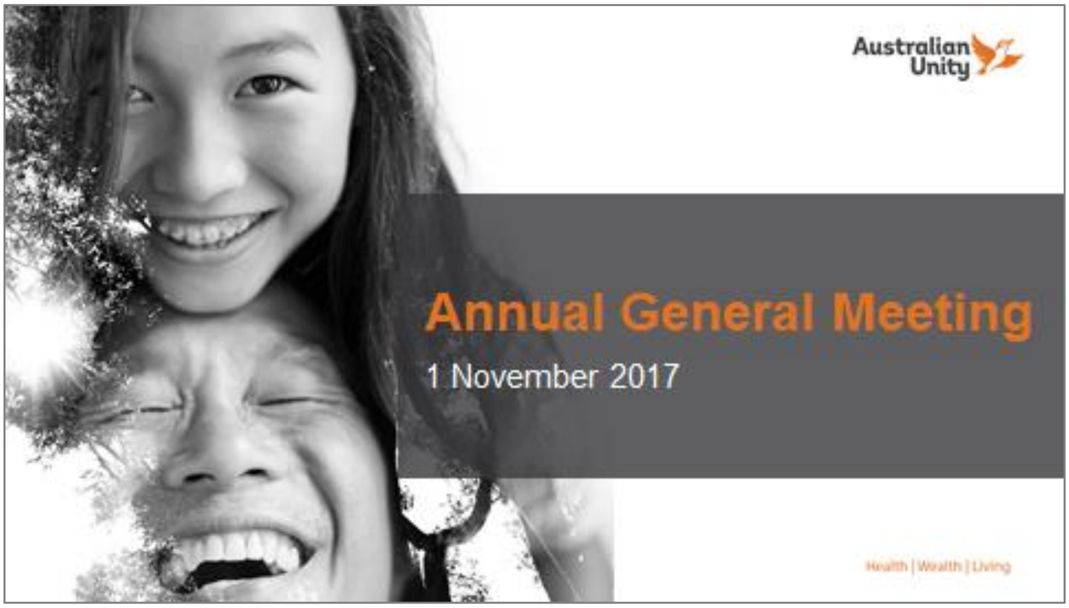
Australian Unity Annual General Meeting

1 November 2017



The purpose of this AGM is to discuss the events and achievements of the financial year ending on the 30th of June this year. Members have received the annual report and we will discuss the material contained within it during the course of this meeting.

I will take this opportunity to briefly update you on some announcements made at the 2016 AGM. Last year I spoke about the Queensland Government's decision to name Australian Unity as the preferred tenderer for the Herston Quarter project. In February this year, after eight months of contract negotiations, we signed a series of agreements with the Queensland Government. Initial construction work is now underway. This health precinct will include a public rehabilitation hospital, a private hospital, a wellbeing precinct including aged care and retirement living, as well as student and other accommodation. Our plans also include the significant restoration of a number of heritage buildings on the site.

This development will take between five to seven years to complete, so it is a major ongoing project for us. Around 10 percent of our members live in Queensland, and we are excited by the opportunity to strengthen our brand in that part of our country.

Another major development to occur this financial year is the integration of the Home Care New South Wales business into Australian Unity. This required significant resourcing, including extensive investment into improving information systems and processes for the 52,000 new clients and more than 4,000 employees. This will continue in the coming years.

Following this integration, Australian Unity is a leading private provider of in-home care services to the people of New South Wales.

It is here I would like to emphasise, as I did at last year's AGM, that while these major and important developments have required significant attention and investment, this has not occurred at the expense of our existing portfolio. To be explicit, our health fund members have not, and will not, be subsidising such activities through premium increases. The ability to raise external capital, such as through the Simple Corporate Bond launched in 2015, gives us scope to finance our growth initiatives. In fact, in the year under review, our average increase in health insurance premiums was our lowest rise in a decade and lower than the industry average.

A more recent development in our operations was the announcement in September that we have entered into an agreement with nib holdings limited for the sale of our corporate health insurance provider GU Health. The completion of the sale occurred on 31 October 2017, that is, yesterday. This sale will release capital for investment in strategic initiatives that align with our goal of continuing to develop direct-to-consumer products and services.

We continue to invest in the development of our broad array of products, which range from private health insurance to our banking arm, investment bonds, funeral products, funds management operations and more. All play an important part in supporting our overall ambition for your company.

The business broadened its range of service offerings to customers during the year with Australian Unity Trustees Limited successfully obtaining a trustee licence from the Australian Securities and Investments Commission. This was the first such licence to be granted in Australia under the new licensing regime established by the federal government in 2010. Trustee-type services are growing in demand in Australia as the population ages. More older Australians, and their families, are in need of protection, support and peace of mind during what can be challenging periods.

I would like to share with you a recent anecdote from our Trustee Services business that exemplifies our broader purpose as a mutual—to meet the needs of our members. As a trustee company, we protect the affairs of some extremely vulnerable community members, who do not have the capacity to manage their own financial and legal affairs. As they are not able to instruct us, we must 'walk in their shoes' regarding their affairs, including at times issuing legal proceedings on their behalf. We recently helped one such customer, who is middle-aged and suffering from an acute mental illness. Our customer was left with minimal and uncertain provision in the parents' will after they passed away. This customer had minimal funds and was without secure, permanent accommodation. They were looking at a life of poverty, low amenity and high dependence on the state. Trustee Services, as Administrator for this customer, issued legal proceedings for provision from the estate. As a result of our advocacy, including advising how we would manage the entrusted funds on their behalf, a settlement was reached and approved by the Court. Our customer is now living in supported, secure accommodation and is in a better position to live an independent life.

This story is very much consistent with our origins as an organisation over 177 years ago. We were established by a group of people back in 1840 with a purpose to provide for their own and their communities' needs. It is no different today.

Our role as a modern day mutual is clearly not limited to the provision of products and services. Like our forebears, we also play our part in contributing to a vision of a better Australia, and as such, we participate in and contribute to public policy. We have made submissions to a range of government inquiries, including on National Disability Insurance Scheme costs, aged care quality, in-home care standards, human services reforms and data use.

