

Corporate Governance Statement

Year ended 30 June 2018

This Corporate Governance Statement (Statement) of Integral Diagnostics Limited (IDX) has been prepared in accordance with the Australian Securities Exchange's (ASX) Corporate Governance Principles and Recommendations (third edition) of the ASX Corporate Governance Council (the Recommendations). Pursuant to ASX Listing Rule 4.10.3, this Statement discloses the extent to which the Company has followed the recommendations during the financial year for year ended 30 June 2018. Noting where the Company's practices depart from a Recommendation, this Statement identifies the area of divergence and any alternative practices adopted by the Company. The Board considered and applied the Recommendations taking into account the circumstances of the Company.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX.

This Statement was approved by the Board of Directors (Board) and is current as at 22 August 2018.

The Board and Management are committed to acting responsibly, ethically and with high standards of integrity. The Company is committed to implementing the highest standards of corporate governance appropriate to it, taking into account the group's size, structure and nature of its operations.

The Board has established a number of corporate governance documents consistent with the Recommendations, which form the basis of the Company's Corporate Governance Framework. These documents are referenced in this Corporate Governance Statement where appropriate, and are as follows:

- Board Charter and Relationship with Management;
- Audit, Risk and Compliance Committee Charter;
- People and Remuneration Committee Charter;
- National and State Clinical Leadership Committee Charter;
- Nomination Committee Charter;
- Continuous Disclosure Policy;
- Diversity Policy;
- Securities Dealing Policy; and
- Code of Conduct.

With the acquisition of the New Zealand businesses on 2 July 2018, the National Clinical Leadership Committee will be known as the Integral Clinical Leadership Committee.

These documents are available on the Integral Diagnostics website in the 'Investors' section and 'Corporate Governance' subsection at <http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: A listed entity should disclose: (a) the respective roles and responsibilities of its Board and Management; and (b) those matters expressly reserved to the Board and those delegated to management.

The Board has adopted a written Charter to provide a framework for the effective operation of the Board, which sets out the:

- Board composition and processes;
- Board's role and responsibilities;
- Relationship and interaction between the Board and Management; and
- Authority Delegated by the Board to Management and Board Committees.

Pursuant to the Charter, the Board's role is to:

- Represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- Protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;

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- Set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards);
- Ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs;
- Review the size and composition of the Board, including reviewing the Board's succession plans and the succession of the Chair and Chief Executive Officer;
- Review the criteria for Board membership, including the necessary and desirable competencies of Directors and the time to be committed by Non-Executive Directors to Integral Diagnostics' affairs;
- Ensure the performance of the Board, its Committees and individual Directors are adequately reviewed and develop and implement plans to identify, assess and enhance Director competencies.

The Board is committed to a high standard of corporate governance practice and fosters a culture of compliance which values ethical behaviours, integrity, teamwork and respect for others. Accordingly, the Board has created a framework for managing Integral Diagnostics, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for Integral Diagnostics' business and which are designed to promote the responsible management and conduct of Integral Diagnostics.

The Charter clearly outlines matters expressly reserved for the Board's determination and those matters delegated to Management.

The Board has delegated the day-to-day management of the Company and the authority to control the affairs of Integral Diagnostics in relation to all matters other than those responsibilities reserved to itself in its Charter to the Managing Director/Chief Executive Officer. The Managing Director/Chief Executive Officer is supported by Senior Management which is responsible for implementation of Board directed strategies at an operational level. Management must supply the Board with information in a form, time frame and quality that will enable the Board to discharge its duties effectively and the delegations of authority are reviewed by the Board on an annual basis.

A copy of the Company's Board Charter can be found on the Company's website <http://www.integraldiagnostics.com.au/page/forinvestors/corporate-governance>

Recommendation 1.2: A listed entity should: (a) 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.

Before appointing a Director, or putting forward to shareholders a Director for appointment, the Company procures comprehensive reference checks that cover elements such as the person's character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of Director by the Australian Securities and Investments Commission (ASIC).

A Director that has been appointed during the year must stand for election at the next Annual General Meeting (AGM). Directors are generally appointed for a term of three years. Retiring Directors are not automatically re-appointed.

