regulations, cost inflation relative to available funding and the Royal Commission into Aged Care Quality and Safety.

16.3.2 Performance assessment – FY2021

A proportion of the maximum potential entitlements to short-term incentive (**STI**) remuneration was awarded to executives for FY2021. The Board had regard to achievements against individual performance requirements, regulatory accreditation performance and the impact of external factors (particularly COVID-19) on target outcomes, business priorities and executive workloads. The Board applied its discretion to reduce STI awards in light of the Group's financial performance against the FY2021 budget. It also applied its discretion under the STI plan and determined that it would be inappropriate to issue Company shares as STI, which was consequently awarded in cash.

Long-term incentives (**LTI**) granted to executives for FY2021 have a four-year performance period ending 30 June 2024. This incentive opportunity remains on-foot and will be tested for award purposes at the end of the performance period or earlier where there is a change of control event for the Company.

One-off equity grants made to the CEO and the CFO/CIO during FY2020 in their previous roles with the Company fully vested into Company shares during the year. The required satisfactory performance and continued employment vesting conditions were achieved by both executives, with vesting occurring on 6 October 2020. The CEO received 131,894 shares while the CFO/CIO received 98,040 shares. There were no historical incentive or other grants which vested or lapsed during FY2021.

The performance based remuneration arrangements that were in place for executives for FY2021 are set out below:

FY2021 incentive based remuneration

	Maximum potential STI $'000	**STI awarded $'000**	**Maximum potential LTI[1] $'000**	**LTI Awarded[2] $'000**
Chris Price (CEO)	360	180	720	-
Anthony Rice (CFO/CIO)	260	130	520	-
Lindon Le Griffon (COO)	153	77	230	-

1. Performance rights equivalent to these values were granted to KMP in FY2021.
2. Testing for the award of FY2021 LTI to occur at the end of the performance period being 30 June 2024 or earlier where there is a change of control event for the Company.

Performance criteria

The award of performance based remuneration is subject to the achievement of set performance criteria comprised of common gateways and hurdles as determined, assessed and recommended by the People, Culture and Remuneration Committee and approved by the Board.

Financial hurdles reflecting returns and the effectiveness of capital management, together with non-financial hurdles that are aligned to key business objectives and which, in turn, lead to improved resident, business and shareholder outcomes, are used to assess performance.

Financial hurdles for STI purposes are generally measured in terms of target returns while non-financial hurdles are generally measured in terms of target rates of growth, clinical quality and safety, regulatory compliance and operational improvement delivered. Financial hurdles for LTI purposes are measured in terms of growth in earnings per share and total shareholder returns. All measures are approved by the Board and chosen for being appropriate for the Group, objective and measurable.

16.3 FY2021 executive remuneration outcomes continued

16.3.2 Performance assessment – FY2021 continued

The following performance criteria applied to FY2021:

STI gateways

- The Group maintaining ongoing aged care accreditation at all residential aged care homes (this was achieved); and
- No material breach of regulatory or compliance guidelines across the Group's business (this was achieved).

In assessing the gateways, the Board considered the Group's regulatory accreditation performance during the year, including improvement notices received for three homes, for which the related matters were promptly investigated and addressed.

An outline of the key STI performance metrics for FY2021 and the outcomes are set out below:

STI hurdles

Chris Price (CEO)

Target area	Performance requirement	Weighting	Outcome
Safety	• Deliver safe and effective COVID-19 management *Rationale: Incentive to deliver safe and effective practices for resident and staff wellbeing*	20%	Achieved
Regulatory	• Deliver improved aged care accreditation outcomes *Rationale: Incentive to deliver continuous improvement across quality standards for enhanced resident outcomes and compliance*	20%	Achieved
Operations	• Achieve a minimum targeted increase in occupied beds *Rationale: Incentive to maintain and grow revenue through improved occupancy to sustain/increase shareholder returns*	20%	Not achieved
	• Implement business model and value creation strategies *Rationale: Incentive to deliver sustainable operations and additional value to increase shareholder returns*	10%	Partly achieved
Finance	• Deliver a return on invested capital equal to or exceeding targeted rate *Rationale: Incentive to increase shareholder returns*	20%	Achieved
	• No breach of bank debt covenants or conditions *Rationale: Incentive to safeguard financial position and solvency*	10%	Achieved
		100%	