During my address at last year's AGM, I spoke about our work with the industry group, the Business Council of Co-operatives and Mutuals. In particular, that we were successful in having our views put forward to the Senate Economics Committee inquiry into cooperatives and mutuals in 2016. One of our key recommendations was to create new possibilities for mutual companies to raise equity capital—while remaining mutuals. These possibilities are very much in play. In May this year, we provided a further submission specifically on potential mechanisms for capital raising, in particular a Mutual Capital Instrument. We await the Treasurer's final decision. If our proposal is adopted, mutuals like us will have greater freedoms to raise equity capital for future projects. This will allow us more choice in the projects we choose to pursue.

Another area of advocacy we continue to be active in is wastage in healthcare. I have talked in recent years about this issue, in particular the growing area of prostheses provision. Prostheses are devices used to replace failing body parts, such as artificial knees and hips, stents and defibrillators. For years, suppliers have been charging patients with private health insurance substantially more, in many cases multiples, of the price they charge the state for patients in the public system. We applaud the government for calling out the rorts in the medical device supply chain by introducing reforms to prostheses pricing. I would also like to note how pleased I am to see other companies joining us in commentary on health cost inflation as a result of regulatory failures. We will continue to advocate for broader health system reform, beyond private health insurance, in the best interests of our members.

Lastly, I'd like to touch on the work that the board has done this year with the management team, which has involved reviewing our operations to ensure we are best placed to capitalise on the future growth opportunities that exist across health, wealth and living. Our goal is to ensure we are a truly customer-obsessed organisation, which means we need to transform how we are organised, how we deliver products and services and how we work. This transformation program is happening with the full support of the board. I'll leave the Group Managing Director to give a more detailed update about this.

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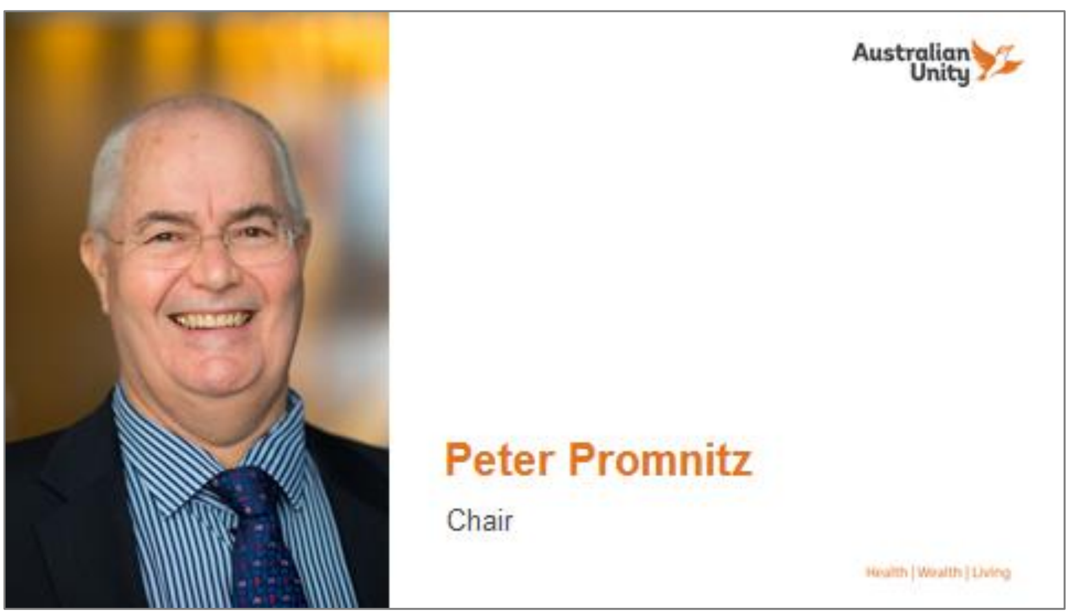
Before I hand over to our Group Managing Director, I would like to acknowledge Stephen Maitland, who will be retiring at the conclusion of the meeting today. Stephen has served as a director since 2005 following the merger with Grand United Friendly Society Limited. He has brought significant expertise across a range of relevant areas to the organisation. Stephen joined the board as a strong advocate of mutual organisations. He has also shown a deep, finely-tuned responsibility to members. He has served on numerous committees during his tenure, including a long period as Chair of the Audit and Compliance Committee. On behalf of the board, I would like to thank Stephen. His sound advice, dedication and contribution have very much been valued.

Stephen Maitland: Outgoing Non-Executive Director's address

Peter Promnitz: Chair's address cont.



The board renewal and succession program initially set in train five years ago is now complete. There will obviously be the need from time to time to introduce or farewell directors. But we intend to keep the board at its current level of six non-executive directors plus the Group Managing Director for the foreseeable future. With Stephen's imminent retirement, we have welcomed Lisa Chung to the board. Lisa brings a broad range of skills and experience, including a strong background in commercial property—experience directly aligned to our future strategic plans.

Upon Stephen's retirement and with Lisa's appointment we will have a board smaller than in the past but with far greater diversity of knowledge, skills and professional experience. And, for the record, a 50/50 gender balance of non-executive directors as well. Building this board with diverse experience and new perspectives aligns with our strategic business plans.

Under the Company's constitution, non-executive directors may be paid fees and superannuation for their services as directors, provided that those fees do not exceed the remuneration cap approved by members at the last Annual General Meeting. I note that the Australian Unity Group has grown significantly since the remuneration cap was last approved at the 2014 AGM. This is evidenced, in part, by the acquisition of Home Care NSW. Another example is being selected as the preferred tenderer to develop the $1.1 billion Herston Quarter project in Brisbane that I referred to earlier. This growth has resulted in increased legislative and regulatory demands being imposed on the Australian Unity Group, increasing the time commitment of your directors. The board is also mindful of the current market, and the need to attract and retain suitably qualified directors.

Some of you may be wondering why we are reducing the maximum number of directors as part of the constitutional changes, while at the same time seeking to increase the non-executive director remuneration cap. This resolution appears as Item Four in the Notice of Meeting. I would like to take a moment to explain the rationale behind this.

Until now the maximum number of directors has been 12, but the fee cap only provides for fees for eight directors. We seek to reduce the maximum number of directors in our Constitution from 12 to nine and then separately increase the remuneration cap so that it provides for fees for nine directors. We are not putting up the current directors' fees to fill, or use up, this increased remuneration cap. The requested adjusted cap is to create proper alignment between the maximum number of directors and the maximum fee cap.

