

Dated 16 August 2019

Board Charter

Virtus Health Limited (ABN 80 129 643 492) ("Virtus")

Adopted by the Board on 16 August 2019

Board Charter

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1 Definitions

In this charter:

ASX means Australian Securities Exchange

Board means the board of directors of Virtus.

Company means Virtus.

Constitution means the constitution of Virtus.

Corporations Act means *Corporations Act 2001* (Cth)

Virtus means Virtus Health Limited and its controlled entities.

2 Purpose of this charter

The purpose of this charter is to promote high standards of corporate governance aimed at protecting the interests of shareholders.

The Board is responsible for the governance of Virtus. This charter sets out the role and responsibilities of the Board, which responsibilities are delegated to committees of the Board or to management, as well as the membership and the operation of the Board.

3 Role and responsibilities of the Board

3.1 Role

The Board acts in the best interests of the Company as a whole and is accountable to shareholders for the overall direction, management and corporate governance of the Company. The role of the Board is to provide overall leadership and strategic guidance for Virtus and effective oversight of management. The Board is responsible for monitoring and procuring compliance with the Constitution, from which the Board derives its authority to act, and with legal and regulatory requirements.

To achieve this role, the Board has reserved to itself the following specific responsibilities.

3.2 Strategy

The Board is responsible for:

- (a) overseeing the development of Virtus' corporate strategy through constructive engagement with senior executives;
- (b) 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
- (c) monitoring implementation of the strategy plans.

3.3 Oversight of management

The Board is responsible for:

- (a) the appointment and if appropriate, removal of the chief executive officer (“**CEO**”), the chief financial officer and the Company Secretary;
- (b) approving succession plans for key individuals;
- (c) monitoring and assessing senior executives’ performance and implementation of strategy against measurable and qualitative indicators, including the effectiveness of risk controls, encouraging enhanced effectiveness and ensuring that appropriate resources are available;
- (d) approving Virtus’ remuneration framework and senior executive remuneration policies and practices;
- (e) providing advice and counsel to management; and
- (f) ensuring that the senior executives supply the Board with information that will help the Board discharge its duties.

3.4 Shareholders

The Board is responsible for:

- (a) promoting effective communication with shareholders, including convening shareholders’ meetings, listening and responding to shareholders views of management and of Virtus;
- (b) facilitating the effective exercise of shareholders’ rights; and
- (c) reporting to shareholders and compliance with relevant regulatory requirements;
- (d) overseeing the entity’s process for making timely and balanced disclosure of all material information concerning the entity that a reasonable person would expect to have a material effect on the price or value of Virtus securities.

3.5 Other stakeholders

The Board is responsible for:

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

3.6 Ethical and responsible decision-making

The Board is responsible for:

- (a) actively promoting ethical and responsible decision-making;
- (b) overseeing the implementation of the code of conduct for directors and management in the practices necessary to maintain confidence in Virtus’ integrity;

- (c) the system of accountability for unethical practices; and
- (d) promoting diversity and inclusion in the workplace and overseeing implementation of a framework to achieve Virtus' diversity goals.

3.7 Oversight of financial management and capital management

The Board is responsible for:

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

3.8 Compliance and risk management

The Board is responsible for:

- (a) ensure that senior management take necessary steps to monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board;
- (b) ensure sufficient resources are dedicated to risk management;
- (c) overseeing and regularly reviewing a system for identifying, assessing, monitoring and managing material risk throughout Virtus, including determining the level of risk the Company is willing to accept and informing investors of material changes to Virtus' risk profile;
- (d) 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
- (e) overseeing and regularly reviewing written policies, codes and procedures governing compliance and risk management.

3.9 Board Evaluation and Performance

The Board is responsible for ensuring that a performance review of the board, its committees and individual directors is undertaken on an annual basis, or as deemed appropriate.