The Company provides to shareholders for their consideration, information about each candidate standing for election or re-election as a Director that the Board considers necessary for shareholders to make a fully informed decision. Such information is included in the explanatory memorandum to the notice of AGM and includes the person's biography, inclusive of experience and qualifications, details of other directorships, and whether the Board supports the appointment or re-election.

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Recommendation 1.3: A listed entity should have a written agreement with each Director and Senior Executive setting out the terms of their appointment.

The terms of the appointment of a Non-Executive Director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required Committee work and other special duties, requirement to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

All Executive Directors and Senior Executives are issued with written agreements which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable to the Board through the Chair on all Board matters and is accessible to all Directors. The Company Secretary is responsible for all matters relating to the proper functioning of the Board, including coordination of all Board business; agendas, Board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. The Company Secretary has a written position description and employment agreement.

Recommendation 1.5: A listed entity should: (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 as at the end of each reporting period the 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: (1) the respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation (including how the entity has defined 'Senior Executive' for these purposes); or (2) 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.

The People and Remuneration Committee is responsible for the review of the effectiveness of the Diversity Policy in accordance with its Charter. The Company has a Diversity Policy which requires the Board to consider measurable objectives for achieving gender diversity and to assess the objectives and the Company's progress towards achieving them on an annual basis.

A copy of the Company's Diversity Policy can be found on the Company's website.
<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

The Policy aims to drive the Company's ability to attract, retain, motivate and develop the best talent, create an engaged and inclusive workforce, deliver the highest quality services to its patients and referrers and continue to grow the business. It also aims to address the representation of women in Senior Management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure.

The Board continues its commitment to the measurable objectives for gender diversity set in 2016, those being:

1. A minimum target of 30% female representation at Board level;
2. A minimum target of 30% female representation to be achieved at Executive and Senior Management levels; and
3. At least 50% of shortlisted candidates for Board, Executive and Senior Management positions are to be female.

The Company achieved its minimum female representation levels however was unable to meet shortlisted female candidate targets on the Executive and Senior Management positions filled during the period. The Company outperformed on its target of at least 50% of shortlisted candidates for a Board position being female. Specifically the Company:

- Achieved 43% female representation at Board level
- Achieved 30% female representation at Executive/Senior Management level
- Achieved 67% female shortlisted candidates for the Non-Executive Director Board position
- Achieved 10.5% female shortlisted candidates for Executive/Senior Management positions

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The breakdown of gender within the organisation is listed below:

| Level in the organisation | Proportion of females | Proportion of males |
|--------------------------------|-----------------------|---------------------|
| Board | 43% | 57% |
| Executives ¹ | 50% | 50% |
| Senior Management ² | 33% | 67% |
| Whole organisation | 75% | 25% |

1. Executives include the following positions: Managing Director/Chief Executive Officer and Chief Financial Officer.

2. Senior Management includes the following positions: General Managers, Financial Controller, Human Resources Director, National IT Manager and Group Risk Manager.

It is noted that the Company has a high proportion of women in its workforce and the Board will continue to review annually the measurable objectives it has set for gender diversity, with a view to increasing diversity at Board, Executive and Senior Management levels through a range of strategies.

Recommendation 1.6: 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 the reporting period in accordance with that process.

A comprehensive formal performance evaluation process has been established and is documented for the Board, each of its Committees, the Chair and each individual Director.

Performance is formally evaluated annually as well as informally on an on-going basis to thoroughly assess effectiveness at every level and identify opportunities for improvement. The Nomination Committee has outlined a multi-year plan utilising a mixture of extensive survey tools to ascertain quantitative data alongside qualitative insights which is followed up with interview based discussion with individual Directors and discussion by the Board as a whole; an interview based methodology and using an external consultant to manage the process which will also facilitate comparative evaluation against other Boards. The multi-year plan recommends the processes to be utilised each year and is designed to build on assessments during prior periods and to provide benchmarking.

The process for the Board, each Committee, the Chair and each individual Director during the financial year ended 30 June 2018 was completed in October 2017. An extensive 1:1 interview process was held with set evaluation questions and a formal summary report provided for the Board and each Committee. This was followed up with discussion with each Committee, individual Directors and the Board based on the performance evaluation.

The performance of individual Directors was discussed by the Chair with each Director; and in the case of the Chair, by the Chair of the People and Remuneration Committee.