Anthony Rice (CFO/CIO)

Target area	Performance requirement	Weighting	Outcome
Finance	• Deliver a return on invested capital equal to or exceeding targeted rate *Rationale: Incentive to increase shareholder returns*	20%	Achieved
	• No breach of bank debt covenants or conditions *Rationale: Incentive to safeguard financial position and solvency*	20%	Achieved
Operations	• Implement business model and value creation strategies *Rationale: Incentive to deliver sustainable operations and additional value to increase shareholder returns*	20%	Partly achieved
	• Improve reporting and commercial insight *Rationale: Incentive to improve insight across the business to support decision making and increase shareholder returns*	10%	Achieved
Growth	• Deliver greenfield developments *Rationale: Incentive to deliver in-construction greenfield developments on time and within budget to improve occupancy and increase shareholder returns over the longer term*	15%	Achieved
Regulatory	• Achieve positive regulatory review outcomes *Rationale: Incentive to ensure accounting and financial reporting processes are contemporary to safeguard regulatory compliance*	15%	Achieved
		100%	

Lindon Le Griffon (COO)

Target area	Performance requirement	Weighting	Outcome
Safety	• Deliver safe and effective COVID-19 management *Rationale: Incentive to deliver safe and effective practices for resident and staff wellbeing*	30%	Achieved
Operations	• Achieve a minimum targeted increase in occupied beds *Rationale: Incentive to maintain and grow revenue through improved occupancy to sustain/increase shareholder returns*	20%	Not achieved
	• Achieve targeted service delivery and cost control improvements *Rationale: Incentive to deliver improved allied services and operating cost control to enhanced resident wellbeing and operating efficiencies*	20%	Partly achieved
	• Deliver revenue equal to or exceeding targeted rate *Rationale: Incentive to increase shareholder returns*	10%	Achieved
Regulatory	• Deliver improved aged care accreditation outcomes *Rationale: Incentive to deliver continuous improvement across quality standards for enhanced resident outcomes and compliance*	10%	Achieved
Finance	• Deliver a return on invested capital equal to or exceeding targeted rate *Rationale: Incentive to increase shareholder returns*	10%	Achieved
		100%	

When assessing the above performance metrics, the Board had regard to the impact of external factors (particularly COVID-19) on target outcomes, business priorities and executive workloads. It also applied its discretion to reduce STI awards in light of the Group's financial performance against the FY2021 budget.

LTI gateway and hurdles

The LTI gateway for FY2021 was no material breach of regulatory or compliance guidelines across the Group's business. This was achieved. Details of the hurdles applying to equity granted to executives in FY2021 for LTI purposes are set out in section 16.5.3 of this report.

16.3.3 Actual executive remuneration outcomes

Below is a summary of KMP remuneration outcomes for FY2021 and comparison with FY2020:

Executives	Total fixed remuneration paid[1] $'000	Remuneration received as equity[1,2] $'000	Total performance based remuneration awarded[1,3] $'000	Total remuneration received[1] $'000	Percentage of maximum potential performance based remuneration awarded[3] %
Chris Price (CEO)[4]					
FY2021	**733**	**34**	**180**	**947**	**50**
FY2020	580	114	-	694	-
Anthony Rice (CFO/CIO)[5]					
FY2021	**533**	**-**	**130**	**663**	**50**
FY2020	157	n/a	n/a	157	n/a
Lindon Le Griffon (COO)[6]					
FY2021	**396**	**-**	**77**	**473**	**50**
FY2020	136	n/a	n/a	136	n/a

1. Remuneration granted and/or received while a KMP.
2. One-off equity grant made in FY2020 which vested during FY2021.
3. Relates to STI only for FY2021. LTI for FY2021 remains on foot but is not yet eligible for award.
4. Appointed CEO on 20 March 2020 (previously CFO).
5. KMP from 20 March 2020.
6. KMP from 17 February 2020.

16.3 FY2021 executive remuneration outcomes continued

16.3.4 Business continuity arrangement

In light of the recent acquisition activity for the Company, the Board has sought to provide on-going stability for the business by introducing a business continuity arrangement for key executives. This arrangement involves a one-off, conditional deferred payment to retain employment through to end FY2022. Business continuity payments will be made to the relevant executives on 1 July 2022 subject to satisfactory performance and continued employment conditions being met. Executives will remain eligible to receive business continuity payments should the Company terminate their employment, without cause, prior to the payment date.

