

NOTICE OF ANNUAL GENERAL MEETING

2019

ACN 129 643 492



**virtus**  
HEALTH

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (**AGM**) of shareholders of Virtus Health Limited (the **Company**) will be held at Hilton Sydney, 488 George Street, Sydney NSW 2000 on Wednesday 20 November 2019 at 2.00 p.m. (AEDT) (**Meeting**).

The Explanatory Notes to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Notes and the Proxy Form form part of this notice.

## BUSINESS OF THE MEETING

### Item 1: Financial Statements and Reports

To receive and consider the Financial Statements, the Directors' Report and the Auditor's Report for the year ended 30 June 2019.

### Item 2: Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*"To adopt the Remuneration Report for the year ended 30 June 2019."*

Notes:

- (i) In accordance with section 250R of the Corporations Act, the vote on this resolution will be advisory only and will not bind the Directors or the Company.
- (ii) A voting exclusion statement applies to this resolution (see Explanatory Notes for details).

### Item 3: Re-election and Election of Directors

#### Item 3.1: Re-election of Mr Gregory Couttas

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

*"That Mr Gregory Couttas, being a Director who is retiring in accordance with Article 10.3(a) of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election as a Director of the Company."*

#### Item 3.2: Re-election of Dr Lyndon Hale

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

*"That Dr Lyndon Hale, being a Director who is retiring in accordance with Article 10.3(a) of the Company's Constitution and ASX Listing Rule 14.4, and being eligible, offers himself for re-election as a Director of the Company."*

#### Item 3.3: Election of Dr Michael Stanford

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

*"That Dr Michael Stanford, being a Director who is retiring in accordance with Article 10.7 of the Company's Constitution and*

*ASX Listing Rule 14.4, and being eligible, offers himself for election as a Director of the Company."*

### Item 4: Grant of Performance Rights to Sue Channon, Chief Executive Officer

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

*"That, for the purposes of Part 2D.2 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the grant by the Company to Chief Executive Officer, Ms Sue Channon, under the Virtus Health Limited Executive Option Plan and Specialist Option Plan, of 79,841 performance rights to acquire ordinary Shares in the Company, subject to achievement of performance conditions and on other terms set out in the Explanatory Notes to this Notice of Meeting."*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

### Item 5: Approval to issue securities under the Virtus Health Limited Executive Option Plan and Specialist Option Plan

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

*"That for the purposes of Listing Rule 7.2, Exception 9(b) and for all other purposes, Shareholders approve the issue of securities under the Virtus Health Limited Executive Option Plan and Specialist Option Plan on the terms and conditions outlined in the Explanatory Notes."*

*Note: A voting exclusion statement applies to this resolution (see Explanatory Notes for details).*

## ENTITLEMENT TO VOTE

The Directors have determined that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company as at 7.00 p.m. (AEDT) on Monday 18 November 2019 (**Entitlement Time**), subject to any applicable voting exclusion.

This means that if you are not the registered holder of a Share in the Company at the Entitlement Time, you will not be entitled to vote at the Meeting.

## ANNUAL REPORT

Copies of the Company's 2019 Annual Report may be accessed at our website [www.virtushealth.com.au](http://www.virtushealth.com.au) or from the Company.

## VOTING OPTIONS AND PROXIES

If you do not plan to attend the Meeting in person, you are encouraged to complete and return the Proxy Form which accompanies this Notice of Meeting.

### Voting by Proxy

A Shareholder who is entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote in place of the Shareholder.

If the Shareholder appoints two proxies, the Shareholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the Shareholder's votes. If the specified proportion or number of votes exceeds that which the Shareholder is entitled to, each proxy may exercise half of the Shareholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

A proxy need not be a Shareholder of the Company. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Subject to the specific proxy provisions applying to Items 2, 4 and 5 (see the Explanatory Notes below):

- If a Shareholder has not directed their proxy on how to vote, the proxy may vote as the proxy determines; and
- If a Shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman on how to vote on an item of business, the Chairman will vote in accordance with his voting intention as stated in this Notice of Meeting, namely in favour of each of the proposed resolutions set out in the Notice of Meeting.

