

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

VIRTUS HEALTH LIMITED

ABN / ARBN:

80 129 643 492

Financial year ended:

30 JUNE 2016

Our corporate governance statement for the above period above can be found at:

- These pages of our annual report:
- This URL on our website: <https://www.virtushealth.com.au/investor-centre/announcements>

The Corporate Governance Statement is accurate and up to date as at **19 August 2016** and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: **19 August 2016**

Name of Director or Secretary authorising lodgement: Glenn Powers – Company Secretary

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<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Board Charter at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> detailed at 1.2(a) Corporate Governance Statement 1.2(b) All material information relevant to a decision on whether to elect or not elect or re-elect a director is contained in the Company's AGM notice of Meeting at <a href="http://virtushealth.com.au/investor-centre/agm">http://virtushealth.com.au/investor-centre/agm</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> in our Board Charter at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>1.5 A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(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</p> <p>(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.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> details of the outcomes of the performance evaluation undertaken during the year for the CEO and senior executives can be found in the Remuneration Report in the Annual Report. Refer <a href="https://www.virtushealth.com.au/investor-centre/announcements">https://www.virtushealth.com.au/investor-centre/announcements</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>2.1(a)(4) Corporate Governance Statement</p> <p>2.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="https://www.virtushealth.com.au/investor-centre/announcements">https://www.virtushealth.com.au/investor-centre/announcements</a></p> <p>Note : The Committee is a combined Nomination and Remuneration Committee</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>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.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
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.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here] ... and, where applicable, the information referred to in paragraph (b): Not Applicable ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
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.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>4.1(a)(4) Corporate Governance Statement and <a href="http://virtushealth.com.au/about-us/board-of-directors">http://virtushealth.com.au/about-us/board-of-directors</a></p> <p>4.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="https://www.virtushealth.com.au/investor-centre/announcements">https://www.virtushealth.com.au/investor-centre/announcements</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
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.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
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.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://virtushealth.com.au/investor-centre">http://virtushealth.com.au/investor-centre</a> <b>AND</b> <a href="https://www.virtushealth.com.au/about-virtus-health">https://www.virtushealth.com.au/about-virtus-health</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
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.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location here]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>7.1(a)(4) Corporate Governance Statement</p> <p>7.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="https://www.virtushealth.com.au/investor-centre/announcements">https://www.virtushealth.com.au/investor-centre/announcements</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>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.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at</p> <p>8.1(a)(4) Corporate Governance Statement</p> <p>8.1(a)(5) Corporate Governance Statement and Directors Report Section of the Annual Report Refer <a href="https://www.virtushealth.com.au/investor-centre/announcements">https://www.virtushealth.com.au/investor-centre/announcements</a></p> <p>Note : The Committee is a combined Nomination and Remuneration Committee</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>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.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> in the Remuneration Report section of the Annual Report at <a href="https://www.virtushealth.com.au/investor-centre/announcements">https://www.virtushealth.com.au/investor-centre/announcements</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.virtushealth.com.au/investor-centre/corporate-governance">https://www.virtushealth.com.au/investor-centre/corporate-governance</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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This Corporate Governance Statement (**'Statement'**) of Virtus Health Limited (the **'Company'**) has been prepared in accordance with the 3<sup>rd</sup> Edition of the Australian Securities Exchange's (**'ASX'**) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (**'ASX Principles and Recommendations'**). In accordance with ASX Listing Rule 4.10.3 this Statement discloses the extent to which the Company has followed the recommendations during the financial year ended 30 June 2016, including reasons where the Company has not followed a recommendation and any related alternative governance practice adopted.

This Corporate Governance Statement explains how the Board oversees the management of Virtus Health Limited's (**Virtus**) business. The Board is responsible for the overall corporate governance of Virtus. The Board monitors the operational and financial position and performance of Virtus and oversees its business strategy, including approval of the strategic goals of Virtus and considering and approving an annual business plan, including a budget.

The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Virtus. In conducting Virtus' business with these objectives, the Board seeks to ensure that Virtus is properly managed to protect and enhance shareholder interests, and that Virtus, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Virtus, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Virtus' business and which are designed to promote the responsible management and conduct of Virtus.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is available on our website.

Both this Corporate Governance Statement and the Appendix 4G have been lodged with the ASX. This statement has been approved by the Company's Board of Directors (**'Board'**) and is current as at 19 August 2016.

The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below.

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

**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 for the board and those delegated to management.***

To clarify the roles and responsibilities of directors and management and to assist the Board in discharging its responsibilities, the Company has established a governance framework, which sets out the functions reserved for the board and provides for the delegation of functions to board committees and to senior management. The Board operates under a formal charter, which can be found on the Company's website.