Recommendation 1.7: 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 that process.

The People and Remuneration Committee (**PRC**), in accordance with its Charter, reviews the Senior Management performance assessment processes. The Executive and Senior Management evaluation process comprises annual financial and non-financial key performance indicators (**KPIs**), a formal performance evaluation and discussion throughout the year. All KPIs for Executives are considered by the PRC and approved by the Board.

A documented performance evaluation for all Executives and Senior Management was completed in August 2017. This did not include the Managing Director/Chief Executive Officer, who had recently commenced in the role, or the Chief Financial Officer, who had resigned earlier and was departing the Company at the end of August 2017.

A further documented performance evaluation for all Executives and Senior Management, including the Managing Director/Chief Executive Officer and the Chief Financial Officer, commenced in May 2018 and was completed in July 2018. It comprised a comprehensive 360 degree feedback process. Raters for the Executive, including the CEO, comprised all Board members, clinicians, peers/colleagues and direct reports. The PRC reviewed the 360 degree feedback reports on each person.

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Principle 2: Structure the Board to add value

Recommendation 2.1: The Board of a listed entity should: (a) have a Nomination 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 of 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 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 has a Nomination Committee (NomCo) which assists the Board in carrying out its responsibilities, as set out in the Nomination Committee Charter. The composition of the NomCo consists of three (3) members, all of whom are Non-Executive Directors and all of whom are independent Directors. The NomCo is chaired by an independent Director.

Current members of the Committee are:

| Names | Title | Independence |
|-------------------|--------------------------------|--------------|
| Helen Kurincic | (Chair) Non-Executive Director | Independent |
| John Atkin | Non-Executive Director | Independent |
| Rupert Harrington | Non-Executive Director | Independent |

A copy of the Nomination Committee Charter can be found on the Company's website:

<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>. Details of the NomCo's member's qualifications and meeting attendances are set out in the Directors Report contained in the Annual Report.

Recommendation 2.2: 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 Board has reviewed its Board Skills Matrix that sets out the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It has been used when recruiting new Directors and assessing which skills need to be outsourced based on the attributes of the current Board members.

| Skill and experience category | Description of attribute | Current board representation |
|--|---|------------------------------|
| Board experience and governance | Demonstrated commitment to highest standards of governance including experience with companies subject to rigorous governance standards and member of a governance body. | Five Directors |
| Executive leadership | Sustainable success in business at a Senior Executive level in relevant sectors including health, IT, finance, consumer and professional services. | Five Directors |
| Healthcare sector experience | Experience as a medical professional, Senior Executive or deep Board experience in the health care services sector. | Five Directors |
| Strategy development | Experience in developing, implementing and challenging a plan of action designed to achieve the long-term goals of the Company. | Five Directors |
| Financial and risk management | Experience in financial accounting and reporting, corporate finance and internal controls and/or experience in business risk management. Includes the ability to probe the adequacy of financial and risk controls. | Five Directors |
| Quality and safety | Experience related to work health and safety governance and/or quality and safety clinical governance. | Seven Directors |
| Regulatory and public policy | Experience in Government relations, public and regulatory policy or qualified legal professional. | Three Directors |
| Business acquisition and integration | Experience in M&A and implementation/business integration | Five Directors |
| Remuneration, organisational development and human resources | Board Remuneration Committee membership or management experience in relation to remuneration, organisational development and human resource management. | Five Directors |
| Technology strategy and governance | Knowledge and experience in IT, information management and digital strategies. | Five Directors |

1. Number of Directors where skills, experience or expertise were assessed as high or medium.

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The Board believes that its membership adequately represents the required skills as set out in the matrix.

Recommendation 2.3: 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; and (c) the length of service of each Director.

