

Dated 22 September 2020

# Nomination and Remuneration Committee Charter

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

Adopted by the Board on 22 September 2020

# Nomination and Remuneration Committee Charter

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# Nomination and Remuneration Committee Charter

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## 1 Purpose and authority

### 1.1 Purpose

The purpose of this Nomination and Remuneration Committee Charter is to specify the authority delegated to the Nomination and Remuneration Committee (“**Committee**”) by the board of directors of Virtus (“**Board**”) and to set out the role, responsibilities, membership and operation of the Committee.

### 1.2 Authority

The Committee is a committee of the Board established in accordance with Virtus’ constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in this charter and granted to it under any separate resolutions of the Board from time to time.

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## 2 Role of the Committee

### 2.1 Nomination

The Committee assists and advises the Board on:

- (a) Non-executive director selection and appointment practices;
- (b) Non-executive director performance evaluation processes and criteria;
- (c) Board composition; and
- (d) 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.

### 2.2 Remuneration

The Committee also assists and advises the Board on remuneration policies and practices for the Board, the Chief Executive Officer (“**CEO**”), the Chief Financial Officer (“**CFO**”), senior executives and other persons whose activities, individually or collectively, affect the financial soundness of Virtus. The policies and practices are designed to:

- (a) enable Virtus to attract, retain and motivate directors, executives and employees who will create value for shareholders within an appropriate risk management framework, by providing remuneration packages that are equitable and externally market competitive;
- (b) be fair and appropriate having regard to the performance of Virtus and the relevant director, executive or employee;
- (c) align remuneration to Company and individual performance in the case of the CEO, CFO and senior executives; and
- (d) comply with relevant legal requirements.

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### 3 Nomination responsibilities

The Committee is responsible for:

#### Nomination and appointment of Non Executive Directors:

- (a) identifying and making recommendations regarding the necessary and desirable competencies of directors;
- (b) develop and maintain a board skills matrix;
- (c) making recommendations regarding the size of the Board so that the size encourages efficient decision making;
- (d) developing and reviewing the process for the selection, appointment and re-election of directors;
- (e) ensuring that appropriate checks are carried out before a person is appointed as a director and before putting forward a candidate to shareholders for election as a director;
- (f) identifying and making recommendations to the Board for the appointment of Non Executive Directors, having regard to their skills, experience and expertise.

#### Diversity

- (g) co-ordinating with the Board to ensure that Virtus meets its commitment to becoming a diverse and inclusive workplace;
- (h) identifying ways to promote a culture supportive of diversity including recruitment from a diverse pool of candidates;
- (i) reviewing nomination practices against measurable objectives for achieving gender diversity.

#### Induction

- (j) reviewing induction procedures for new appointees to the Board to enable them to effectively discharge their duties, including increasing their knowledge about Virtus and the industry within which Virtus operates.

#### Continuing Education of Non Executive Directors

- (k) ensuring continuing education to enhance director competencies, knowledge and skills including on key developments affecting Virtus and the industry and environment in which it operates, with an allocated budget of \$20,000 per annum for the Virtus Board.

#### Enhancing Board Performance

- (l) overseeing the development and implementation of a process for the evaluation of the performance of the Board, Board committees, and directors individually;
- (m) Committee chair, in consultation with the rest of the Board members reviewing the performance of the chairperson and reporting the results of the evaluation to the Board.

## Succession Planning

- (n) reviewing senior executive succession plans and processes, including for the CEO and other senior executive positions;
- (o) ensure a member of the Board is involved in selection and appointment process for all direct reports to the Chief Executive Officer to ensure the organisation has the full range of skills needed for effective and prudent operation;
- (p) reviewing Board succession plans and being conscious of each director's tenure, to maintain an appropriate balance of skills, experience, expertise and diversity.

## Executive recruitment

- (q) ensuring that appropriate background and reference checks are undertaken relating to the recruitment of CEO, CFO and senior executives.

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# 4 Remuneration responsibilities

## 4.1 General

- (a) The Committee is responsible for developing, reviewing and making recommendations to the Board on:
  - (i) the ongoing appropriateness and relevance of the remuneration framework for the Chairperson and the Non-Executive Directors, ensuring the fees paid to Non Executive Directors are within the total remuneration pool (being the aggregate fees payable to the Non Executive Directors of the Board) and make recommendations to the Board for any adjustment to this amount as necessary;
  - (ii) Virtus' policy on remuneration for the CEO, CFO and senior executives, any changes to the policy and the implementation of the policy (including any shareholder approvals required);
  - (iii) the total remuneration packages for the CEO, CFO and senior executives on the recommendation of the CEO (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;
  - (iv) the proposed Short Term Incentive pool in line with the company's business performance (including reducing the Short Term Incentive pool or variable pay for senior executives to zero when and if appropriate) as a result of overseeing the annual performance evaluation of senior executives;
  - (v) Virtus' recruitment, retention and termination policies for the CEO and senior executives and any changes to those policies;
  - (vi) incentive schemes, if appropriate, for the CEO and senior executives; and
  - (vii) equity based plans, if appropriate, for the CEO, senior executives and other employees.
- (b) The Committee is also responsible for monitoring and providing input to the

Board regarding:

- (i) legislative, regulatory or market developments likely to have a significant impact on Virtus and legislative compliance in employment issues; and
- (ii) the remuneration trends across Virtus, including the trends in base pay for senior management relative to that of all Virtus employees;

## 4.2 Executive Incentive schemes and equity based remuneration

For any incentive schemes or equity based plans which are adopted, the Committee is responsible for:

- (a) reviewing their terms (including any performance hurdles);
- (b) overseeing their administration (including compliance with applicable laws that restrict participants from hedging the economic risk of their security holdings<sup>1</sup>);
- (c) considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
- (d) ensuring that payments and awards of equity are made in accordance with their terms and any shareholder approval.