Pursuant to the charter, the Board is responsible for the following:

**Strategy**

- overseeing the development of Virtus' corporate strategy through constructive engagement with senior executives;
- reviewing and approving strategic plans and performance objectives of Virtus consistent with the corporate strategy and reviewing the assumptions and rationale underlying the strategic plans and performance objectives; and
- monitoring implementation of the strategic plans.

**Oversight of management**

- the appointment and, if appropriate, removal of the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the Company Secretary;
- approving succession plans for key individuals;
- monitoring senior executive performance and implementation of strategy against measurable and qualitative indicators, encouraging enhanced effectiveness and ensuring that appropriate resources are available;
- approving senior executive remuneration policies and practices;
- providing advice and counsel to management; and
- ensuring that the senior executives supply the Board with information that will help the Board discharge its duties.

#### **Shareholders**

- promoting effective communication with shareholders, including convening shareholders' meetings, listening and responding to shareholders' views of management and of Virtus;
- facilitating the effective exercise of shareholders' rights; and
- reporting to shareholders and compliance with relevant regulatory requirements.

#### **Other stakeholders**

- establishing and monitoring policies governing Virtus' relationship with other stakeholders and the broader community; and
- establishing and maintaining environmental, employment and occupational health and safety policies and other regulatory and statutory requirements.

#### **Ethics and responsible decision-making**

- actively promoting ethical and responsible decision-making;
- establishing and maintaining a code of conduct to guide its directors and management in the practices necessary to maintain confidence in Virtus' integrity;
- the system of accountability for unethical practices; and
- establishing and maintaining a diversity policy to outline Virtus' commitment to diversity and inclusion in the workplace and setting out a framework to achieve Virtus' diversity goals.

#### **Oversight of financial and capital management**

- ensuring the integrity of Virtus' financial reporting;
- reviewing and approving annual and half-yearly financial reports, having regard to, among other things, the information the directors know about Virtus;
- monitoring financial results on an ongoing basis;
- establishing and overseeing Virtus' accounting and financial management systems;
- considering removal or replacement of the external auditor;
- reviewing, approving and monitoring the progress of major capital expenditure, capital management, major acquisitions and divestitures and material commitments;
- approving decisions affecting the capital of Virtus, including capital structure or restructure and major financing arrangements; and
- determining the dividend policy of Virtus and the details for payment of dividends.

#### **Compliance and risk management**

- establishing and overseeing Virtus' control and accountability systems and reviewing reporting under those systems;
- establishing, overseeing and regularly reviewing a system for identifying, assessing, monitoring and managing material risk throughout Virtus, and informing investors of material changes to Virtus' risk profile;
- establishing, overseeing and regularly reviewing systems of internal compliance, risk management and control, and systems of legal compliance that govern the operations of Virtus, and monitoring that they are operating effectively; and
- establishing, overseeing and regularly reviewing written policies, codes and procedures governing compliance and risk oversight and management.

The Board has delegated to the CEO the authority to manage the day to day affairs of Virtus and the authority to control the affairs of Virtus in relation to all matters other than those responsibilities reserved to itself in its charter. The Board may impose further specific limits on CEO delegations. These delegations of authority are maintained by the Company Secretary and are reviewed by the Board from time to time. The CEO has authority to sub-delegate to the senior management team.

#### **Recommendation 1.2 - A listed entity should:**

- undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and***
- 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 retains an external independent recruitment firm, and as part of the process, undertakes 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').

An election of directors is held each year. 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 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 notes to the notice of AGM, and incorporates the candidate's biography, which includes experience and qualifications, details of other directorships, adverse information about the person that the Board is aware of including material that may affect the person's ability to act independently on matters before the Board, and whether the Board supports the appointment or re-election.

***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, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts 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 reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary's role, in respect of matters relating to the proper functioning of the Board, includes:

- advising the Board and its Committees on governance matters;
- monitoring compliance of the Board and associated committees with policies and procedures;
- co-ordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately minuted; and
- assisting with the induction and development of directors.

***Recommendation 1.5 - A listed entity should:***

- 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;***
- disclose that policy or a summary of it; and***
- 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:***
  - 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***
  - 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 Company has a Diversity and Inclusion 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.

The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the Company to attract and retain employees with the best skills and abilities.

The Board's measurable objective for gender diversity on the Board requires that there be at least two women on the Board, which would represent more than 30% based on the current Board numbers. As at 30 June 2016, the Company achieved this target. The Board aims to increase the proportion of women in senior executive positions when appropriate opportunities become available for qualified candidates.