Outlined below are the names of current Directors, independence status and length of service:

| Names | Title | Independence | Length of service |
|-----------------------------|---|-----------------|------------------------|
| Helen Kurincic | Chair, Non-Executive Director | Independent | 3.5 years ² |
| Dr Ian Kadish | Managing Director/Chief Executive Officer | Non-Independent | 1 year |
| Dr Chien Ho ¹ | Executive Director | Non-Independent | 10 years ² |
| Dr Sally Sojan ¹ | Executive Director | Non-Independent | 4 years ² |
| John Atkin | Non-Executive Director | Independent | 3 years |
| Rupert Harrington | Non-Executive Director | Independent | 3 years |
| Raelene Murphy | Non-Executive Director | Independent | 1 year |

1. Full-time radiologists employed by Integral Diagnostics Limited.

2. Director of Lake Imaging Holdings Pty Ltd, prior to the Company's name change to Integral Diagnostics Limited.

Biographies of the Directors are published on the Company's website at <http://www.integraldiagnostics.com.au/page/who-weare/our-directors>

The Board Charter sets out guidelines to assist in considering the independence of Directors and the Board considers a Director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment.

The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Non-Executive Director in light of information disclosed to the Board and reviews the Director's standing disclosure of interests register at each Board meeting.

Recommendation 2.4: A majority of the Board of a listed entity should be independent Directors.

The majority of the Board are independent Directors. The Board currently consists of four (4) independent Non-Executive Directors and three (3) Executive Directors (Managing Director/Chief Executive Officer and two (2) employed radiologists).

Doctors Chien Ho and Sally Sojan are employed radiologists and as such, provide deep knowledge and medical expertise in diagnostic imaging. The Board believes they bring objective judgement to the Board's deliberations and that each of the non-independent Directors makes invaluable contributions through their deep understanding of Integral Diagnostics' business.

Recommendation 2.5: 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.

Ms Helen Kurincic is Chair of the Board and is a Non-Executive independent Director of the Company. Dr Ian Kadish is the Managing Director/Chief Executive Officer.

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Recommendation 2.6: 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.

The Nomination Committee is responsible for the induction program and for providing appropriate professional development opportunities for Directors to enable them to develop and maintain the necessary skills and knowledge to perform their roles effectively.

A documented induction program is in place and is reviewed annually by the Committee. Directors have previously participated in the induction program which has included meetings with Directors, executives, management and radiologists, operational site visits and provision of documents such as plans, policies and other Board reference documents.

Directors have participated in ongoing professional development opportunities. This has included completion of site visits throughout the course of each year, attendance at the Company's National Clinical Conference, and briefings from external experts on relevant regulatory, industry and legal developments.

Principle 3: Act ethically and responsibly

Recommendation 3.1: 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 Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct that outlines how Integral Diagnostics expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of Integral Diagnostics including temporary employees, contractors and Directors must comply with the Code of Conduct.

A copy of the Company's Code of Conduct can be found on the Company's website.
<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1: The Board of a listed entity should: (a) have an audit Committee which: (1) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors; and (2) is chaired by an independent Director, who is not the Chair of the Board, and disclose: (3) the Charter of the Committee; (4) the relevant qualifications and experience of the members of the Committee; and (5) 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 the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board maintains a combined Audit, Risk and Compliance Committee (**ARCC**) to assist the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities.

The composition of the ARCC consists of four (4) members, all of whom are Non-Executive Directors and all are independent Directors. The ARCC is chaired by an independent Director, who is not the Chair of the Board.

Current members of the Committee are:

| Names | Title | Independence |
|--------------------------------|---|--------------|
| Raelene Murphy ¹ | Committee Chair, Non-Executive Director | Independent |
| Rupert Harrington ¹ | Non-Executive Director | Independent |
| Helen Kurincic | Non-Executive Director | Independent |
| John Atkin | Non-Executive Director | Independent |

1. Raelene Murphy was appointed chair of the ARCC upon her appointment as a Non-Executive Director on 1 October 2017. Rupert Harrington was Chair of the ARCC until 1 October 2017.

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A copy of the Audit, Risk and Compliance Committee Charter can be found on the Company's website:

<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

The members have between them sufficient accounting and financial knowledge, and sufficient understanding of the industry in which the Company operates, to effectively discharge the Committee's responsibilities. Details of the ARCC member's qualifications are set out in the Directors Report contained in the Annual Report.

Details of meeting attendance for members of the ARCC are set out in the Directors Report contained in the Annual Report. The CEO, Executives and other employees and external parties, may be invited to provide information or reports or attend Committee meetings as required.

Recommendation 4.2: 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.