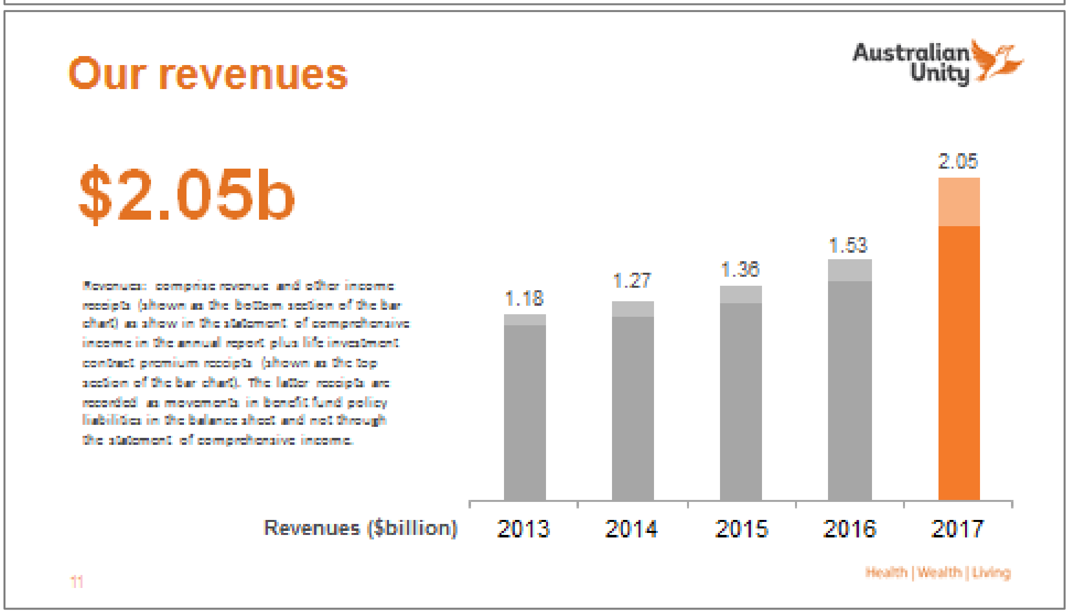
I will now ask our Group Managing Director, Rohan Mead, to present his report on the performance of the company and I will be back later to continue with the formal business of the meeting.

Rohan Mead: Group Managing Directors' address

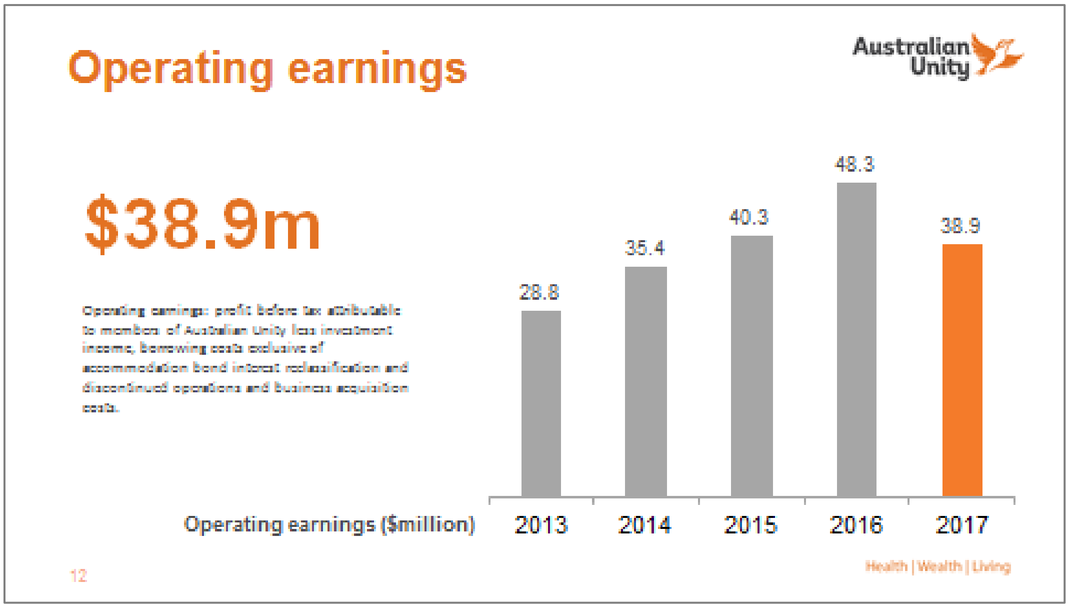
Thank you, Chair. I would like to also extend a special welcome to everyone here, and those listening on the webcast.

I too would also like to acknowledge the traditional owners of the land on which we meet, the Wurundjeri people of the Kulin nation. I pay my respects to their Elders, past and present, and acknowledge any other Elders from other Nations who may be present.

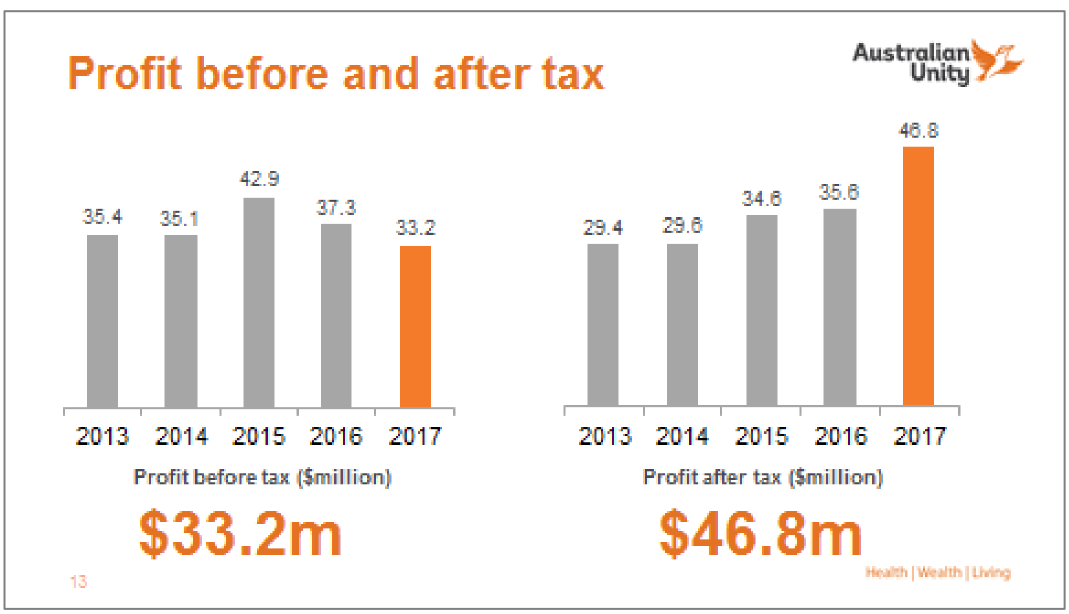
I am pleased to be able to report on the Company's performance this year.