### Proxy Voting by the Chair

For Item 2 (Remuneration Report), Item 4 (Performance Rights to CEO) and Item 5 (Approval of Executive Option Plan and Specialist Option Plan), where the Chairman is appointed as a Shareholder's proxy and that Shareholder has not specified the way in which the Chairman is to vote on Items 2, 4 and 5, the Shareholder is directing the Chairman to vote in accordance with the Chairman's voting intentions for these items of business; even

though Items 2, 4 and 5 are connected with the remuneration of Key Management Personnel (**Key Management Personnel** or **KMP**).

The Chairman intends to vote all undirected proxies in favour of the resolutions put in the Notice of Meeting, including Items 2, 4 and 5.

### Proxy Forms

To be effective, the Proxy Form must be completed, signed and lodged (together with the relevant original Power of Attorney or a certified copy if the proxy is signed by an attorney) with the Company's share registry, as an original or by facsimile, **no later than 2.00 p.m. (AEDT) on Monday 18 November 2019 (Proxy Deadline)**.

Proxy forms may be submitted in one of the following ways:

- (i) **By mail** to Link Market Services Limited using the reply paid envelope or Locked Bag A14, Sydney South, NSW, 1235, Australia. Please allow sufficient time so that it reaches Link Market Services Limited by the Proxy Deadline;
- (ii) **By fax** to Link Market Services Limited on +61 2 9287 0309;
- (iii) **Online** via the Company's Share Registry website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Please refer to the Proxy Form for more information; or
- (iv) **By hand** delivery to Link Market Services Limited at Level 12, 680 George Street, Sydney NSW 2000.

Proxy Forms and Powers of Attorney must be received by the Proxy Deadline.

## CORPORATE REPRESENTATIVES

Where a shareholding is registered in the name of a corporation, the corporate shareholder may appoint a person to act as its representative to attend the meeting by providing that person with:

- (i) a letter or certificate authorising him or her as the corporation's representative, executed in accordance with the corporation's constitution; or
- (ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporation.

BY ORDER OF THE BOARD



Glenn Powers  
Company Secretary  
16 October 2019

# EXPLANATORY NOTES

## ITEM 1 – Financial Statements and Reports

As required by section 317 of the Corporations Act, the Financial Report, Directors' Report and Auditor's Report for the Company for the most recent financial year will be presented to the Meeting.

The Company's financial report comprises the consolidated financial statements of the consolidated entity consisting of Virtus Health Limited and its subsidiaries.

There is no requirement for a formal resolution on this item.

The Chairman of the Meeting will allow a reasonable opportunity at the Meeting for Shareholders to ask questions about or make comments on the management of the Company. Shareholders will also be given a reasonable opportunity at the Meeting to ask the Company's auditor, PricewaterhouseCoopers (PwC) questions about the:

- Auditor's Report;
- conduct of its audit of the Company's Financial Report for the year ended 30 June 2019;
- preparation and content of the Audit Report;
- accounting policies adopted by the Company in its preparation of the financial statements; and
- independence of PwC in relation to the conduct of the audit.

Shareholders may submit written questions to the Company in relation to the above matters.

A form to facilitate the submission of questions is attached to this Notice and it includes details on the return of this form to the share registry.

## ITEM 2 – Remuneration Report

### 2.1 Reasons for Resolution

In accordance with section 300A of the Corporations Act, the Company has proposed a Remuneration Report for the consideration of shareholders.

As provided by section 250R (3) of the Corporations Act, the resolution on this item of business is advisory only and does not bind the Board or the Company.

The Company has designed a remuneration framework to support both a high performance culture and a team focus on adhering to agreed business objectives and directions.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward.

### Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

### 2.2 Voting Exclusion Statement

As required by the Corporations Act, the Company will disregard any votes cast on Item 2 by any member of the Company's KMP or a Closely Related Party of any such member unless the person:

- votes as a proxy appointed by writing that specifies how the person is to vote on the resolution; or
- is the Chairman of the Meeting and votes as a proxy appointed by writing that authorises the Chairman to vote on the resolutions even though that resolution is connected with the remuneration of a member of the Company's KMP.