Prior to Board approval of the financial statements for a financial period the Managing Director/Chief Executive Officer and the Chief Financial Officer of Integral Diagnostics provide the Board with such declarations and in accordance with section 295A of the Corporations Act.

Recommendation 4.3: 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 external auditor, PricewaterhouseCoopers (PwC), attends the AGM and is available to answer shareholder questions relevant to the audit.

The Company considers that this is important in promoting and encouraging shareholder participation and reflects and supports the role of the auditor and the auditor's accountability to shareholders.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: 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.

Listing rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to the ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the *Corporations Act 2001*.

The Company maintains a written Continuous Disclosure Policy which outlines the responsibilities and procedures relating to:

- The Company's continuous disclosure obligations under the ASX Listing Rules and Corporations Act (2001); and
- How Integral Diagnostics employees are required to deal with potentially price-sensitive information, and communications with external stakeholders such as the media, security holders and the community to ensure that the Company meets its continuous disclosure obligations.

It is the Company's policy to ensure that all market participants have an equal opportunity to review and access material information made available by the Company, and that the Company complies with both the letter and spirit of its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Continuous Disclosure Policy sets out the procedures that apply to the collection, control, assessment and where required, release to the ASX of material information.

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

<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

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Principle 6: Respect the rights of security holders

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

One of the Company's key communication tools is its website. The Company endeavours to keep its website up to date. Important information about the Company in relation to governance documents, Directors and Executives, Board and Committee Charters, annual reports, ASX announcements and contact details can be found on its website.

Recommendations 6.2 and 6.3: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2). A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

Integral Diagnostics aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time.

In order for the investors to gain a greater understanding of the Company's business, governance practices, financial performance and future prospects, the Company has implemented an Investor Relations Program.

The Company schedules interaction during the year where it engages with institutional and private investors, analysts and the financial media. Scheduled interactions take place following the announcement of half year and full year results. Where presentations are given to shareholders at institutional investor events, Integral Diagnostics discloses any presentations provided to ASX prior to the time of the presentation.

Meetings and discussion with analysts must be approved by the Managing Director/Chief Executive Officer and are conducted by the Managing Director/Chief Executive Officer and the Chief Financial Officer. The discussions are restricted to explanation of information already within the market or which deal with non-price sensitive information. These meetings are not held within the blackout period which commences at the half year period end dates, 31 December and 30 June, in advance of the release of interim or full year results.

The Company encourages shareholders to attend the Company's Annual General Meeting and are provided with explanatory notes on the resolutions proposed through the Notice of Meeting. A copy of the Notice of Meeting is also posted on the Company's website and lodged with the ASX.

In addition, a document is enclosed with the notice of meeting to invite shareholders to submit questions of the Board, management or the auditors prior to the Annual General Meeting so that they may be answered during the meeting.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the Notice of Meeting, all shareholders are eligible to vote on all resolutions. The transcripts of the Chair and Managing Director/Chief Executive Officer's address, together with the results of the Annual General Meeting, will be provided to the ASX and also be posted on the Company's website.

Recommendation 6.4: 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 provides shareholders with the option of receiving communications from, and sending communications to, the Company and Share Registry electronically. All shareholders are advised that the Annual Report can be found on the Company's website.

The Company's share register is managed and maintained by Computershare Investor Services Pty Ltd (Computershare). Shareholders can elect to receive email notifications when the Annual Report and certain other information is posted to the Company's website. Shareholders can communicate with the Company or Computershare by mail, telephone, email or online via the Computershare Investor Centre portal.

Shareholders may choose to receive communications from and send communications to the Company and Computershare electronically.

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Shareholders can access their shareholding details or make enquiries about their shareholding electronically through the link provided on the Integral Diagnostics website in the Investors section, or through the Computershare's website at <http://www.computershare.com/au>

Principle 7: Recognise and manage risk

Recommendations 7.1: 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 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 the 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 maintains a combined Audit, Risk and Compliance Committee (ARCC). The members of the Committee are detailed in Recommendation 4.1 above.

A copy of the Audit, Risk and Compliance Committee Charter can be found on the Company's website. <http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

The Charter includes the Committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities.