Turning first to the financial results, we have had an increase in revenues of 34 percent, to just over $2 billion. This marks the first time we have topped the $2 billion mark in aggregate revenues. It reflects significant growth across the Group's businesses in particular from the first full year of revenue following the acquisition of Home Care NSW, together with growth in health insurance and benefit fund revenue.

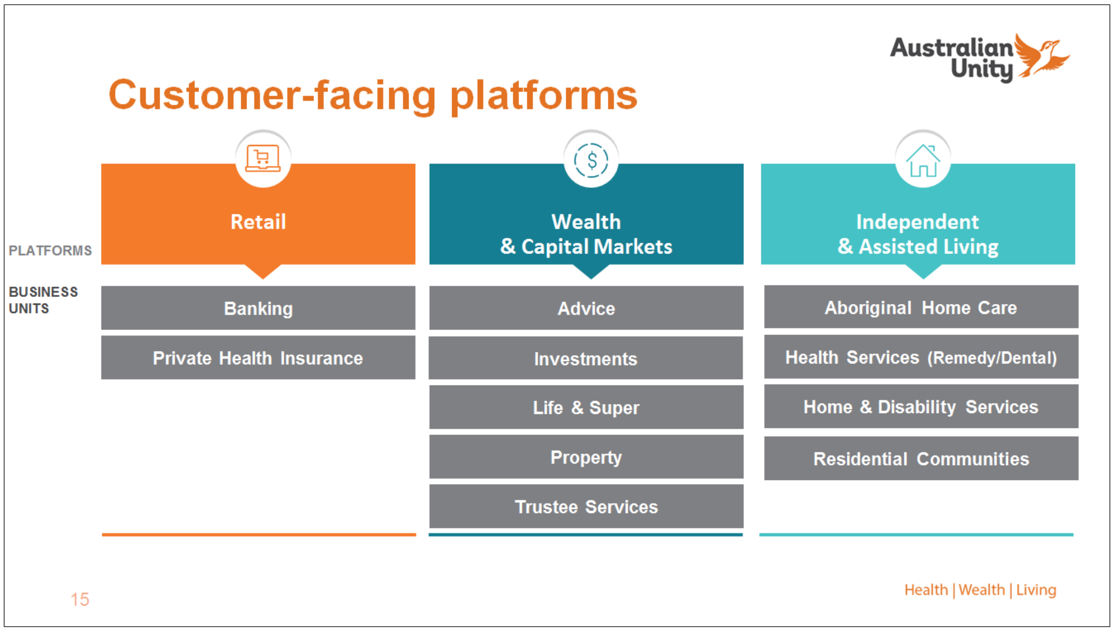


Operating earnings, which is profit before tax less investment income and borrowing costs, were down 20 percent to $39 million. This is an important figure as it shows our performance driven by our own trading position, unaffected by the earnings we make on investible funds. The decrease in our operating earnings was largely due to the anticipated and planned integration costs involved in the Home Care NSW acquisition.



Profit before tax attributable to members fell 11 percent to $33 million, while profit after tax increased by 32 percent to $47 million. Again, the profit figures were also affected by the integration costs of Home Care NSW, offset to some degree by a number of non-recurring items.

As briefly mentioned by the Chair, we have embarked in recent months on a program to transform Australian Unity. We are doing this to ensure we deliver what our customers need and want, as well as to improve how we operate and interact with our customers and our colleagues. To achieve this, we have embarked on a program to transform how we are organised, how we deliver products and services and how we work. Key to this transformation program is facing our deficiencies and failings and making an honest attempt as a human organisation with faults, at addressing them.



Going forward, we will move from four to three customer-facing platforms: Retail, Wealth & Capital Markets and Independent & Assisted Living. Our Retail platform brings together our private health insurance and banking products. The Wealth & Capital Markets platform will bring together our financial planning, investments, life & superannuation, property and trustee services offerings into one business line. Independent & Assisted Living will combine our healthcare and living services into our third business line. In re-shaping this platform, we will create a newly elevated Aboriginal Home Care business unit, which will sit alongside our Home & Disability Services, Residential and Health Services. In all of these arrangements, we have brought to the forefront the characteristics of our customers and their service needs and sought to house these appropriately.

We hope these improvements will enhance our capabilities and enable us to become more efficient and effective in the way we serve our customers. And importantly, it will enable investment into areas such as our digital capabilities and improving the consistency of our customer experience.

Much work remains to be accomplished in this transformation program, but we are excited and energised by the opportunities before us and I look forward to updating you on progress.

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Australian Unity has been for some time concerned with what we describe as the growing “social infrastructure challenge.” Social infrastructure is the interdependent mix of facilities, services and networks that maintain and improve standards of living and quality of life in a community. The growth opportunities arising from this challenge are significant for a company such as Australian Unity. Our transformation program will enable us to capitalise on these opportunities and allow us to make a selective, but valuable contribution through our business operations. The challenge is to create social infrastructure to meet the growing needs of an ageing population living with greater levels of chronic disease. The numbers in this realm continue to stagger.

We are experiencing mass aging for the first time in history—the latest Australian Bureau of Statistics population figures tell us that every day around 400 Australians turn 75. Every day. And this figure is only set to increase in coming years as Baby Boomers reach their twilight years.

In terms of health, half of all Australians have at least one chronic disease, such as arthritis, cardiovascular disease, diabetes or a mental health disorder. Many have more than one. A consequence of this is the ongoing and increasing financial strain on households and our health system.

According to the latest Australian Institute of Health and Welfare figures, some $170 billion was spent on health in Australia during the 2015/16 financial year. This means that one in every ten dollars spent in Australia was spent in the health sector.