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The respective proportion of women and men in the Company including its subsidiaries ('consolidated entity') as at 30 June 2016 are as follows:

	<b>Portion of women</b>	<b>Proportion of men</b>
On the Board	33%	67%
In senior executive positions	18%	82%
Across the whole organisation	85%	15%

For this purpose, the Board defines a senior executive as an executive Board Director or key management person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the Company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.

A copy of the Company's Diversity and Inclusion Policy is available on the Company's website.

**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.**

The Board reviews its performance on a continual basis, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board). The Chairman meets with independent directors and the senior executive management team to discuss Board processes and performance. The Board have agreed the next formal evaluation review, to be undertaken by an external party, will take place after the next Annual General Meeting and will be led by the Chairman. The process will include collective Board discussions and individual interviews to capture observations for where improvements could be made and where processes worked well. Interviews and discussions with each director will be conducted by the Chairman where required. The review of the Chairman's role will be conducted by the Chair of the Audit Committee after obtaining feedback from each individual director.

**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 Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company. Further information on the senior executives' performance measures and assessments can be found in the Remuneration Report contained in the Annual Report.

**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 established a combined Nomination and Remuneration Committee, whose current members are as follows:

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<b>Director's name</b>	<b>Executive status</b>	<b>Independence status</b>
Peter Turner - Chair	Non-executive Director	Independent
Peter Macourt	Non-executive Chairman	Independent
Sonia Petering	Non-executive Director	Independent

The majority of the Committee members and the Chair are independent, thereby satisfying this recommendation.

The role of the Nomination and Remuneration Committee is to assist and advise the Board on the following nomination related matters:

- director selection and appointment practices;
- director performance evaluation processes and criteria;
- key management personnel remuneration and incentives;
- Board composition; and
- succession planning for the Board and senior executives, to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Virtus as a whole.

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

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' 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 considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary for optimal performance of the Board. It is also used when recruiting new directors and assessing which skills need to be outsourced based on the attributes of the current Board members. The existence of each attribute is assessed by the Board as either High, Medium or Low and includes an assessment of the existence of the skill in the current board. This information presented has been taken from the board's current skills matrix that was reviewed during the 2016 financial year.

<b>Skill category</b>	<b>Description of attributes required</b>	<b>Level of importance</b>	<b>Existence in current Board (out of 6 directors)</b>
Leadership	Sustained success at CEO, COO or senior executive level in a major business	High	4
Governance, Risk and compliance	Knowledge and experience in best practice governance structures, policies and processes, establishing risk and compliance frameworks, identification of and monitoring key risks to the company related to each key area of operations. Knowledge of legal and regulatory requirements.	High	6
Financial acumen and audit	Qualifications and experience in analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution financial management of projects and company, analysis of financial performance, overseeing capital management.	High	6
Strategic	Experience and skill in development of or overseeing strategy implementation to achieve business objectives, and identification and critical assessment of strategic opportunities and threats to the company.	High	6



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Health Sector experience	Experience in domestic or international health sector or related industry.	Medium	3
Information technology	Knowledge of IT governance including privacy, data management and security.	Medium	3
People	Experience in managing people, including the ability to appoint and evaluate the CEO and senior executives, succession planning for key executives, setting of key performance hurdles, experience in industrial relations and organisational change management programmes.	Medium	6
Sustainability/corporate social responsibility	Experience related to workplace health and safety, environmental and social responsibilities and community	Medium	6

The biographies of all directors are included in the Director's Report in the Annual Report.

The Board currently believes that its membership adequately represents the required skills as set out in the matrix, but with the retirement of Mr O'Neill in November 2016, the Company has engaged an external firm to find a replacement non-executive director to supplement the existing skills on the current board. External consultants may be engaged with specialist knowledge to address areas where this is an attribute deficiency in the Board.

In addition the Board has established a National Advisory Committee to support the Australian business activities. The Advisory Committee drives the strategic direction of Virtus as it relates to clinical, scientific and operational governance and direction. Specifically the Advisory Committee's role includes matters referred to it by the Board, including:

- providing a forum for sharing any fertility specialist and management concerns or issues with Virtus management;
- providing a forum for agreeing and communicating fertility specialist and management recommendations to the Board on certain matters, either as requested by the Board or at the request of the Advisory Committee;
- considering and providing input into Virtus' Australian healthcare strategy, plans and budgets and monitoring performance against them;
- considering and providing input into the recruitment and succession planning opportunities for new fertility specialists;
- ensuring compliance with legal and regulatory requirements and ensuring that ethical standards of Virtus are maintained;
- ensuring adequate risk management processes exist within Virtus and are complied with; and
- ensuring that corporate governance initiatives and policy guidelines, as issued by the Board and key managers, are implemented and providing feedback for consideration by the Board.