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<sup>1</sup> See section 206J of the Corporations Act.

## 4.3 Structure of remuneration

In fulfilling these responsibilities, the Committee will ensure that:

- (a) a clear distinction is maintained between the structure of non-executive directors' remuneration and that of executive directors and senior executives;
- (b) a proportion of executive directors' and senior executives' remuneration is structured in a manner designed to link rewards to corporate and individual performance (reflecting short and long-term performance objectives appropriate to Virtus circumstances and goals);
- (c) any engagement of a remuneration consultant is approved by the Board or the Committee and the remuneration consultant must report its recommendations directly to either or both of the members of the Board (other than an executive director) or members of this Committee<sup>2</sup>;
- (d) the Committee and the Board are satisfied with the arrangements put in place to ensure that any remuneration recommendation made by the remuneration consultant is made free from undue influence from any member of the key management personnel to whom the recommendation relates;<sup>3</sup> and
- (e) the Committee will provide the Board with information sufficient to ensure that the Board makes an informed decision in relation to the Committee's recommendations.

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<sup>2</sup> See sections 206(K) and 206(L) of the Corporations Act.

<sup>3</sup> See section 300A(1)(h) of the Corporations Act.

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## 5 Reporting and disclosure

The Committee will liaise with the Board in relation to Virtus' remuneration related

reporting in the financial statements and the remuneration report required by the Corporations Act.

The Committee will approve an annual remuneration report containing information on Virtus' remuneration policy, practices, attendance at and frequency of Committee meetings and make recommendations to the Board for the inclusion of the remuneration report in Virtus' annual report.

The Committee will make recommendations to the Board regarding the process for evaluating performance of the Board, its committees and the directors.

The Committee will ensure that all applicable governance, accounting and legal requirements regarding disclosure of remuneration, in all forms, are complied with.

The Committee chairperson will attend Virtus' annual general meetings prepared to respond to any shareholder questions on the Committee's activities.

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## **6 Delegation**

The Committee may delegate any of its powers and responsibilities as the Committee thinks appropriate for the administration of director, senior executive and employee share, option or other plans, to senior management.

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## **7 Membership**

### **7.1 Composition and size**

The Committee will consist of at least three members, a majority of whom are independent, non-executive directors.

Each member must be free from any interest, business or other relationship which, in the opinion of the Board, could, or could reasonably be perceived to, materially interfere with the exercise of his or her independent judgment as a member of the Committee.

Each member is expected to possess adequate remuneration, regulatory and industry knowledge to carry out his or her responsibilities as a member of the Committee.

The term of service of Committee members will be reviewed by the chairperson at least annually, with a view to rotating members periodically, but without losing the continuity of experience and knowledge gained by the members of the Committee.

### **7.2 Chairperson**

The chairperson of the Committee must be an independent non-executive director. The chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairperson for the meeting.

### **7.3 Secretary**

The Company Secretary is the secretary of the Committee.

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## **8 Committee meetings and process**

### **8.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in Virtus'

constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

## **8.2 Frequency and calling of meetings**

The Committee will meet at least three times per year or as frequently as required to undertake its role effectively. The chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the internal auditor or the chairperson of the Board.

## **8.3 Quorum**

Two directors constitute a quorum for meetings of the Committee.

## **8.4 Attendance by management and advisers**

The Committee chairperson may invite the CEO, CFO, other senior executives, directors who are not members of the Committee and external advisers to attend meetings of the Committee.

## **8.5 Conflicts**

No member of the Committee will participate in the determination of their own remuneration.

## **8.6 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 Committee member and any other individual invited to attend, not less than three business days before the meeting.

## **8.7 Minutes**

The secretary will keep minute books to record the proceedings and resolutions of Committee meetings.

The chairperson of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

The Committee must refer any matter of significant importance to the Board for its consideration and attention.

## **8.8 Access to information and advisers**

The Committee has direct and unlimited access to all resources necessary to discharge its duties and responsibilities, including engaging independent counsel, advisors, accountants or other experts as it considers appropriate (at the Company's expense). This may include requesting management or engaging external remuneration consultants to provide information to the Committee.

The Committee also has the authority to conduct or direct any investigation required to fulfil its responsibilities.

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## **9 Committee's performance evaluation**

The Committee will review its performance annually and whenever there are major changes to the Board structure of Virtus.

The performance evaluation will have regard to the extent to which it has met its responsibilities in terms of this charter.



Committee members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

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## **10 Review and publication of the charter**

The Board will review this charter to ensure it remains relevant to the current needs of Virtus. The charter may be amended by resolution of the Board.

This charter will be available on Virtus' website and the key features will be published in the corporate governance statement.