In the 2015/2016 financial year, average annual health expenditure in Australia was a touch over $7,000 for every man, woman and child. A decade ago the figure was around $4,600. While some of this spending increase is a matter of choice as people opt to spend more of their own money on their health, there is little doubt that health care system waste is a significant contributor.

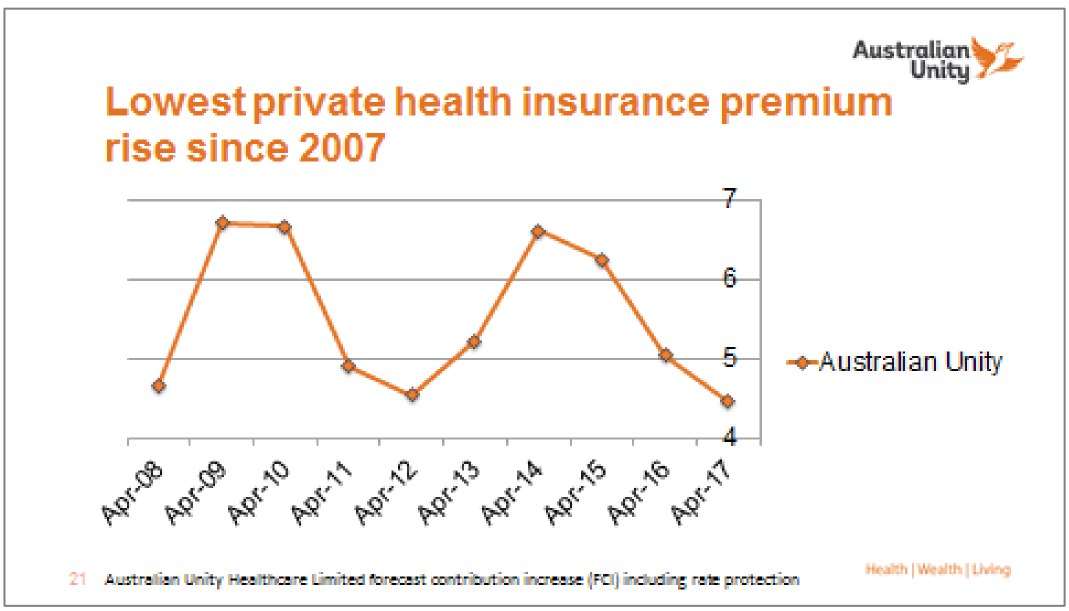
These problems are not new. There have been inefficiencies in our health system for over fifty years. In the late 1960s, there was political debate about the need to control growth in health expenditure by reducing waste and employing proper economic health analysis and insight. This debate led to the healthcare reforms that devised what we know today as Medicare. Unfortunately, decades on, we continue to debate the need to reduce wasteful health expenditure.

Australian Unity has been actively engaged for many years in advocating for a greater policy focus on wastage in the healthcare system. It is not an abstract concept. It is people being in hospital a second or third time after a first procedure failed due to an avoidable event. This can range from surgical mistakes to hospital-acquired infections and the misadministration of medicines.

The federal government is acutely aware of cost issues in the health system and is examining ways to find savings. One area the federal government has made recent reform announcements is in private health insurance. As the chair said, our advocacy for a change in the way prostheses are priced is one example of reform that support affordability and value for consumers.

Overall, our sense of the PHI reforms is broadly positive, but the job is far from done. Further reform work is needed from government, notably in the area of transparency of health information such as clinician costs and outcomes data. In the longer term, we need to prioritise preventative health measures to keep people out of hospital, where costs rise sharply.

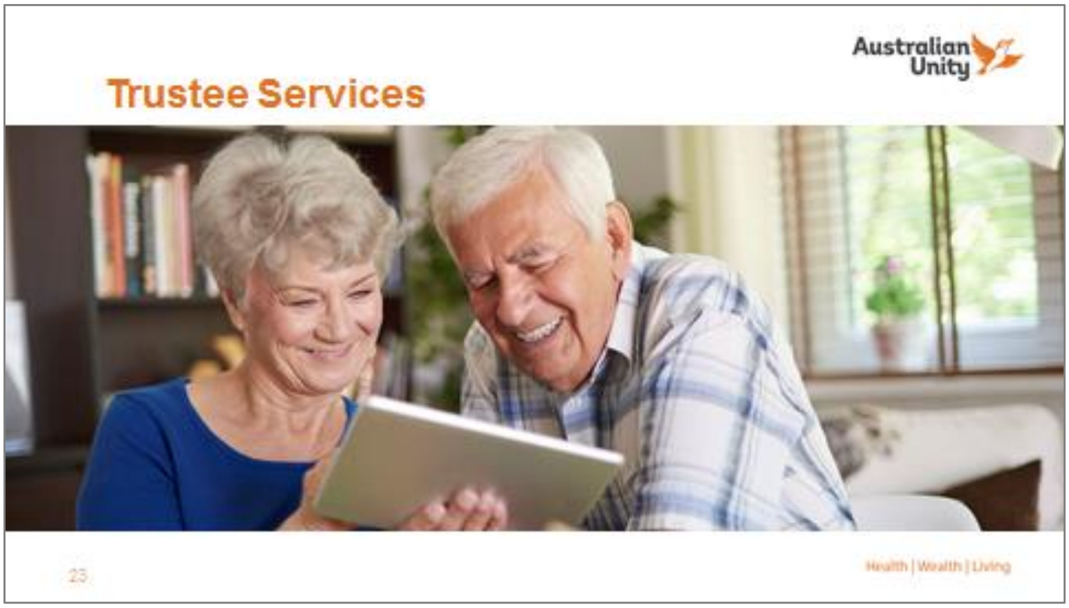
But what about right now? Today, our PHI business operates in a highly regulated market, and we don't expect this to significantly change. We accept the regulatory scrutiny this entails, and will continue to refine our product and service offerings to ensure both compliance and value to our customers.