The Advisory Committee comprises a member of the Board who is a fertility specialist, the CEO, the CFO, and key managers (currently the State Managing and Medical Directors respectively of New South Wales, Victoria and Queensland, the Medical Director of Tasmania and up to one fertility specialist shareholder from New South Wales, Queensland and Victoria.

As Virtus expands internationally, a similar advisory committee will be established to support the group's operations in Europe and Asia. Currently the CEO and CFO hold regular Board meetings with the executive teams in Ireland and Singapore respectively. Each of the regional boards comprises the Virtus CEO, CFO and the Managing Director and Medical Director of the territory. Virtus Board members receive regular briefings on all aspects of the international activities.

In addition to the specific areas that are required at Board level, identified in the matrix above, the Board considers that all members of the Board each has the following attributes:

Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement to matters discussed at Board meetings; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Ability to think strategically	Ability to apply strategic thought and judgement in assessing strategic opportunities for the business and reviewing strategic priorities in overseeing strategic implementation and development of strategy.

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High level Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives, willing to question and provide constructive challenge.
Commitment to Corporate governance	Commitment to the highest standards of corporate governance mechanisms, controls and channels to effectively govern and manage risks.
Time available	The capacity and time available to devote to the Virtus business.

**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.**

The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
Peter Macourt	17 May 2013	3 years	Independent Non-executive
Sue Channon	10 April 2008	8 years	Non-independent, Executive
Lyndon Hale	17 May 2013	3 years	Non-independent, Executive
Dennis O'Neill	17 May 2013	3 years	Independent Non-executive
Sonia Petering	1 September 2014	2 years	Independent Non-executive
Peter Turner	17 May 2013	3 years	Independent Non-executive

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations. There were no directors in this category for the period ended 30 June 2016.

As part of its independence assessment, the Board considers the length of time that the director has been on the Board, as a prolonged service period may also be seen to impair independence. The Board concludes that no non-executive director has been on the Board for a period, which could be seen to compromise their independence. Such a period is generally considered to be in excess of 10 years. Being on the Board for a period in excess of 10 years does not however constitute an automatic deeming of non-independence.

Where it is determined that a non-executive director should no longer be considered independent, the Company shall make an announcement to the market. As part of the continual assessment of director independence, the Board reviews the directors' shareholding and standing notice registers at each Board meeting.

**Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.**

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date were independent.

**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.**

Peter Macourt is Chair of the Board and is considered to be an independent director of the Company. Sue Channon is the CEO.

**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.**

New directors undertake an induction program coordinated by the CEO and Company Secretary on behalf of the Nomination and Remuneration Committee. The program includes strategy briefings with senior management and inspection of key company sites, access to board reference documents, including minutes from previous meetings, explanations and copies of Company policies and procedures, governance frameworks, code of conduct and values, company history, director and executive profiles and other pertinent Company information such as the Company's strategic plan. New directors are also provided with a copy of the Securities Trading Policy. Virtus also supports appropriate training and briefings to ensure that directors can enhance their skills and remain abreast of important developments to enable them to discharge their director obligations as effectively as possible. The Company has adopted a Board Induction Policy that is aimed at providing new directors the opportunity to build their knowledge of the group quickly and make an effective contribution to the work of the Board.

### **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 recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct to be followed by the Board along with all employees, officers, contractors, consultants and other persons that act on behalf of Virtus and associates of Virtus. Virtus' Code of Conduct sets out the values, commitments, ethical standards and policies of Virtus and outlines the standards of conduct expected of Virtus' business and people in a range of circumstances. In particular, the code requires awareness of, and compliance with, Virtus' operating policies and procedures.

The key aspects of this code are to:

- act with honesty and integrity in all dealings both internally and externally;
- respect all people, their ideas and cultures and to reflect this respect in all behaviours and actions;
- maintain a safe working environment to safeguard the health and safety of employees, consultants, contractors, customers, suppliers and other persons who visit Virtus' workplaces;
- develop a culture of excellence and deliver quality of service that meets the expectations of customers, regulatory requirements and continuously improves; and
- develop Virtus' people to ensure that patients have access to the best possible care and outcomes.

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

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

The Code of Conduct is available on the Company's website.

Virtus also has a specific Code of Conduct which applies to fertility specialists contracted to provide services to Virtus clinics in Australia, Ireland and Singapore.