The KMPs' potential entitlements to business continuity payments are as set out below:

Executive	$'000
CEO	260
CFO/CIO	260
COO	96

16.3.5 Five year historical executive remuneration outcomes

Following is a table of historical performance incentive outcomes for executives over the last five years granted while a KMP:

	FY2021		FY2020		FY2019	FY2018	FY2017	
	STI	LTI[1]	STI	LTI	Incentive[2]	Incentive[2]	STI	LTI
CEO[3]								
Awarded	**50%**	**0%**	0%	0%	0%	0%	0%	0%
	$180,000[5]							
Forfeited	**50%**	**0%**	100%	100%	100%	100%	100%	100%
CFO/CIO[4]								
Awarded	**50%**	**0%**	n/a	n/a	n/a	n/a	n/a	n/a
	$130,000[5]							
Forfeited	**50%**	**0%**						
COO[4]								
Awarded	**50%**	**0%**	n/a	n/a	n/a	n/a	n/a	n/a
	$76,650[5]							
Forfeited	**50%**	**0%**						

1. FY2021 LTI has not been tested, to occur at the end of the performance period being 30 June 2024 or earlier where there is a change of control event for the Company.
2. Single incentive arrangement. Separate short-term and long-term incentive arrangements existed during other periods.
3. Appointed CEO on 20 March 2020 (previously CFO and a KMP).
4. KMP from 20 March 2020.
5. Amount received.

16.4 FY2022 executive remuneration framework settings

The Board has reviewed the executive remuneration framework which applied in FY2021 and concluded that, in the absence of the acquisition of the Company, it remains fit for purpose for FY2022.

The following decisions and changes apply to remuneration settings for FY2022, having regard to the current environment:

- a 2.25% increase in fixed remuneration for executives, which excludes a 0.50% legislated increase in Superannuation Guarantee;
- no change in the incentive opportunities (as a percentage of fixed remuneration) for executives;
- re-instatement of non-executive directors' fees to 2019 levels; and
- no change in the total fee pool from which non-executive directors are remunerated.

16.5 FY2021 executive remuneration framework

The executive remuneration framework adopted in FY2020 was largely retained for FY2021. This framework is designed to incorporate alignment with the position of shareholders and balance a focus on both short and long term performance with the need to both retain, motivate and reward executives appropriately for their contributions, taking into account the complexity, effort and outcomes required by the business in context of sectoral and other external factors including COVID-19.

The Board considered the appropriate balance between financial and non-financial measures in the practical application of the framework's principles for FY2021.

Executive remuneration comprised:

- Fixed remuneration:
  - Including base remuneration and employee benefits (on a total cost basis including any related Fringe Benefits Tax (**FBT**) charges), leave entitlements and employer contributions to superannuation.
- Performance based 'at risk' remuneration:
  - Separate STI and LTI components to be delivered as equity issued under the Company's Equity Incentive Plan (**EIP**), to reward executives for exceeding targets set by the Board.

A clinical quality (accreditation) gateway and a regulatory and compliance gateway applied for the award of STI entitlements, along with performance hurdles to ensure focus was maintained on quality outcomes and the wellbeing of residents across the Company's portfolio of homes.

A single regulatory and compliance gateway is used for the award of LTI entitlements, along with growth in earnings per share and total shareholder returns performance hurdles.

Executive arrangements

Executives are expected to own equity in the Company equivalent to at least one year's base salary. This can be acquired over a five year period and it is intended that equity incentives be the main conduit for this purpose.

Executives are employed under continuous service agreements which outline remuneration, employment and termination arrangements. Termination notice periods are set out below:

Executive	Termination notice period
CEO	12 months
CFO/CIO	6 months
COO	6 months

The Group may also terminate an executive's employment by payment in lieu of notice or without notice and payment in lieu for serious misconduct. On termination, executives are entitled to receive their statutory leave entitlements, together with any superannuation benefits.

16.5.1 FY2021 fixed remuneration

There was no increase in fixed remuneration for executives for FY2021.