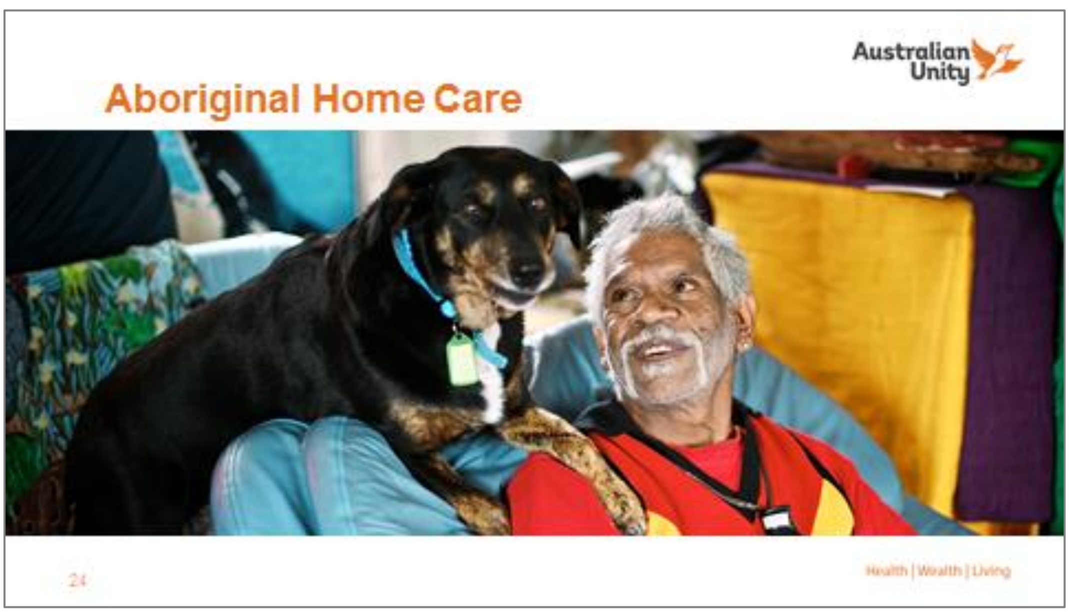
We also understand that affordability of private health insurance is a critical ongoing concern of our members. In February, as noted by the Chair, we negotiated our lowest premium rise in a decade. The rise was also below the weighted average of all private health insurers.

This was against a backdrop of low wage growth, increasing consumer concerns about the affordability of private health insurance and health costs rising faster than the overall inflation rate. Rest assured that we continue to thoroughly review our operations to ensure we provide our policyholders, as best we can, with high quality, affordable insurance and extras that they value.

It is not only in the area of healthcare that we are seeing undue pressure on people with needs stemming from their age or disability. Issues such as dignified retirement incomes, availability of housing and in-home care are also in need of significant additional social infrastructure.



As the Chair has already mentioned, we have recently made material investments in establishing the trustee services business, which is now fully operational. We are already seeing pleasing support emerging for its estate planning, estate administration, court-awarded trust and Native Title services.



We have also invested significantly to broaden our in-home care service offering with the transfer of Home Care NSW. This also includes Aboriginal Home Care, which is the provision of services to Aboriginal communities in culturally respectful ways. As part of the transformation of the Company I previously mentioned, we will elevate Aboriginal Home Care into a separate business unit. We have a vision to develop a business that is truly responsive to client needs and the principle of user-directed care.

The integration of our Home Care NSW clients is well underway and will continue into the future. Considerable resources were involved in the transfer of rostering and client care systems from a paper-based system to a mobile device-supported digital system. This means that care workers spend more time with clients and less time driving to their regional or local office to pick up or deliver paper-based rosters or care plans.

We are determined to make those care plans strongly client-directed. We want to provide services when the client wants them by the carer the client prefers, wherever possible.

This approach is in accord with the stated objectives of the National Disability Insurance Scheme (NDIS), which began its roll out in July 2016. It is designed to ensure that people with disabilities are able to direct and control their own funding and their own services. Despite the many challenges presented by the roll out, the business has successfully transitioned about 2,000 previously state-funded disability clients to the NDIS. A further 6,000 clients will transfer during the 2018 financial year. In addition to this, we have welcomed a further 400 new NDIS clients to the business.

As the roll out of the scheme enters its second year, we are hearing many heart-warming success stories. I recently heard about the circumstance of one of our home care clients who has been transitioned to the NDIS. She is a high-needs client; wheelchair bound and comes from a fractured family. She has been very isolated as a result of this. Prior to her NDIS funding, she felt disempowered by her 'one size fits all' service. She was unable to extend her home care support beyond basic personal care due to funding issues.

Not long ago, she requested help from her home care support coordinator to enable a visit to her father who was suffering from a terminal illness. With her new NDIS funding, she was able to arrange her trip, making decisions, as anyone else in our community would, about methods of travel and accommodation. The funding paid for her medical equipment hire and the costs attributed to her care worker, such as accommodation and travel. She was able to spend time with her father while still receiving the care she needed. As a direct result of the new service model, she was able to choose how and when she needed to use this funding with less than a week's notice. She was able to say goodbye to her father.

Australian Unity stands behind the NDIS as a support to people with a disability as a long-term community and economic gain. At an organisational level, the NDIS also offers us growth opportunities and the capacity to provide personalised, unique services for clients. We understand that the rapid roll-out of the NDIS, as well as the need to educate consumers about how it works, is leading to significant implementation issues. While it will continue to present opportunities and challenges for both providers and government, we remain very committed to its principles and believe that it will ultimately provide Australians who access its services with greater dignity and quality of life.

Our raised voice in relation to social infrastructure is both here and present. Our operations and our voice are pointed at and supportive of positive and sensible policy reform. To address what are as yet nascent, but potentially hugely growing issues and agendas, in relation to demography, specifically, mass aging, chronic disease and dignified disability support. We seek to develop the company as a serious participant in this area of the economy.