### **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.**

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The Board maintains an Audit Committee, the members of which are:-

<b>Director's Name</b>	<b>Executive Status</b>	<b>Independence Status</b>
Dennis O'Neill - Chair	Non-executive Director	Independent
Peter Macourt	Non- executive Chairman	Independent
Peter Turner	Non-executive Director	Independent

All of the Audit Committee members and the Chair are independent, thereby satisfying this Recommendation.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report and on the Company's website.

The role of the Audit Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including oversight of:

- the integrity of Virtus' external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of Virtus' external auditors;
- the performance of the external audit function and review of their audit;
- the effectiveness of Virtus' system of financial risk management and internal controls;
- Virtus' systems and procedures for compliance with applicable legal regulatory requirements; and
- the internal audit function and the internal audit plan.

A copy of the Audit Committee Charter is available on the Company's website.

The number of Audit Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***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.***

In relation to the financial statements for the financial year ended 30 June 2016 and the half-year ended 31 December 2015, the Company's CEO and CFO have provided the Board with declarations, that state in their opinion:

a) With regard to the integrity of the financial report of Virtus Health Limited:

- The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001, Corporations Regulations, International Reporting Standards and other mandatory professional reporting requirements;
- The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at balance date and performance of the Company for the period ended on the balance date as required by Section 297 of the Corporations Act 2001;

b) With regard to the financial records and systems of risk management and internal compliance and control of Virtus Health for the period ended on the balance date:

- the financial records of the Company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- the statements made in a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control;
- the risk management and internal compliance and control systems of the Company relating to financial reporting objectives are operating effectively in all material respects;
- subsequent to balance date, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the Company.

***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 engagement partner for the Company's external audit attends the AGM and is available to answer shareholder

questions from shareholders relevant to the audit.

**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 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* (Cth).

The Company maintains a written Disclosure Policy that outlines the responsibilities relating to the directors, officers and employees in complying with the Company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought internally or from the Company's external counsel.

The Company Secretary is required to consult with the CEO in relation to matters brought to his or her attention for potential announcement. Where the matter is urgent and the CEO is not contactable, the Chairman is contacted. Where the Chairman is not contactable the Company Secretary may decide whether an announcement is made or whether a trading halt is warranted.

Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the Company such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

No member of the Company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

A copy of the Disclosure Policy is available on the Company's website.

**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.***

Virtus maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the Company's website.

The Company's website contains a large amount of information for investors and this is primarily contained in the Investors tab.

The following information for investors is located under the Investors tab:

- ASX releases;
- Shareholder reports;
- Presentations;
- Directors and senior management details;
- An Investor Calendar – detailing key investor events

- Corporate Governance information – including Charters and Policies; and
- Share registry contact information.

The 'Home' tab also contains general Information about the Company and its activities and the 'News' tab contains all the Company's media releases. Corporate contact information is also located on the website. The website also provides links to all Company operations which provide detailed information regarding the services provided to patients in Australia, Ireland and Singapore. There is also a section on the Company's latest published research.

### **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).***

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 interactions during the year where it engages with institutional and private investors, analysts and the financial media. Scheduled interactions take place following the announcements of half-year and full year results. Where presentations are given to shareholders at institutional investor events Virtus discloses details of any presentations provided to the ASX at the time of the presentation.

Meetings and discussions with analysts must be approved by the CEO and are generally conducted by the CEO and/or the CFO. The discussions are restricted to explanations 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 AGM, usually held in November each year. Shareholders are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on the Company website and lodged with the ASX.

In addition, a document or electronic request is enclosed with the notice of meeting to invite shareholders to submit questions of the Board, management or the auditors prior to the AGM 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. Shareholders who cannot attend the annual general meeting are encouraged to lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry electronically, by mail, hand delivery or by facsimile.

Transcripts of the Chairman and CEO's addresses to shareholders are also released to the ASX upon the commencement of the annual general meeting. These transcripts, together with the results of the annual general meeting are also posted on the Company website and the ASX.

***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 engages its share registry Link Marketing Services Limited to manage the majority of communications with shareholders. Shareholders are provided with an option to receive communication from, and send communications to, the Company and the share registry electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry.

### **Principle 7: Recognise and manage risk**

#### **Recommendations 7.1 and 7.2**

***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 (7.1).*

*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 (7.2).*

The Board has established a Risk Committee, the members of which are:

<b>Director's Name</b>	<b>Executive Status</b>	<b>Independence Status</b>
Peter Turner - Chair	Non-executive Director	Independent
Sonia Petering	Non-executive Director	Independent
Sue Channon	Executive Director	Non-independent

Andy Othen and Lyndon Hale, Managing Director and Medical Director respectively of Melbourne IVF, are also invitees of the Risk Committee. The majority of the Committee members and the Chair are independent, thereby satisfying this Recommendation.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

The Risk Committee operates pursuant to a charter, which is available on the Company's website. The charter includes the committee's responsibilities which include procedures for general risk oversight and monitoring, risk management, risk transfer and insurance and other responsibilities. The key aspects of the charter follow.