The fixed remuneration for the CEO, Chris Price, was $720,000 per annum. Prior to becoming CEO on 20 March 2020, Mr Price was the CFO (and a KMP) on fixed remuneration of $538,000 per annum. The current CFO/CIO, Anthony Rice, and the COO, Lindon Le Griffon were KMP for all of FY2021 and for part of the prior year following their respective appointments during FY2020.

The total fixed remuneration paid to each executive while a KMP for FY2021 and in the prior year is set out below:

Executives	Cash salary[1] $'000	Super-annuation $'000	Fixed remuneration $'000	Other[2] $'000	Total fixed remuneration paid $'000
Chris Price (CEO)[3]					
FY2021	**695**	**25**	**720**	**13**	**733**
FY2020	543	25	568	12	580
Anthony Rice (CFO/CIO)[4]					
FY2021	**496**	**24**	**520**	**13**	**533**
FY2020	138	16	154	3	157
Lindon Le Griffon (COO)[5]					
FY2021	**350**	**33**	**383**	**13**	**396**
FY2020	120	12	132	4	136

1. Cash salary includes salary and leave entitlements paid during the year.
2. Other includes parking and other work related employee benefits.
3. Appointed CEO on 20 March 2020 (previously CFO).
4. KMP from 20 March 2020.
5. KMP from 17 February 2020.

16.5 FY2021 executive remuneration framework continued

16.5.2 FY2021 performance based remuneration

Short and long-term performance based incentive arrangements applied for FY2021.

The CEO and CFO/CIO were eligible to receive up to 50% of their fixed remuneration (pre employee benefits) in STIs while the COO was eligible to receive STI of up to 40% of his fixed remuneration (pre employee benefits). STI was targeted to be delivered as equity at the end of the performance year, with performance being assessed against a group of financial and non-financial performance metrics relevant to each executive. The Board subsequently applied its discretion under the STI plan and determined that awarded STI should be delivered in cash instead of equity, considering it an inappropriate time to issue or deal in the Company's shares in the midst of acquisition activity for the Company.

The CEO and CFO/CIO were also eligible to receive up to 100% of their fixed remuneration (pre employee benefits) in LTIs to be delivered as equity while the COO was eligible to receive an LTI of up to 60% of his fixed remuneration (pre employee benefits). Accordingly, performance rights were granted to executives which could vest as shares in the Company subject to the award of LTIs based on the achievement of both earnings per share and total shareholder returns growth hurdles, to be measured over a four-year performance period to 30 June 2024 or earlier where there is a change of control event for the Company. Details of the performance rights granted are shown in the table in section 16.8.3 of this report.

Common gateway measures are used to determine if executives can qualify to be awarded any performance based remuneration. Executives were required to meet regulatory and compliance guidelines for STI and LTI purposes, and ongoing aged care accreditation for STI purposes, as the gateway for FY2021. The Board has determined that STI gateways were achieved for FY2021, with the LTI gateway also being achieved and to be retested each year of the performance period.

Further details of performance based remuneration for FY2021 are provided in the executive remuneration framework tables in section 16.5.3 of this report.

There was no historical performance based incentive which vested or lapsed during FY2021 or remained eligible for vesting at 30 June 2021.

16.5.3 Further detail on FY2021 executive remuneration framework

Fixed remuneration

Amount	• Mid to upper quartile of a comparator group.
Delivery	• 100% cash payment comprising base salary and statutory superannuation contributions. • Parking and other work related employee benefits are also provided (calculated on a total cost basis including FBT).
Considerations	• Capability and experience. • Role scope and responsibilities. • Comparator group benchmarking. • Satisfactory performance review.
Objectives	• Attract and retain high calibre executives with exceptional skills and experience.