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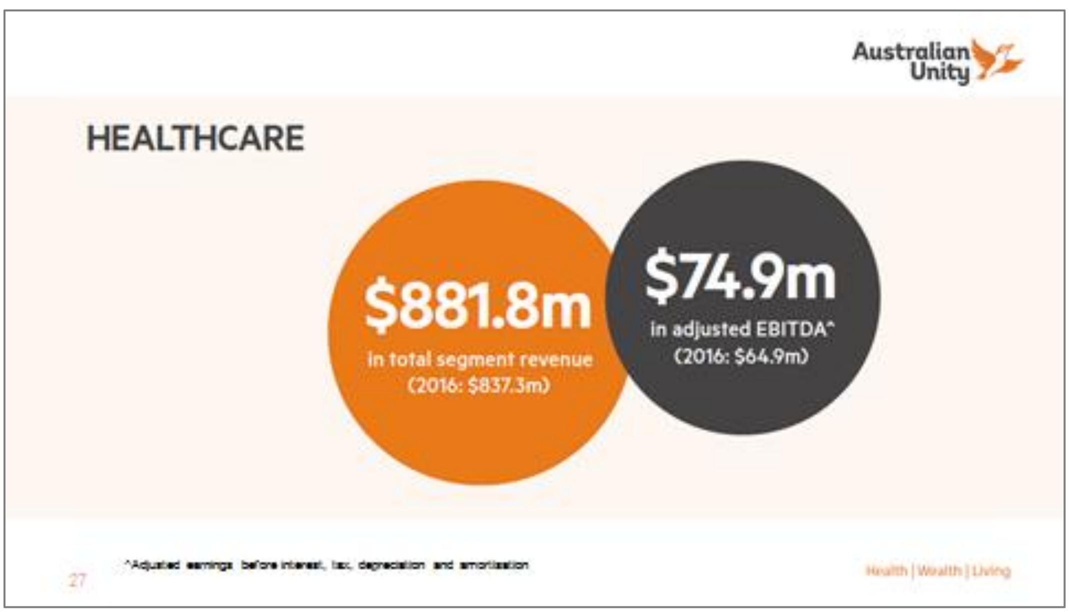
A key aim for our Annual General Meeting is to discuss and reflect on the financial year just gone. Given this, I will be reporting on business performance as it was in the 2017 financial year under our previous four platforms.

During the year our Healthcare platform offered a range of health insurance and direct care services, including retail insurance and chronic disease management, treatment and intervention through our allied healthcare businesses.



Our healthcare operations recorded a 5 percent increase in total segment revenue to

$882 million and adjusted earnings before interest, tax, depreciation and amortisation—or adjusted EBITDA—of $75 million for the year, up 16 percent.

Over the financial year, our retail health fund experienced a small decrease in policyholders. This was the result of a strategy to curtail unprofitable health insurance products in certain geographies and distribution channels.

As previously mentioned by the Chair, we entered into an agreement with nib holdings limited in September this year to sell 100 percent of the shares of our wholly-owned corporate health fund, GU Health. While Australian Unity successfully grew the business since it merged with Grand United Friendly Society Limited in 2005, our strategic focus has developed and this sale will free up capital from our balance sheet.

Our Remedy Healthcare business maintained its strong growth trajectory throughout the year. Remedy aims to improve health outcomes for individuals with evidence-based chronic disease programs and hospital in the home programs. By so doing, it contributes to reducing the burden of costs on the health system.

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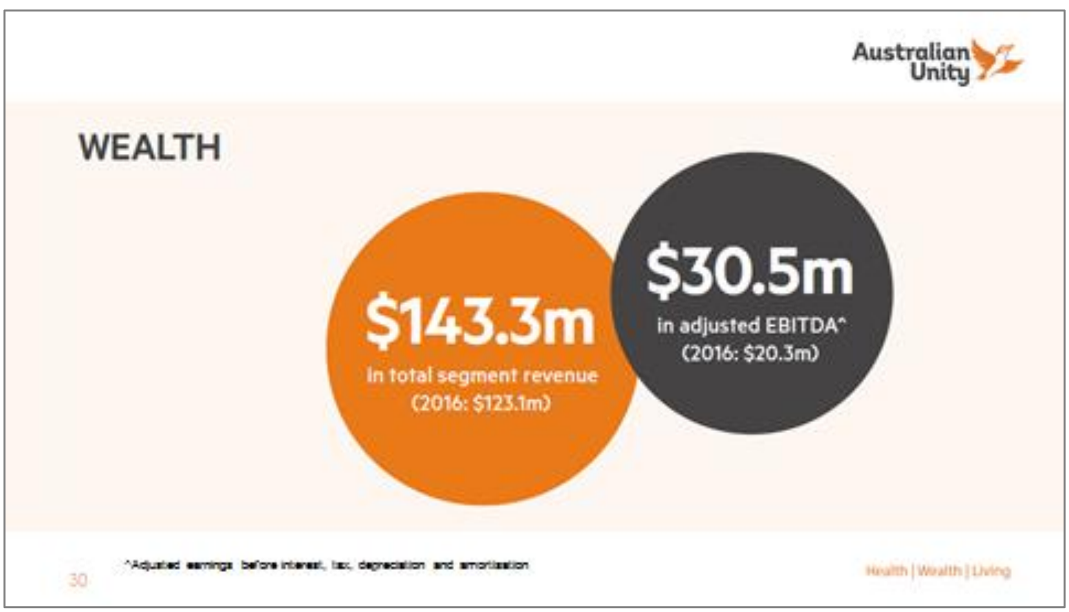
The Wealth business platform covers our funds management, specialised products, real estate investment businesses and the Big Sky Building Society.



The platform reported a 16 percent increase in total segment revenue to $143 million and a 50 percent increase in adjusted EBITDA to almost $31 million.

Overall, the platform grew funds under management and administration by over half a billion dollars to more than $9 billion.

Continued strong investor interest in the Healthcare Property Trust saw the trust's funds under management increase 18 percent to over $1 billion, while it delivered a very creditable rate of return of 14 percent for the year.

Members may also be interested to know that applications for the issue of new Healthcare Property Trust funding units closed early last Friday 27 October after $250 million was raised within three days—a week ahead of schedule. The new capital will fund future development and acquisition opportunities.

Another area of success for the Wealth platform was its Life & Super business. Australian Unity's investment bonds business continues to be Australia's largest provider of investment and funeral bonds and a leading provider of education savings funds. The investment bonds business is operated through the wholly-owned Lifeplan Australia Friendly Society, which during the year commenced operation under the Australian Unity brand. Gross sales totalled $329 million, an increase of 90 percent on the previous period.