The role of the Risk Committee is to assist the Board carry out and meet its obligations around risk management, including oversight of:

- leading the group's strategic direction in the management of material risks;
- designing, implementing and maintaining a system of risk management;
- leading the establishment and implementation of a risk management framework;
- reviewing the effectiveness of the risk management framework in identifying, managing and controlling internal processes;
- review of external non-financial risk management activities and reports and the organisations subsequent compliance;
- monitoring the effectiveness of Virtus' system for risk management and assessment; and
- monitoring Virtus' systems and procedures for compliance with applicable legal and regulatory requirements.

The Risk Committee reviews the Company's risk management framework at least annually to ensure that it is still suitable to the Company's operations and objectives and that the Company is operating within the risk parameters set by the Board.

**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 established a dedicated internal audit function whose role is to provide the Board and management with independent and objective assurance on the effectiveness of the Company's governance, risk management and internal control processes. An external provider, working in conjunction with the Audit and Risk Committees is responsible for the testing and maintenance of all internal controls and procedures of the Company. The external provider is appointed by the Board and reports to the Audit and Risk Committees who determine the internal audit scope, the annual

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budget, monitor the performance of internal audit and approve recommendations for implementation. The internal audit function works closely with the CFO and is given unrestricted access to the books and records of the Company. The function is operated independently of the external audit.

In the year ended 30 June 2016 the internal audit provider reported to Board committees on the following areas:

- Virtus IT systems in Australia;
- Virtus risk management review; and
- Payroll process and systems in Australia.

**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 management of the Company and the execution of its growth strategies are subject to a number of risks, which could adversely affect the Company's future development. The management and Board seeks to mitigate exposures to the Company and will continue to enhance response plans to address risks. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the Company (and its subsidiaries), but those considered by management to be the principal material risks which could impact the future financial performance of the Company:

Fertility patients	The Company needs to continually attract new patients in sufficient numbers, especially in markets where the Company already has a high degree of market penetration and where competition is increasing. In order to do this the Company must maintain its capability and competence in delivering the highest levels of patient care, service and success rates. The Company's strategy also requires existing patients to continue to use Virtus services where they may not be initially successful. Maintenance of a high level of patient satisfaction and communication is a critical business activity. If these strategies fail, the revenue may be reduced which could have an adverse effect on the financial results. Virtus also recognise that patients are becoming more price sensitive particularly where they attend low cost clinics for their assisted reproductive services and accordingly revenue may be reduced where the price for Virtus services is not competitive for certain types of service.
Government funding in Australia	Qualifying patients receive partial reimbursement for ARS in Australia through government programs including the Medicare Benefit Schedule ("MBS") and the Extended Medicare Safety Net ("EMSN"). MBS benefits have been frozen until 2019. New EMSN rules were submitted to Australia's parliament during November 2015; no changes were made to the EMSN rules. The Australian Federal health department has indicated that it will undertake a review of all ARS items listed on the Medicare schedule; the review has not commenced. If the outcome of the review is unfavourable for patients and out of pocket payments increase, the utilisation of ARS in Australia could reduce and this could have an adverse effect on the financial results.
Technology	Developments in the application of technology in ARS are a key feature of a successful business and Virtus participates in the adoption of new technologies and systems. Virtus is investing heavily in new IT capability, software, medical and diagnostic equipment and infrastructure. Virtus will also pursue improvements in internal processes through automation particularly in its diagnostic testing and embryology activities. If Virtus does not commit to technology improvement and adoption its clinical capabilities may not be maintained and the group could lose its competitive position leading to a reduction in the number of services provided; this could have an adverse effect on the financial results.
Research and development	Virtus actively encourages a culture of innovation, internal research, continual improvement and adoption of new ideas and processes. Virtus scientists and clinical specialists carefully monitor and review new clinical and scientific techniques and give serious consideration to potential improvements in patient success rates, safety and welfare. In 2016 Virtus has increased the funding for research projects and details of new activities are provided in the Chief Executive's review in the Annual Report. Although improvements in success rates are incremental any failure to maintain improvements in success rates and clinical service could result in lower patient recruitment, which could lead to the loss of revenue.
Brand reputation	Maintaining and enhancing the Virtus brand and the brands of our key operations is critical to the Company's strategies going forward. If the Company fails to meet customer (and supplier) expectations, negative publicity and complaints on social media platforms could damage the brand and ultimately reduce patients' willingness to seek services from the Company. If the Company fails to maintain the brand or if excessive expenses are incurred in this effort, the Company's business, results of operations, financial condition and financial results may be materially and adversely affected. As with all brands, the Company is exposed to risk from unauthorised use of its brands and other intellectual property. Any infringement could lead to a loss in profits and have a negative



impact on image and continued success.