**What this means for Shareholders:** If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them on how to vote on the proposed resolution in Item 2. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him/her on how to vote by marking the boxes for Item 2 (for example, if you wish to vote for, against or abstain from voting), or you can choose not to mark any of the boxes for Item 2 and give the Chairman your express authority to vote your undirected proxy (in which case the Chairman will vote in favour of this item of business).

## ITEM 3 – Re-election and Election of Directors

In accordance with the Constitution and ASX Listing Rule 14.4, an election of Directors must be held at each annual general meeting.

Article 10.3(a) of the Constitution states that a director must not hold office without re-election:

- past the third annual general meeting following the director's last election; or
- for more than three years, whichever is the longer.

In accordance with Article 10.3(a) of the Constitution and ASX Listing Rule 14.4, Mr Gregory Coultas and Dr Lyndon Hale are retiring by rotation and submitting themselves for re-election as Directors of the Company, having last been elected by Shareholders on 9 November 2016.

Dr Michael Stanford was appointed as an additional Director of the Company on 2 September 2019 in accordance with Article 10.7 of the Constitution. Article 10.7 states that a director appointed under Article 10.7 holds office until the conclusion of the next annual general meeting of the Company but will be eligible for election at that annual general meeting.

In accordance with Article 10.7 of the Constitution and ASX Listing Rule 14.4, Dr Stanford is retiring and submitting himself for election as Director of the Company.

Credentials for Mr Coultas, Dr Hale and Dr Stanford follow.

### Item 3.1 – Mr Gregory Coultas

Mr Coultas is a highly experienced audit partner having spent 40 years with Deloitte including 28 years as partner. During his formative years, he worked in audit across various sectors, specialising in ASX100 clients. Greg's expertise includes accounting, finance, auditing, risk management, corporate governance, capital markets and due diligence. Additionally, Greg held a number of management roles at Deloitte including being the Managing Partner for NSW from 2005 to 2008, chairing the Audit and Risk Committee for eleven years, and was a member of the Board of Partners for Deloitte Australia from 2005 to 2016. Greg is Chair of the Virtus Health Audit Committee and a member of the Risk and Nomination and Remuneration Committees.

Having had regard to the ASX Corporate Governance Principles and Recommendations (3rd edition) (ASX Principles), the Board considers Mr Coultas to be an independent Non-Executive Director.

### Directors' Recommendation

The Board unanimously supports the re-election of Mr Gregory Coultas and recommends that Shareholders vote in favour of this resolution.

### Item 3.2 – Dr Lyndon Hale

Dr Hale has been the Medical Director of Melbourne IVF Pty Ltd since 2008. He is also Director of Reproductive Surgery at The Women's Hospital, and is a former member of the Board of the Fertility Society of Australia. Lyndon is highly regarded for his knowledge and proactive approach and brings extensive experience in assisted reproduction treatments to the care of his patients.

Having had regard to the ASX Principles, the Board considers Dr Hale not to be an independent Director due to his executive role within the Company.

### Directors' Recommendation

The Board unanimously supports the election of Dr Lyndon Hale and recommends that Shareholders vote in favour of this resolution.

### Item 3.3 – Dr Michael Stanford

Dr Stanford has 23 years' experience as a Chief Executive Officer and Managing Director of health care organisations and was previously the Managing Director and CEO of Australian Hospital Care Limited where he played an integral role in facilitating an acquisition by Mayne Healthcare in 2001. Dr Stanford was also previously a Non-Executive Director at Healthscope and Australian Clinical Labs and currently has an active research and development involvement as a Non-Executive Director at Nucleus Network, Australia's leading Phase One Clinical Trials business.

Dr Stanford holds a Bachelor of Medicine and Surgery from the University of New South Wales and a Master of Business

Administration from Macquarie University. He is also a fellow of the Australian Institute of Company Directors and is a Member of the Order of Australia for significant service to the health care sector and tertiary education.

Having had regard to the ASX Principles, the Board considers Dr Stanford to be an independent Non-Executive Director.

### Directors' Recommendation

The Board unanimously supports the election of Dr Michael Stanford and recommends that Shareholders vote in favour of this resolution.