Short-term incentive (STI)

Amount	• Maximum potential STI of 40% to 50% of fixed remuneration (pre employee benefits).
Delivery	• 100% equity in the Company via the EIP (or cash at the Board's discretion). • Equity component delivered as restricted shares. Number of shares granted determined using the volume weighted average price (**VWAP**) of the Company's shares over the last 10 trading days of June 2021. • Restricted shares are subject to a 12 month vesting period from the date of grant. Vesting subject to continued employment unless otherwise determined by the Board (e.g. where employment ceased due to personal circumstances as a 'good leaver'). • Where there is a change of control event for the Company, the Board may accelerate vesting of restricted shares. If such an event occurs before the Board has acted, all restricted shares will immediately vest. • Cash amounts are unrestricted and payable at the end of the performance year.
Delivery continued	• STI is subject to forfeiture and clawback under the following circumstances: – material misstatement or omission in the Group's consolidated financial statements; – fraud, dishonesty or gross misconduct; – breach of obligations; – an act bringing disrepute to the Group; – conviction or judgement connected with the Group's affairs; or – requirement or entitlement by law or Company policy to reclaim remuneration.
Considerations	• Common gateways requiring achievement of ongoing aged care accreditation and regulatory and compliance guidelines. • Individual financial and non-financial performance hurdles reflecting the executives' position to influence outcomes and the achievement of desired Group outcomes. • Measured over a one year performance period (1 July 2020 to 30 June 2021) applying a balanced scorecard approach. • Award of STI is subject to final Board discretion which may include adjustments for extraordinary, unusual or other factors including where shareholder and other stakeholder expectations have not been met.
Objectives	• Incentivises achievement of prioritised and targeted short-term outcomes in key areas including growth, clinical quality and safety, regulatory compliance and operational improvement. • Encourages performance above and beyond "come-to-work" requirements subject to first achieving minimum 'gateway' standards. • Equity aligns executives with shareholders' interests and assists with retention through vesting arrangements.

Long-term incentive (LTI)

Amount	• Maximum potential LTI of 60% to 100% of fixed remuneration (pre employee benefits).
Delivery	• 100% equity in the Company via the EAP (or cash at the Board's discretion). • Equity is delivered upfront as performance rights granted under the EIP at nil consideration and can be converted to the same number of shares in the Company for nil consideration. • Number of performance rights granted determined using VWAP of the Company's shares over the last 10 trading days of June 2020. • Performance rights will lapse for termination of employment by cause or resignation unless otherwise determined by the Board (e.g. where employment ceased due to personal circumstances as a 'good leaver'). • Where there is a change of control event for the Company, the Board may accelerate vesting of performance rights. If such an event occurs before the Board has acted, a pro rata portion of the performance rights will vest, with the remainder to vest at the Board's discretion. • LTI is subject to forfeiture and clawback under the following circumstances: – material misstatement or omission in the Group's consolidated financial statements; – fraud, dishonesty or gross misconduct; – breach of obligations; – an act bringing disrepute to the Group; – conviction or judgement connected with the Group's affairs; or – requirement or entitlement by law or Company policy to reclaim remuneration.
Considerations	• Common gateway requiring achievement of regulatory and compliance guidelines to qualify for any LTI to vest. • Common performance hurdles requiring minimum compound annual growth in Group earnings per share (**EPS**) and/or total shareholder returns (**TSR**). • Measured over a four-year performance period (1 July 2020 to 30 June 2024). • A maximum of 60% of the performance rights may vest upon satisfaction of the EPS hurdle and 40% for satisfaction of the TSR hurdle.

16.5 FY2021 executive remuneration framework continued

16.5.3 Further detail on FY2021 executive remuneration framework continued

Long-term incentive (LTI) continued

Considerations continued

- Extent of award/vesting of LTI subject to level of growth achieved under each performance hurdle as follows:

EPS

Compound annual growth in EPS	% of LTI eligible to vest (pre-weighting)
Below 2%	Nil
2% to 4%	40% then increasing on a straight line basis
4% and above	100%

TSR

Compound annual growth in absolute TSR	% of LTI eligible to vest (pre-weighting)
Below 5%	Nil
5% to 8%	40% then increasing on a straight line basis
8% and above	100%

- Calculation and achievement of LTI hurdles are at the Board's discretion having regard to any matters considered relevant.
- Structured to be earnings per share and returns positive for shareholders.

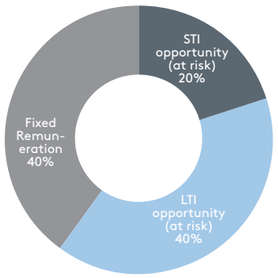
Objectives

- Incentivises achievement of growth in earnings, dividends and share price.
- Assist executives to own equity in the Company for alignment with shareholders' interests.
- Assist executive retention through long-term vesting arrangements.