4 Role and responsibilities of Chairperson and Company Secretary

4.1 Chairperson

The Chairperson is an independent and non-executive director appointed by the Board. The Chairperson is responsible for:

- (a) providing leadership to the Board and the Company;
- (b) setting the agenda for Board meetings;
- (c) ensuring the Board meets regularly to consider the Company's performance and key issues;
- (d) chairing Board meetings and shareholder meetings;
- (e) promoting the efficient organisation and conduct of the Board's function;
- (f) facilitating Board discussions to ensure core issues facing the Company are addressed;
- (g) facilitating effective contribution by all directors and monitoring Board performance;
- (h) overseeing that membership of the Board is skilled and appropriate for Virtus' needs;
- (i) promoting constructive relations between Board members and between the Board and management;
- (j) ensuring that independent directors meet separately at least annually to consider, among other things, senior executive performance;
- (k) reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board; and
- (l) establishing and overseeing the implementation of policies and systems for Board performance review and renewal.

4.2 Company Secretary

The Company Secretary acts as secretary of the Board, attending all meetings of the Board as required. The Company Secretary is accountable to the Board through the chairperson on all corporate governance matters.

The Company Secretary is responsible for:

- (a) organising Board meetings and director attendance;
- (b) monitoring compliance with Board policy and procedures;
- (c) coordinating the completion and dispatch of the Board agenda and briefing materials;

- (d) preparing minutes of meetings and resolutions of the Board and taking these to the chairperson for approval and circulation;
- (e) circulating minutes from committee meetings to the Board; and
- (f) ensuring Virtus complies with its requirements under the Corporations Act regarding registered office, annual returns and notices to be lodged with the Australian Securities and Investments Commission.

5 Delegations of authority

5.1 Delegation to committees

Under Virtus' Constitution, the Board may delegate responsibility to committees to consider certain issues in further detail and then report back to and advise the Board.

Standing committees established by the Board have charters setting out the authority, responsibilities, membership and operation of the committee.

There are currently three standing committees

- Risk Committee;
- Audit Committee; and
- Nomination and Remuneration Committee.

The Board may establish other committees from time to time to consider other matters of special importance.

Directors are entitled to attend committee meetings and receive committee papers. Committees will maintain minutes of their meetings and are entitled to obtain professional or other advice in order to effectively carry out their proper functions. The chairperson of each committee will report back on committee meetings to the Board at the next full Board meeting.

5.2 Delegation to CEO and MD and management

The Board has delegated to the CEO and MD 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 this charter.

The Board may impose further specific limits on CEO delegations. These Delegations of Authority will be clearly set out in writing and maintained by the Virtus Company Secretary. They will be reviewed by the Board as appropriate from time to time. The Board must ensure there are procedures for it to monitor the exercise of delegations and not abrogate its responsibility through the use of delegations.

The CEO has authority to sub-delegate to the senior executives within the limitations prescribed in the Delegations of Authority to achieve the Purpose and Priorities of Virtus.

6 Membership

6.1 Composition and size

The Board will consist of a majority of non-executive, independent directors. The Chairperson of the Board will be elected annually by the directors and must be an independent non-executive director.

The directors will determine the size of the Board, subject to Virtus' Constitution, which provides that there can be no less than three directors. The number of directors and the composition of the Board must at all times be appropriate to Virtus to achieve efficient decision making and adequately discharge its responsibilities and duties.

Virtus will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. Virtus' succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.

6.2 Appointment and re-election of directors

The process of selection and appointment of new directors to the Board is that when a vacancy arises, the Nomination and Remuneration Committee identifies candidates with appropriate skills, experience and expertise. Candidates with the skills, experience and expertise that best complement the Board's effectiveness will be recommended to the Board. When the Board considers that a suitable candidate has been found, that person may be appointed by the Board to fill a casual vacancy in accordance with Virtus' constitution, but must stand for election by shareholders at the next annual general meeting.