## ITEM 4: Grant of Performance Rights to Sue Channon, Chief Executive Officer and Managing Director

The terms of Ms Channon's employment contract with the Company entitle her to participate in the Virtus Health Limited Executive Option Plan and Specialist Option Plan (Plan). The Board has proposed that for the financial year ending 30 June 2020, Ms Channon be eligible for performance rights (Rights) under the Plan of up to 60% of her fixed remuneration.

The Company adopted the Plan to assist in the reward, motivation and retention of personnel (including executive directors, eligible employees and fertility specialists). The Plan is also designed to recognise the abilities, efforts and contributions of participants to Virtus' performance and success and provide the participants with an opportunity to acquire or increase their ownership interest in the Company.

For the financial year ending 30 June 2020, Ms Channon's remuneration comprises the following components:

- fixed remuneration, including statutory superannuation of \$546,912 per annum;
- an at-risk short term incentive of up to 50% of fixed remuneration subject to the achievement of specified targets; and
- an at-risk long term incentive of up to 60% of fixed remuneration under the Plan.

When considered necessary, the Nomination and Remuneration Committee has obtained external advice from independent consultants in determining the consolidated entity's remuneration practices including remuneration levels.

During the financial year ending 30 June 2019, the Committee engaged Mercer to review the long term incentive plan for KMPs. The review also considered the appropriateness of the relative TSR measure and peer group parameters. The Nomination and Remuneration Committee concluded that:

- It would retain the measure of 50% of the LTI grant to be linked to Return on Equity; and
- It would retain Relative TSR as a performance measure, but only against the constituents of one single comparator group, the ASX300, as this index appears to have the closest correlation

to Virtus Health share price volatility. Accordingly, 50% of the performance grant will be linked to the Relative TSR of Virtus Health compared to the performance of the ASX300 index.

ASX Listing Rule 10.14 provides that the Company must not permit any Directors to acquire securities under an employee incentive scheme without the approval of Shareholders.

Accordingly, Item 4 seeks the approval by Shareholders for all purposes (including ASX Listing Rule 10.14) for the grant and issue of a maximum of 79,841 Rights to the Chief Executive Officer and Managing Director of the Company, Ms Sue Channon.

If approved by Shareholders, the Rights will be issued as soon as possible, and no later than 12 months after the AGM.

The Rights will only vest if the performance hurdles relating to total shareholder return (TSR) and average return on equity attributable to shareholders (Average ROE) are met as set out below. No dividends are paid with respect to Rights. Shares resulting from the exercise of Rights, following their vesting will have full voting and dividend rights corresponding to the rights of other holders of ordinary shares in the Company.

#### The Executive Option Plan and Specialist Option Plan

The Plan contemplates the grant of options or performance rights over Shares in the Company. The Company does not have the ability to provide any cash equivalent on exercise.

The Company may offer additional incentive schemes to executive directors, employees or fertility specialists over time.

The performance hurdles for the Plan are relative TSR and Average ROE. Each hurdle applies to 50% of the grant. TSR is measured on the Company's TSR relative to a peer group of companies in the S&P ASX 300 Index over the three year performance period. TSR is a measure of the return on investment in a company's shares, including dividends and all other returns to shareholders notionally invested over the relevant performance period.

The percentage of the TSR Component which may vest is based on a sliding scale as follows:

If at the end of the Performance Period, the TSR of the Company:	The percentage of the TSR Component which will vest is:
Does not reach the 50th percentile of the TSRs of the S&P/ASX 300 index	0%
Reaches the 50th percentile of the TSRs of the S&P/ASX 300 index	50%
Exceeds the 50th percentile of the TSRs of the S&P/ASX 300 index but does not reach the 75th percentile	Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)
Reaches or exceeds the 75th percentile of the TSRs of the S&P/ASX 300 index	100%

The percentage of the Average ROE attributable to shareholders component which may vest is based on a sliding scale which will provide for progressive pro-rata vesting against Average ROE targets established by the Nomination and Remuneration Committee.