The Company also has an established Clinical Leadership Committee to promote and support a collegiate culture across all practices and to provide advice on clinical governance matters including patient care, clinical standards and quality assurance. The Integral Clinical Leadership Committee's Charter can be found on the Company's website. <https://www.integraldiagnostics.com.au/page/for-investors/corporate-governance/>

Details of the ARCC members' qualifications and meeting attendances are set out in the Directors Report contained in the Annual Report.

The Managing Director/Chief Executive Officer, Executives and other employees and external parties, may be invited to provide information or reports or attend the Committee meeting as required.

Recommendation 7.2: 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, Risk and Compliance Committee and the Board have reviewed and updated the Company's Enterprise Risk Management Framework during the period. This review occurs annually or more regularly as required. The Audit, Risk and Compliance Committee and the Board also reviewed risk appetite statements and measures for each of its risk categories and reviewed the Company's material business risk assessments during the period.

Recommendation 7.3: 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 has an internal audit function. The head of Internal Audit function is jointly accountable to the Audit, Risk and Compliance Committee and Chief Financial Officer. In performing their work, Internal Audit has unrestricted access to review all aspects of the Group's operations. The Audit, Risk and Compliance Committee has reviewed the effectiveness and the performance of the internal audit, approved the Annual Internal Audit plan, reviewed internal audit reports completed and agreed actions, and ensured that planned audit activities are in alignment to business risks. A risk based methodology is used in setting the annual internal audit plan.

Further details of what role the internal audit function performs can be found within the Audit, Risk and Compliance Committee Charter on the Company's website <http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

Corporate Governance Statement continued

Year ended 30 June 2018

Recommendation 7.4: 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.

The Company does not have any material exposure to environmental and social sustainability risks. The Company's material exposure to economic risk includes regulatory policy changes and technological developments.

The Company manages this by maintaining strong relationships into Government and the industry. The Company attends the Australian Diagnostic Imaging Association (ADIA) meetings, which continues to work with Government to contribute to policy and funding decisions. The Company is positioned to capitalise on technological advancement as it participates in several clinical trials with our vendors, while at the same time maintaining current software platforms through our service contracts.

Refer to the Operating and Financial Review which is contained in our 2018 Annual Report and commentary at Recommendations 7.1 and 7.2 for information on the Company's Risk Management Framework.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: 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 of 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 the 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 has established a People and Remuneration Committee to assist the Board with discharging its responsibilities to shareholders with regard to developing and monitoring remuneration policies and practices for the Board, the Managing Director/Chief Executive Officer, the Chief Financial Officer and Senior Executives.

The composition of the People and Remuneration Committee currently consists of three (3) members, all of whom are Non-Executive Directors and all of whom are independent Directors. The Committee is chaired by an independent Director, who is not the Chair of the Board. Current members of the Committee are:

| Names | Title | Independence |
|-------------------|--------------------------------|--------------|
| John Atkin | (Chair) Non-Executive Director | Independent |
| Helen Kurincic | Non-Executive Director | Independent |
| Rupert Harrington | Non-Executive Director | Independent |

A copy of the People and Remuneration Committee Charter can be found on the Company's website.
<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>

Details of meeting attendance for members of the People and Remuneration Committee are set out in the Directors Report contained in the Annual Report. The Managing Director/Chief Executive Officer, Senior Executives and other employees and external parties, may be invited to provide information or reports or attend the Committee meeting as required.

Recommendation 8.2: 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.

Refer to the Remuneration Report, which is contained within our 2018 Annual Report. The Remuneration Report discloses the policies and practices regarding remuneration of Non-Executive Directors and Key Management Personnel.

Corporate Governance Statement continued

Year ended 30 June 2018

Recommendation 8.3: 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 that policy or a summary of it.

The Company established an equity-based remuneration scheme during the year and received shareholder approval for the scheme at the 2017 Annual General Meeting. Any dealing in respect of an incentive is prohibited unless the Board determines otherwise or the dealing is required by law and the participant has provided satisfactory evidence to the Company of that fact, and it is in accordance with the Company's Securities Dealing Policy. The Securities Dealing Policy specifically states that Company securities acquired under a director or employee incentive plan must never be hedged prior to the vesting and that hedging includes entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities. A copy of the Policy can be found on the Company's website.

<http://www.integraldiagnostics.com.au/page/for-investors/corporate-governance>