Cash and other financial risk	The management of cash is of fundamental importance. Cash generation is required for re-investment in facilities, business expansion through organic and acquisition growth and the payment of dividends to shareholders. Excess cash will be used to reduce bank borrowings where there are no significant acquisition opportunities. The Company is also exposed to financial risks such as foreign currency and interest rate risks. Refer to the 'Financial Instrument' note to the financial statements for further information on these risks and how they are managed.
Loss of key personnel	The Company's senior executive team is instrumental in implementing the Company's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long term incentive schemes) and succession planning within the team.
Availability of fertility specialists	Virtus relies on maintaining its relationship with existing fertility specialists and recruitment of new fertility specialists. The inability to maintain sufficient fertility specialists could result in a loss of cycle volume and a reduction in revenue and earnings. During the last financial year the number of fertility specialists increased by 8 to 116. There were 2 retirements during the year and no contract terminations.
Equal opportunity	The Company is committed to an active equal opportunities policy. It is the Company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Company.
Employee welfare, health and safety	<p>Virtus employees work in environments which are designed to meet the aspirations of patients and employees; workplaces are designed to make patients and staff feel welcome and comfortable. Virtus recognise that flexibility is important to patients and the staff who deliver the services to patients. Where operational requirements allow, Virtus adopts a flexible approach to staff working conditions. Virtus encourages employees to apply for career development opportunities by advertising internal job opportunities, whether in their existing workplace or another Virtus location; successful application to a new position is subject to meeting the qualifications and experience required by the role.</p> <p>Virtus provides all employees with access to a confidential counseling service, administered by a third party and this allows individuals an opportunity to discuss any personal or work related issue with complete confidentiality.</p> <p>As Virtus is a highly decentralized organisation with over forty separate locations, the effectiveness of local management teams is an important factor in internal communications. Virtus and senior executives are encouraged to provide appropriate access to employees to discuss local employee welfare and health and safety matters. Virtus Board monitors workplace safety using software which records all health and safety related incidents. The Board reviews a monthly report of incidents for all group operations. The incident report is also considered by the Risk Committee and it is provided to the group's external insurance and risk advisers. The Board in conjunction with executive management uses the incident report to continuously assess workplace health and safety issues and where appropriate, takes action to introduce operational improvements to minimise risk where reasonably possible.</p>
Disabled employees	Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.
Environment	<p>The management of environmental risks is a key responsibility and although the environmental impact of Virtus activities may not appear to be significant Virtus adopt the approach of a responsible corporate citizen with regard to environmental matters:</p> <ul style="list-style-type: none"> <li>• The disposal of healthcare waste and consumables is undertaken by qualified third party contractors to ensure compliance with territory legislation;</li> <li>• The disposal of packaging, office paper, computers and obsolete IT equipment is managed to ensure compliance with territory legislation. Virtus is seeking to minimise the use of paper by introducing electronic patient records wherever local legislation allows. Employees are encouraged to minimise the excessive use of paper. Recycling activities are undertaken where possible.</li> </ul>

Patient quality and safety Virtus monitors patient safety using software which records all incidents reported by patients and staff working with patients. The Board reviews a monthly report of incidents for all group operations. The incident report is also considered by the Risk Committee and bordereaux and escalation reporting is provided to the group's external insurance and risk advisers. The Board in conjunction with executive management uses the incident report to continuously assess patient safety issues and where appropriate, takes action to introduce operational improvements to minimise risk where reasonably possible.

Virtus fertility specialists are responsible for patient care and clinical sovereignty rests with the specialists who operate in each facility. Virtus fertility specialist representatives, normally the Medical Director of an individual state, are also required to meet with independent territory ethics committees (where applicable) to consider patient quality, safety, research projects and ethical issues. Clinical, risk and safety policies are subject to a continuous review process in each territory and such matters are managed by the territory Medical Director in conjunction with the appropriate territory Managing Director, quality compliance and risk managers and other territory senior managers.

Virtus also perform periodic patient satisfaction reviews in its ARS units and monitors patient satisfaction levels using daily surveys for day hospital patients.