If at the end of the Performance Period, the average ROE of the Company:	The percentage of the ROE Component which will vest is:
Does not reach 12.0%	0%
Reaches 12.0%	50%
Is between 12.0% and 14.0%	Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)
Reaches or exceeds 14.0%	100%

Calculations of the Company's TSR and Average ROE attributable to shareholders will be determined at the end of the three year period and approved by the Board. The Average ROE will be calculated as an average of the ROE for each of the financial years over the period 1 July 2019 to 30 June 2022 and the TSR will be calculated over the three year period ending 16 September 2022.

In this way, Ms Channon's benefits are aligned with the interests of Shareholders. There are no circumstances where Rights will be vested to Ms Channon prior to the vesting date.

#### Termination of employment

If Ms Channon's employment is terminated for cause, then Ms Channon loses the benefit of her Rights.

If Ms Channon resigns due to illness or for exceptional circumstances, then some of her unvested Rights will be retained according to the formulae outlined in the Plan Rules, which is based on the period of service from grant date till vesting date.

If Ms Channon's employment ends for any other reason, the unvested Rights will lapse and she will lose the benefit of the Rights.

#### Shareholder approval – Corporations Act

Under Part 2D.2 of the Corporations Act, subject to a number of exemptions, Shareholder approval must be obtained before the Company (or a Related Body Corporate or prescribed superannuation fund in relation to the Company) can give a person a "benefit" in connection with the person's retirement from a managerial or executive office.

Under the Plan, where a participant in that Plan ceases to be an employee of Virtus (other than in prescribed circumstances) all unvested performance rights held by that participant will lapse. In circumstances where the reason for that participant ceasing employment is because of death, total and permanent disability, retirement or redundancy (as determined by the Board) or any other reason with the approval of the Board, the Board has discretion as to how unvested performance rights are to be treated. In the context of exercising this discretion, providing

Securities to the person may constitute a termination benefit regulated by Part 2D.2 of the Corporations Act.

For a person who holds a managerial or executive office with the Company (or a Related Body Corporate), if performance rights vest because a person ceases to be employed due to death, disability or any other reason in the Board's discretion, the person will receive a benefit in connection with retirement from office, or position of employment regulated by Part 2D.2 of the Corporations Act. The value of the benefit received will be the market price of the shares that are received following the exercise of the vested performance rights.

#### Shareholder approval – ASX Listing Rules

ASX Listing Rule 10.14 requires Shareholder approval before a Director can acquire securities or performance rights to securities under an employee incentive scheme. Approval from Shareholders is being sought to grant Rights to Ms Channon under the Plan in respect of the period commencing on and from the date of this Meeting, with any Rights issued within 12 months of the date of this Meeting.

#### Information required by ASX Listing Rule 10.15

ASX Listing Rule 10.15 requires the following information to be disclosed in relation to the Rights to be granted to Ms Channon under the Plan:

##### 1. Maximum number of Rights and Shares

The maximum number of Rights that may be granted to Ms Channon within 12 months of this Meeting has been calculated in accordance with the following formula and is in any case not in excess of 79,841:

- The maximum number of Rights of 79,841 to be granted to Ms Channon has been calculated as 60% of base salary of \$546,912 divided by the volume weighted average daily closing price of the Company's shares for the business days commencing 21 August to 09 September 2018 (inclusive) of \$4.11.

After the grant of Rights, the number of Rights that actually vest will determine the number of Shares that Ms Channon may receive at the end of the vesting period on the vesting date, 9 September 2022. Only those Rights that satisfy the performance hurdles as outlined above will vest, and the remaining Rights will lapse. Each Right will upon vesting, convert into one fully paid ordinary Share.

On vesting of the Rights, the Board will decide on or around the vesting day whether to purchase the amount of new Shares on market or to issue Shares.

##### 2. Price for each Right (and the price for each Share that vests)

No payment for the Rights is required by Ms Channon and the exercise price of the Rights is zero.

##### 3. Securities issued under the Plan since last approval

During the financial year ended 30 June 2019, there were no shares issued as a result of the exercise of options or performance rights.

During the financial year ended 30 June 2019, 125,032

performance rights were forfeited as a consequence of failing to meet vesting hurdles and no rights were cancelled as a result of failure to meet performance hurdles.