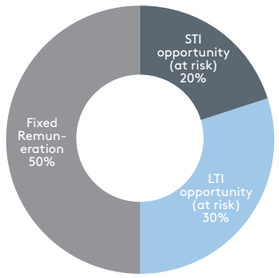
16.5.4 FY2021 remuneration mix

Below is the maximum potential remuneration mix for executives in FY2021 showing the fixed and performance based 'at risk' components:

CEO and CFO/CIO



COO



Note: The LTI opportunities depicted above were determined using the face value of granted performance rights at the beginning of FY2021. However, the fair value of the performance rights is used for statutory reporting purposes, based on a combination of the discounted cash flow method and a Monte-Carlo simulation.

16.6 Remuneration governance

16.6.1 Board & People, Culture and Remuneration Committee

The Board determines KMP remuneration with assistance from the People, Culture and Remuneration Committee (**Remuneration Committee**). The Remuneration Committee comprises non-executive directors of the Company who are independent of management and act in accordance with a Board approved charter. The Remuneration Committee seeks to strike an appropriate balance between the Group's various stakeholders in performing its role, as well as mitigating risk wherever possible.

The Remuneration Committee annually reviews and recommends to the Board:

- arrangements for executives including fixed and performance based 'at risk' remuneration, performance criteria and associated payments and awards; and
- arrangements for non-executive directors including remuneration, travel and other reimbursements.

In making its recommendations to the Board, the Remuneration Committee has particular regard for non-financial metrics including clinical quality, regulatory compliance and ethical standards. The Remuneration Committee monitors any staff and Group compliance breaches, including with assistance from the other Board committees.

Award of performance based remuneration is subject to the Board's final discretion. The Board may seek to exercise such discretion during circumstances where shareholder and other stakeholder expectations have not been met.

16.6.2 Remuneration recommendations

The Remuneration Committee considers comparator and other remuneration information from independent external providers as required. Such information is used for informed decision making purposes and is not a substitute for detailed consideration and debate of remuneration matters by the Remuneration Committee.

No remuneration recommendations were provided to the Group by external providers for FY2021.

16.6.3 Remuneration by gender

The Remuneration Committee reviews remuneration by gender at least annually and recommends to the Board strategies or changes to address any pay gaps. The remuneration for most staff is set under separately negotiated State based Enterprise Agreements and Awards which typically contain fixed annual increases and are gender neutral. The Group does not have banded remuneration levels for its other staff, with pay levels being position and not gender based. The Group's recruitment and remuneration practices are gender neutral.

16.7 Non-executive director remuneration

16.7.1 Non-executive director remuneration principles

Non-executive directors are remunerated for their services to the Group. The maximum aggregate amount of remuneration (**the fee pool**) payable to non-executive directors is approved by the Company's shareholders. Non-executive director remuneration comprises only fixed remuneration (including statutory superannuation contributions), with the maximum aggregate amount payable capped at $1,000,000 as determined by the Company's shareholders on 4 April 2014.

The Board annually determines the fees each non-executive director is entitled to receive from the fee pool having regard to remuneration benchmarking as well as the Group's historical earnings, shareholder outcomes and other stakeholder expectations. Such factors are balanced against the need to remain competitive on remuneration to attract and retain suitably skilled and experienced directors. The same comparator group used for executive remuneration benchmarking purposes is used for benchmarking non-executive director fees.

The Board Chairman and the Chairman of each standing committee of the Board typically receive fees commensurate with the additional duties and responsibilities of these roles. Non-executive directors do not participate in performance based remuneration and have no retirement benefit schemes other than receiving statutory superannuation contributions.

Non-executive directors are entitled to be reimbursed for reasonable travel and other expenses incurred in discharging their duties including attending Board, committee and general meetings.

The Board has adopted a policy requiring non-executive directors to hold shares in the Company equivalent to at least one year's base director's fees which can be acquired over a five year period following appointment. This policy seeks to further align the interests of non-executive directors with shareholders more generally. The Company operates a voluntary share purchase plan to assist non-executive directors in building their shareholdings in the Company. All non-executives met the shareholding policy requirement for FY2021.