All Virtus facilities meet the appropriate standards for accreditation which vary dependent on the territory in which they operate. The main accreditations with which Virtus complies are as follows:

- Australian ARS facilities comply with the full certification requirements of Reproductive Technology Accreditation Committee ("RTAC") and ISO9001. The facilities also comply with federal and state legislation requirements;
- Singapore ARS facilities comply with the international RTAC guidelines and the legislation requirements of Singapore Ministry of Health;
- Ireland ARS facilities comply with the full certification requirements of ISO9001, and full authorisation of IMB Tissue Establishment Inspection requirements. The facilities also comply with Ireland Health Board and European legislation requirements;
- Virtus Australian Andrology and Endocrinology laboratories comply with the National Accreditation of Testing Authorities ("NATA") accreditation to ISO 15189; and
- Virtus Day Hospitals in Australia comply with the requirements of National Safety and Quality Health Service Standards ("NSQHS"). The facilities also comply with state department of health day hospital licencing requirements.

Where any non-conformances have been identified by the auditing body these have been rectified in line with the auditing bodies recommendations and time lines.

Virtus is also introducing new technology to enhance the normal gamete and embryo witnessing processes currently followed by all Virtus clinics. This technology, which tracks and records gametes at each step of the ARS process via radio – frequency identification tags (RFID) provides an extra safeguard and reassurance for laboratory teams and Virtus patients. The installation of this technology is part of a continual process improvement program.

Virtus Risk Committee and the board considers and reviews the risks listed above, and other specific and general operational risks at its regular meetings and continually assesses any potential adverse financial impact of any adverse change in risk circumstances. At the date of this report the Board is not aware of any specific risk circumstance or change which may create a material adverse change to the financial performance of Virtus. Further information on the risk management structure is provided in commentary at Recommendations 7.1 and 7.2.

#### **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 combined Nomination and Remuneration Committee, which operates under a formal charter. The members of the Committee are detailed in Recommendation 2.1 above.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The Nomination and Remuneration Committee assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior executives and other key management personnel whose activities, individually or collectively, affect the financial soundness of Virtus.

The role and responsibilities of the Nomination and Remuneration Committee are as follows:

- The Committee is responsible for developing, reviewing and making recommendations to the Board on:
  - the ongoing appropriateness and relevance of the remuneration framework for the chairperson and the non-executive directors;
  - Virtus' policy on remuneration for the CEO and senior executives, any changes to the policy and the implementation of the policy (including any shareholder approvals required);
  - the total remuneration packages for the CEO and senior executives (including base pay, incentive payments, equity based awards, superannuation and other retirement rights, employment contracts), any changes to remuneration packages and recommending proposed awards after performance evaluation procedures;
  - Virtus' recruitment, retention and termination policies for the CEO and senior executives and any changes to those policies;
  - incentive schemes, if appropriate, for the CEO and senior executives; and
  - equity based plans, if appropriate, for the CEO, senior executives and other employees.
- The Committee is also responsible for monitoring and providing input to the Board regarding:
  - legislative, regulatory or market developments likely to have a significant impact on Virtus and legislative compliance in employment issues;
  - the remuneration trends across Virtus, including:
    - the trends in base pay for senior management relative to that of all Virtus employees; and
    - remuneration by gender; and
  - major changes to employee benefits structures in Virtus.
- For any incentive schemes or equity based plans which are adopted, the Committee is responsible for:
  - reviewing their terms (including any performance hurdles);
  - overseeing their administration (including compliance with applicable laws that restrict participants from hedging the economic risk of their security holdings);
  - considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
  - ensuring that payments and awards of equity are made in accordance with their terms and any shareholder approval.

A copy of the Nomination and Remuneration Committee Charter can be found on the Company's website.

When considered necessary, the Committee may obtain external advice from independent consultants in determining the Company's remuneration practices including remuneration levels.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***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.***

Non-executive directors are remunerated by way of cash salary and superannuation contributions in lieu of fees. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making.

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Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Share options and performance rights are aligned to longer term performance hurdles. Termination payment entitlements are detailed in individual contracts and payable on early termination with the exclusion of termination in the event of misconduct.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' Report.

***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 use of financial products, such as derivatives, options or warrants, or other hedging arrangements for securities obtained under an equity-based remuneration scheme or otherwise is prohibited for Designated Persons under the Company's Securities Trading Policy. Designated Persons includes directors, officers and other Key Management Personnel and National Advisory Board members (Australia), including state based and international based managing directors, and any other person designated by the Company Secretary from time to time.

The Securities Trading Policy is available on the Company's website.

**This Corporate Governance Statement was approved by a resolution of the Board on 19 August 2016.**