On 21 November 2018, a total of 177,740 performance rights were granted under the Plan to KMP, at a nil acquisition price (including the Rights granted to Ms Sue Channon on the same date following approval by Shareholders at the 2018 AGM):

Executives	FY2019 No. of Performance Rights
Sue Channon	56,441
Glenn Powers	40,061
Jade Phelan	20,086
Nadia Stankovic	20,086
Steve Zappia	20,086
Richard Banks	20,980

These performance rights have a vesting date of 21 November 2021, an expiry date of 21 November 2028 and a nil exercise price. Further details of these performance rights are outlined in the Company's Remuneration Report contained in the 2019 Annual Report.

#### 4. Persons who are entitled to participate in the Executive Option Plan

Eligibility to participate in the Plan and the number of securities offered to each individual participant will be determined by the Board. It is expected that options or performance rights may be granted to certain senior executives of the Company on an annual basis as part of their annual remuneration review.

Current participants in the Plan are Ms Sue Channon (Managing Director and Chief Executive Officer) and senior executives in the business. (It is noted that the only director currently eligible to participate in the Plan is Ms Channon.) The granting of the Rights to senior executives other than Ms Channon did not require Shareholder approval. The details of these grants are outlined in the Company's Remuneration Report contained in the 2019 Annual Report.

The Board may agree that other nominated members of the executive management team may participate in the Plan for the year ending 30 June 2019.

#### 5. Terms of any related loan

There is no loan provided in relation to the acquisition of Rights by Ms Channon.

#### 6. Issue date of Rights

The Rights will be granted to Ms Channon no earlier than the date of this Meeting and no later than 12 months from the date of the Meeting, on the conditions described in this Explanatory Note.

#### Voting exclusion

The Company will disregard any votes cast in favour of Item 4 by or on behalf of any Director of the Company (except one who is ineligible to participate in the Plan) or any associate of any such

persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, no KMP of the Company or a Closely Related Party of such a member may vote as a proxy on Item 4 unless:

- the person votes as a proxy appointed by writing that specifies how the person is to vote on Item 4; or
- the person is the Chairman and votes as a proxy appointed by writing that authorises the Chairman to vote on Item 4 even though the resolution is connected directly or indirectly with the remuneration of KMP of the Company.

#### *Directors' Recommendation*

The Board (other than Ms Channon) unanimously recommends that Shareholders vote in favour of this resolution.

## ITEM 5: Approval to issue securities under the Virtus Health Limited Executive Option Plan and Specialist Option Plan

### Background

Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring Shareholder approval. Listing Rule 7.2 allows certain issues of securities to be excluded from the calculation of the number of securities issued in the 12 month period, including under Exception 9(b), where an issue is made under an employee incentive plan, if within three years before the date of issue, the terms of the plan are approved by Shareholders.

Shareholders last approved the issue of securities under the Virtus Health Limited Executive Option Plan and Specialist Option Plan (Plan) on 9 November 2016.

The resolution of Item 5 proposes that Shareholders consider and approve the Plan in accordance with Listing Rule 7.2, Exception 9(b), which would enable securities issued under the Plan over the next three years to be excluded from any calculation of securities for the purposes of Listing Rule 7.1.

The Plan provides for the issuance of securities, which upon a determination by the Board that the performance conditions attached to the securities have been met, will result in the issue of shares in the Company for each of the options.

Unlisted Options and Performance Rights issued since the date of the last approval are 742,525 (including an estimate of options vesting linked to estimated future share price at vesting) and those currently on issue under the Plan as at 30 June 2019 are 1,403,273.

### Summary of the terms of the Virtus Health Limited Executive Option Plan and Specialist Option Plan

The object of the Plan is to:

- provide an incentive and to reward, retain and motivate Eligible Persons;
- recognise the abilities, efforts and contributions of Eligible Persons to the performance and success of the Group; and
- provide Eligible Persons with the opportunity to acquire or increase their ownership interests in the Group, in accordance with the Plan Rules.

A summary of the terms of the Plan are outlined below. Capitalised terms in this section refer to definitions in the Plan Rules.

**Eligible Persons** means:

- a Doctor;
- an Eligible Employee, or
- a Family Entity provided such entity is associated with such a Doctor or Eligible Employee within the meaning of section 708(12) of the Corporations Act, who the Plan Committee selects to receive an Offer under the Plan.