16.7.2 FY2021 non-executive director remuneration

Total non-executive director fees for FY2021 were $515,000 (FY2020: $730,000). The annualised fees were as follows:

- $200,000 to the non-executive Chairman (FY2020: $250,000);
- $84,000 to each other non-executive director (FY2020: $105,000); and
- an additional $16,000 to the Chairman of each standing committee of the Board (FY2020: $20,000).

16.7 Non-executive director remuneration continued

16.7.2 FY2021 non-executive director remuneration continued

Total fees were lower in FY2021 due to:

- the retirement of Richard England as a non-executive director on 1 September 2020; and
- the Board reducing non-executive director fees by 20% effective from 1 July 2020.

There was no change in the fee pool for FY2021.

Non-executive directors	Board fees earned $'000	Committee Chairman fees earned $'000	Total fees earned $'000
Linda Bardo Nicholls AO (Chairman)			
FY2021	**200**	**-**	**200**
FY2020	250	-	250
JoAnne Stephenson			
FY2021	**84**	**16**	**100**
FY2020	105	20	125
Leanne Rowe AM			
FY2021	**84**	**16**	**100**
FY2020	105	20	125
David Blight			
FY2021	**84**	**13**	**97**
FY2020	105	-	105
Richard England (retired 1 September 2020)			
FY2021	**15**	**3**	**18**
FY2020	105	20	125

16.7.3 Statutory disclosure of non-executive director remuneration outcomes

Non-executive director remuneration included within employee benefits expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for FY2021 follows:

	Short-term benefits		Post-employment benefits	
Non-executive directors	Fees paid $'000	Non-monetary benefits paid $'000	Superannuation benefits paid $'000	Total fees $'000
Linda Bardo Nicholls AO (Chairman)				
FY2021	**200**	**-**	**-**	**200**
FY2020	239	-	11	250
JoAnne Stephenson				
FY2021	**91**	**-**	**9**	**100**
FY2020	114	-	11	125
Leanne Rowe AM				
FY2021	**91**	**-**	**9**	**100**
FY2020	114	-	11	125
David Blight				
FY2021	**97**	**-**	**-**	**97**
FY2020	100	-	5	105
Richard England (retired 1 September 2020)				
FY2021	**17**	**-**	**1**	**18**
FY2020	114	-	11	125
Total				
FY2021	**496**	**-**	**19**	**515**
FY2020	681	-	49	730

16.8 Other statutory disclosures

16.8.1 Total executive remuneration

The remuneration of executives calculated in accordance with applicable accounting standards for FY2021 follows:

	Short-term benefits			Post-employment benefits				Performance based ('at risk')[1]		
Executives	Salary paid $'000	Non-monetary benefits paid $'000	Other monetary benefits accrued[2] $'000	Super-annuation benefits paid $'000	Annual leave entitle-ments accrued $'000	Long-service leave entitle-ments accrued $'000	Total fixed remun-eration $'000	Payable in cash $'000	Share-based payments accrued[3] $'000	Total fixed and perfor-mance based remun-eration $'000
Chris Price (CEO)										
FY2021	**647**	**13**	**16**	**25**	**51**	**44**	**796**	**180**	**93**	**1,069**
FY2020[4]	529	12	-	25	39	11	616	-	114	730
Anthony Rice (CFO/CIO)										
FY2021	**470**	**13**	**16**	**24**	**37**	**-**	**560**	**130**	**42**	**732**
FY2020[5]	147	3	-	16	11	-	177	-	-	177
Lindon Le Griffon (COO)										
FY2021	**341**	**13**	**6**	**33**	**27**	**-**	**420**	**77**	**19**	**516**
FY2020[6]	128	4	-	12	10	-	154	-	-	154
Total										
FY2021	**1,458**	**39**	**38**	**82**	**115**	**44**	**1,776**	**387**	**154**	**2,317**
FY2020	1,321	27	-	72	101	(75)	1,446	-	255	1,701

1. Granted while a KMP.
2. Pro rata accruals for business continuity payments due on 1 July 2022 subject to satisfaction of certain conditions.
3. Calculated using the discounted cash flow method in combination with a Monte-Carlo simulation (for the TSR component of performance rights) in accordance with AASB 2 *Share-based payments* (see Note D3 to the Company's 2021 Consolidated Financial Statements).
4. Appointed CEO on 20 March 2020 (previously CFO).
5. KMP from 20 March 2020.
6. KMP from 17 February 2020.