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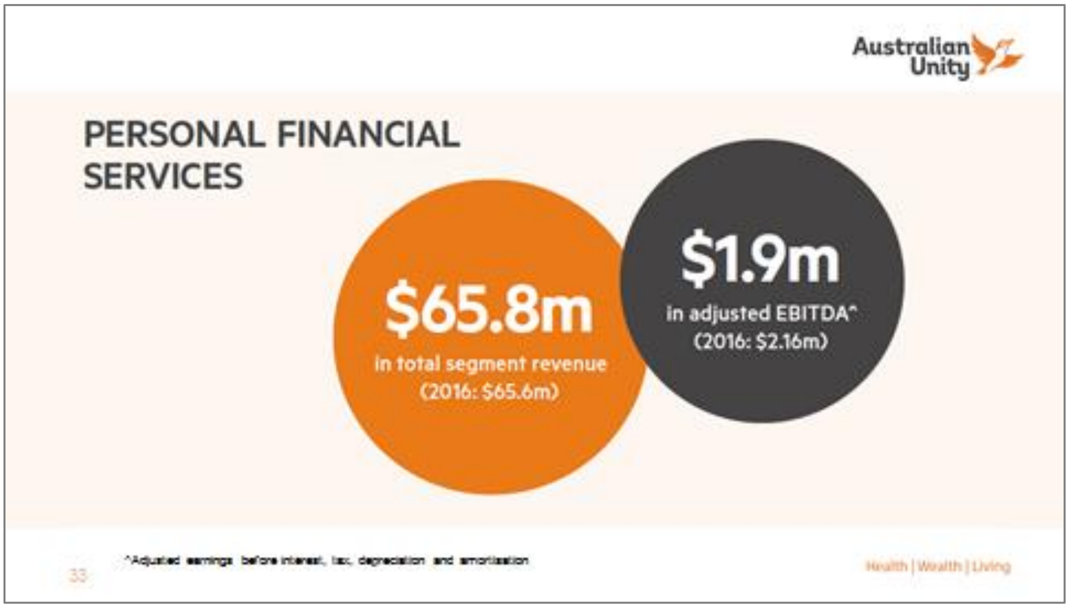
Australian Unity's Personal Financial Services business delivers financial advice, finance broking and general insurance broking.



Total segment revenue of the Personal Financial Services platform remained stable at $66 million. It recorded an adjusted EBITDA of $2 million, a decrease of 12 percent. The business was impacted by regulatory change that resulted in a significant reduction in revenue in the financial advice business. Profitability was also impacted as a result of the investment in the Trustees Services business to prepare it for operating in a licensed environment.

Funds under advice rose 8 percent to nearly $7 billion, while loans under advice grew 4 percent to $824 million.

As discussed early in the meeting, the business achieved a significant milestone during the year with Australian Unity Trustees Limited successfully obtaining its licence to provide traditional trustee services.

It is at this point that I would like to acknowledge the CEO of our Personal Financial Services platform, Steve Davis. As part of our organisation changes, Steve will be leaving Australian Unity. I would like to thank Steve for his contribution and his passion for the vital role that robust financial advice and services play, particularly for middle Australia. One of his lasting legacies will be the establishment of Australian Unity Trustee Services as well as the move to more transparent, fee-based models of advice. He has championed our purpose and values and he will be missed.

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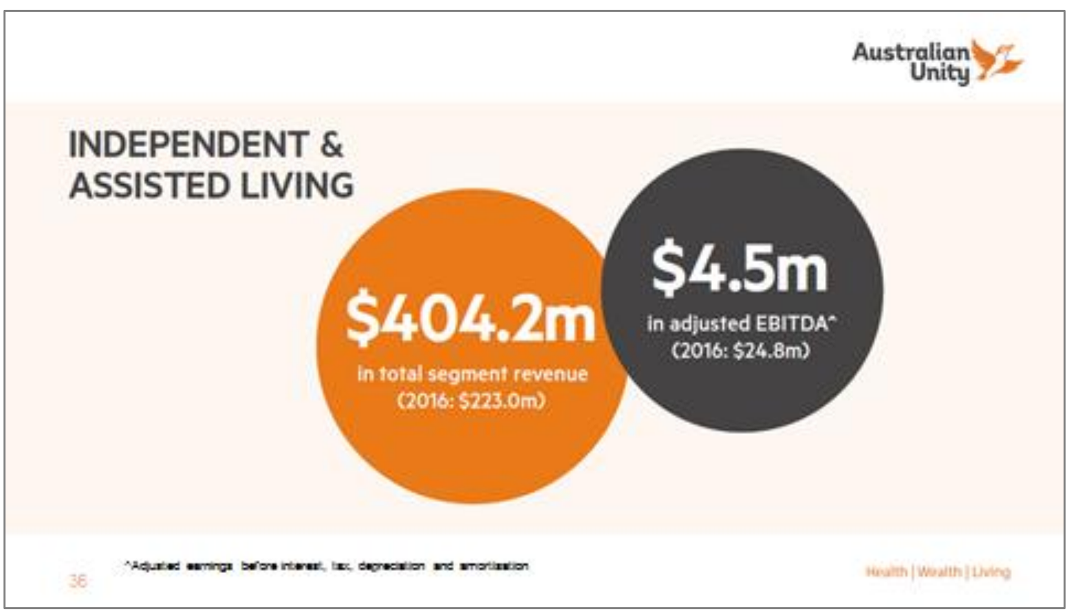
I now move to our Independent & Assisted Living platform. This area of our business operates retirement communities and aged care residences, as well as providing home care and disability services.



This platform recorded an 81 percent increase in total segment revenue to $404 million and an 82 percent decrease in adjusted EBITDA to close to $5 million for the year. The decrease in adjusted EBITDA was due to the considerable, but not unexpected, integration costs of Home Care NSW.

The business delivered almost 4.5 million instances of home and disability care services during the 2017 financial year.

Occupancy levels at both Australian Unity's aged care residences and retirement communities remained high, above 96 percent. This excludes the recently opened Campbell Place.

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Before we move on to the formal proceedings of the meeting, as the Chair has done, I would like to pass on my thanks to Stephen Maitland on his retirement as director. He has made a valuable and substantial contribution to the organisation during his 12 years on the board.

Thank you Stephen.

Ladies and Gentlemen, I have covered a lot of territory in this address to you, and I hope that through it you can understand the breadth of the Company's activities but also the depth of its ambitions to positively contribute to the lives of customers, members, clients and the broader community.

We believe we continue to grow and develop an important institution that has a sincere desire to help people thrive and contribute to creating community value.

END GROUP MANAGING DIRECTOR'S ADDRESS