**Eligible Employee** means an employee or director of a Group Company eligible to acquire Options under a Plan, as determined by the Plan Committee from time to time.

**Plan Committee** means the Board, or any committee of the Board to which the Board has delegated its powers to administer the Plan.

### Grant of Performance Rights

#### *Fertility Specialists*

Performance Rights will be available as follows:

- Initial Performance Rights are granted to new Fertility Specialists upon commencing a five year standard contractual relationship with Virtus after 31 December 2012;
- Performance Rights will be granted on an annual basis to existing contracted Fertility Specialists (pre-January 2013) who achieve a benchmark level of IVF cycles above a base or adjusted base number of IVF cycles completed in one of the financial years ending after June 2008; and
- Performance Rights will be granted to new Fertility Specialists on an annual basis and the initial benchmark level for new fertility specialists is 50 IVF cycles and subsequent benchmark levels are at each 50 IVF cycle increment thereafter.

Fertility specialists also participate in a Loyalty share scheme which recognises the sustained contribution of the top quartile of specialists on an annual basis. Annual awards, payable in shares replaces all standard performance rights grants for annual cycle achievement higher than 200 cycles.

#### *Executives*

Options (including Performance Rights) will be available as follows:

It is expected that Options or Performance Rights may be granted to certain senior executives of the Company on an annual basis as part of their annual remuneration review. Generally, vesting conditions attaching to grants of Options or Performance Rights made to senior executives will relate to the performance of the Company over the performance period as well as continued employment. Options or Performance Rights may also be granted to other employees from time to time subject to consideration by the Board.

The key terms and conditions to these grants are set out below.

### Vesting Conditions

Options or Performance Rights will vest and become exercisable to the extent that the applicable performance, service, or other Vesting Conditions specified at the time of the grant are satisfied. Vesting Conditions may include conditions relating to continuous employment or service, the individual performance of the participant in the Plan or Virtus' performance.

The Board has the discretion to set the terms and conditions on which it will offer Options or Performance Rights under the Plan, including the Vesting Conditions and different terms and conditions which apply to different participants in the Plan.

Upon satisfaction of the Vesting Conditions and any other conditions to exercise, each option or right will convert to a number of Shares based on the terms of issue of the Options or Performance Rights.

Participants may be required to pay an exercise price to exercise the Performance Rights, which may be based on the market price of Shares at or around the time of the grant of the Performance Rights. The Plan also includes flexibility to allow Virtus to grant Options or Performance Rights with no exercise price. Participants will not need to pay any money to be granted Options or Performance Rights under the Plan.

### No transfer of Options or Performance Rights

Without the prior approval of the Board, Options or Performance Rights may not be sold, transferred, encumbered or otherwise dealt with. Further, participants cannot enter into any transaction, scheme or arrangement, which hedges or otherwise affects the participant's economic exposure to the Options or Performance Rights before they vest.

### Lapse of Options or Performance Rights

Options or Performance Rights will lapse if the applicable Vesting Conditions and any other conditions to exercise are not met during the prescribed period or if they are not exercised before the applicable expiry date.

### Quotation

Options or Performance Rights will not be quoted on ASX. Virtus will apply for official quotation of any Shares issued under the Plan, in accordance with ASX Listing Rules.

### Capital limit

Subject to the rules of the Plan, the Board must not offer Options or Performance Rights if making the Offer would breach the 5%

capital limit on the issue of shares as set out in ASIC Class Order 14/1000 in relation to employee share schemes.

### Cessation of employment or contractual relationship

The Plan contains provisions concerning the treatment of vested and unvested options and performance rights in the event a participant ceases employment or their appointment as a Director or they cease being contracted with Virtus as a Fertility Specialist.

### Unvested Options

In relation to employees, unless the Board determines otherwise:

- if an employee is a "good leaver" (e.g. they cease employment by reason of death, serious disability or permanent incapacity or they cease employment in circumstances other than for cause), a portion of the unvested Options or Performance Rights held by that employee upon cessation will lapse according to a formula which takes into account the length of time the participant has held the option and the performance period for the option or right; and
- if an employee is a "bad leaver" (e.g. they cease employment for cause), the unvested Options or Performance Rights held by that employee upon cessation will automatically lapse.