Details of the remuneration of executives, prepared in accordance with statutory obligations and accounting standards, are set out in the preceding table (**Executive Remuneration Table**).

16.8 Other statutory disclosures continued

16.8.1 Total executive remuneration continued

The key difference between executive remuneration amounts presented in section 16.3.3 of this report and the Executive Remuneration Table is that the former shows actual entitlements received during a year and the latter requires that the movement in leave provisions and accrued but yet to be awarded amounts to be recognised in the consolidated financial statements as part of the executives' employee benefit expense. A reconciliation between the two tables is set out below:

		Reconciliation to statutory total fixed and performance based remuneration for executives			
Executives	Total remuneration received by executives[1] $'000	Movement in leave provisions $'000	Accrued business continuity payments $'000	Unvested LTI $'000	Total fixed and performance based remuneration statutory $'000
Chris Price (CEO)					
FY2021	**947**	**47**	**16**	**59**	**1,069**
FY2020	694	36	-	-	730
Anthony Rice (CFO/CIO)					
FY2021	**663**	**11**	**16**	**42**	**732**
FY2020	157	20	-	-	177
Lindon Le Griffon (COO)					
FY2021	**473**	**18**	**6**	**19**	**516**
FY2020	136	18	-	-	154

1. Reflects fixed remuneration paid, remuneration received as equity and performance based remuneration awarded.

16.8.2 KMP shareholdings in the Company

The movement during the year in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each KMP, including their related parties, follows:

	Held at 1 July 2020 No. of shares	Acquired during FY2021 No. of shares	Sold during FY2021 No. of shares	Held at 30 June 2021 No. of shares	Nominally held at 30 June 2021 No. of shares
Executives					
Chris Price (CEO)	-	**131,894[2]**	**-**	**131,894**	**131,894**
Anthony Rice (CFO/CIO)	-	**98,040[2]**	**-**	**98,040**	**98,040**
Lindon Le Griffon (COO)	-	**-**	**-**	**-**	**-**
Non-executive directors					
Linda Bardo Nicholls AO	244,022	**12,903**	**-**	**256,925**	**149,873**
JoAnne Stephenson	60,095	**-**	**-**	**60,095**	**12,000**
Leanne Rowe AM	114,000	**-**	**-**	**114,000**	**114,000**
David Blight	90,000	**-**	**-**	**90,000**	**90,000**
Richard England1	79,300	**-**	**-**	**n/a**	**n/a**

1. KMP during FY2021 from 1 July 2020 to 1 September 2020.
2. Received through vesting of performance rights and subject to dealing restrictions until the earlier of ceasing employment or 30 September 2021.

16.8.3 Analysis of movements in equity instruments held by KMP

The movement during the year in equity instruments held directly, indirectly or beneficially by each KMP, including their related parties, follows:

	Grant date	Vesting date	Held at 1 July 2020 No. of securities[1]	Granted No. of securities[1]	Exercised No. of securities[1]	Forfeited No. of securities	Held at 30 June 2021 No. of securities[1]	Vested during FY2021 No. of securities[1]	Vested and exercisable at 30 June 2021 No. of securities[1]
Rights[2]									
Chris Price (CEO)	11/12/20	30/06/24	131,894	-	(131,894)	-	**-**	**131,894**	**-**
	14/10/19	30/09/20	-	1,440,000	-	-	**1,440,000**	**-**	**-**
Anthony Rice (CFO/CIO)	11/12/20	30/06/24	98,040	-	(98,040)	-	**-**	**98,040**	**-**
	14/10/19	30/09/20	-	1,040,000	-	-	**1,040,000**	**-**	**-**
Lindon Le Griffon (COO)	11/12/20	30/06/24	-	459,900	-	-	**459,900**	**-**	**-**

1. Granted, exercised or held while a KMP.
2. All rights are for ordinary shares of the Company, which are exercisable on a one-for-one basis. They are performance rights granted under the Company's EIP.

Non-executive directors, including their related parties, are not entitled to receive equity instruments from the Company.