Non-executive directors will be engaged by a letter of appointment setting out the terms and conditions of their appointment. Directors will be expected to participate in the induction and orientation programs on appointment, and any continuing education or training arranged for them. The induction plan is based on the group Board Induction Policy and Board Induction Checklist.

Directors must retire from office in accordance with the constitution and the ASX listing rules. Retiring directors may be eligible for re-election.

6.3 Independence

All directors - whether independent or not - should bring an independent judgment to bear on all Board decisions.

A director is considered independent by Virtus if the director is a non-executive director who is not a member of management and is free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment or could reasonably be perceived to do so.

A director who:

- (a) is a substantial shareholder of Virtus or an officer of, or otherwise associated directly with, a substantial shareholder Virtus;
- (b) is employed, or has previously been employed in an executive capacity by Virtus, or another group member and there has not been a period of at least three years between ceasing that employment and serving on the Board;
- (c) within the last three years, has been a principal of a material professional adviser or material consultant to Virtus or another group member, or an employee materially associated with the service provided;
- (d) is a material supplier or customer of Virtus or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- (e) has a material contractual relationship with Virtus or another group member other than as a director of Virtus;

- (f) has close family ties with any person who falls within any of the categories described above; or
- (g) has been a director of the Company for such a period that their independence may have been compromised

will not be independent, unless the Board is satisfied on reasonable grounds that the director is independent despite the existence of one or more of these circumstances.

The Board will regularly assess the independence of each director in light of the interests disclosed by them and the criteria for independence outlined in the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX Corporate Governance Council. Each independent director must provide the Board with all relevant information for this.

The outcome of this assessment will be reflected in the corporate governance statement.

Any change to a director's independent status will be disclosed to the market in a timely fashion.

6.4 Conduct of individual directors

Directors must at all times act in accordance with legal and statutory requirements, and discharge all their duties as directors.

Directors must:

- (a) discharge their duties in good faith and in the best interests of Virtus and for a proper purpose;
- (b) act with care and diligence, demonstrate commercial reasonableness in their decision making and act with the level of skill and care expected of a director of a major company, including applying an independent and enquiring mind to their responsibilities;
- (c) avoid conflicts of interest;
- (d) not make improper use of information gained through their position as a director;
- (e) not take improper advantage of their position as a director;
- (f) notify other directors of a material personal interest when a conflict arises;
- (g) make reasonable enquiries if relying on information or advice provided by others;
- (h) undertake any necessary inquiries in respect of delegates;
- (i) give Virtus or ASX Limited all the information required by the Corporations Act; and
- (j) not permit Virtus to engage in insolvent trading.

7 Board process

7.1 Meetings

All Board meetings will be conducted in accordance with Virtus' constitution and the Corporations Act.

Directors are committed to collective decision making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst the directors. Individual directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.

Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.

All directors are generally expected to prepare adequately, attend and participate at each Board meeting. All directors should actively consider the sufficiency of the contents of the board papers that they have been provided for consideration. The Board should assess the information that it receives and the timing of its distribution to ensure the Board has sufficient time to examine the material provided to it for approval.

Non-executive directors will periodically meet without executive directors or management present. The Board may request or invite management or external consultants to attend Board meetings, where necessary or desirable.

The Board may conduct meetings by telephone or video conference.

7.2 Independent professional advice

Following consultation with the chairperson, directors may seek independent professional advice at Virtus' expense. Generally, this advice will be available to all directors.

7.3 Access to management

The directors have complete and open access to management following consultation with the chairperson and CEO.

7.4 Notice, agenda and documents

Unless otherwise agreed or considered necessary by the chairperson, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting documentation, will be circulated by the secretary to each Board member and any other individual invited to attend, not less than three business days before the meeting.

8 Review and publication of charter

The Board is responsible for reviewing this charter and the division of functions and responsibilities in Virtus to determine its appropriateness to the needs of Virtus from time to time. The charter may be amended by resolution of the Board.

The charter is available on Virtus' website.