In relation to Fertility Specialists, the unvested Options or Performance Rights held by a Fertility Specialist upon cessation will automatically lapse, unless that Fertility Specialist is a "good leaver", in which case the Board may, in its absolute discretion, determine that some or all of the Fertility Specialist's unvested Options or Performance Rights will not lapse and/or may vest on such date determined by the Board.

### Vested Options or Performance Rights

Any vested Options or Performance Rights held either by an employee or a Fertility Specialist must be exercised within 28 days of the participant ceasing employment or ceasing to be contracted to Virtus (as applicable), after which time any unexercised Options or Performance Rights will lapse.

### Change of control of Virtus

The Board has the discretion to allow for vesting of Options and Performance Rights if certain extraordinary events occur such as of a change of control or winding up of Virtus.

### Costs and administration

Virtus must bear any costs incurred in the administration of the Plan.

### Other terms of the Plan

The Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the Plan.

### Directors' Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution.

### Voting exclusion

The Company will disregard any votes cast on Item 5 by any Director of the Company (except one who is ineligible to participate in the Plan) and any associate of any such persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

In addition, no KMP of the Company or a closely related party of such a member may vote as a proxy on Item 5 unless:

- the person votes as a proxy appointed by writing that specifies how the person is to vote on Item 5; or
- the person is the Chairman and votes as a proxy appointed by writing that authorises the Chairman to vote on Item 5 even though the resolution is connected directly or indirectly with the remuneration of KMP of the Company.

## GLOSSARY

**\$** means Australian Dollars.

**AEDT** means Australian Eastern Daylight Time as observed in Sydney, Australia.

**Annual General Meeting or Meeting** means the meeting convened by the Notice.

**Associate** has the meaning given to that term in sections 10 and 11 and sections 13 to 17 of the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691.

**ASX Listing Rules** means the Listing Rules of the ASX.

**Board** means the current board of directors of the Company.

**Closely Related Party** has the meaning as defined in section 9 of the Corporations Act.

**Company** means Virtus Health Limited (ACN 129 643 492)

**Constitution** means the Company's Constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** mean the current directors of the Company.

**Entitlement Time** means 7.00 p.m. (AEDT) on 18 November 2019.

**Explanatory Notes** means the Explanatory Notes accompanying the Notice.

**Key Management Personnel or KMP** has the meaning as defined in section 9 of the Corporations Act.

**Notice or Notice of Meeting or Notice of Annual General Meeting** means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

**Options** means options issued under the Plan.

**Plan** means Virtus Health Limited Executive Option and Specialist Option Plan.

**Proxy Deadline** means Monday 18 November 2019 at 2.00 p.m. (AEDT).

**Proxy Form** means the proxy form accompanying the Notice.

**Related Body Corporate** has the meaning set out in section 50 of the Corporations Act.

**Remuneration Report** means the remuneration report set out in the Directors' Report section of the Company's annual financial report for the year ended 30 June 2019.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Performance Rights** means performance rights issued under the Plan.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.




**LODGE YOUR VOTE**

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
Virtus Health Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



**X99999999999**

**PROXY FORM**

I/We being a member(s) of Virtus Health Limited and entitled to attend and vote hereby appoint:

**APPOINT A PROXY**

**the Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:00pm (AEDT) on Wednesday, 20 November 2019 at Hilton Sydney, 488 George Street, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.


**Important for Items 2, 4 and 5:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Items 2, 4 and 5, even though the Items are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

**VOTING DIRECTIONS**

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

Items	For	Against	Abstain*		For	Against	Abstain*
<b>2</b> Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>4</b> Grant of Performance Rights to Sue Channon, Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.1</b> Re-election of Mr Gregory Couttas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>5</b> Approval to issue securities under the Virtus Health Limited Executive Option Plan and Specialist Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3.2</b> Re-election of Dr Lyndon Hale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<b>3.3</b> Election of Dr Michael Stanford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED**

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).





## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Item is connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm (AEDT) on Monday, 18 November 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Virtus Health Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

