

# Governance statement

Australian Unity Limited is a mutual, public company with a number of wholly-owned subsidiaries carrying out the major operational activities of the Australian Unity Group.

Good corporate governance and sound risk management practices are a fundamental part of the culture and business of the Australian Unity Group (the “**Group**”), of which Australian Unity Limited (the “**Company**”) is the parent. The key aspects of the Group’s corporate governance framework and risk management practices are set out below.

## Regulatory Framework

### ASX listing rules

The Company is committed to maintaining high standards of corporate governance, and actively applies a governance framework that reflects the majority of the ASX Corporate Governance Principles and Recommendations and meets the Australian Securities Exchange (“**ASX**”) requirements relevant to the Series B – Australian Unity Bonds (Tranche 1) (the “**Bonds**”) (as applicable). The Company continues to be listed on the ASX as a Debt Listing, following the issue and quotation of the Bonds on 15 December 2015.

### Regulators

The Group’s business operations are extensively regulated including by the Australian Prudential Regulation Authority (“**APRA**”), the Australian Securities and Investments Commission (“**ASIC**”), the Australian Competition and Consumer Commission (“**ACCC**”) and the ASX. The Company is registered as a non-operating holding company under subsection 28A(3) of the *Life Insurance Act 1995* (Cth) and regulated by APRA under that designation. The Group is also subject to oversight by various State and Commonwealth regulators across its operations and workforce including the Department of Health, the Australian Taxation Office, the Fair Work Ombudsman, the Workplace Gender Equality Agency, the Australian Transaction Reports and Analysis Centre (“**AUSTRAC**”), the Office of the Australian Information Commissioner (“**OAIC**”) and other work-health and safety regulators.

## Board of directors

The board of directors of the Company is responsible for the governance of the Group and ensuring that the Group establishes and implements risk management frameworks and processes with the ultimate objective of creating a sound risk culture within the Group.

### Board composition and expertise

As at 30 June 2018, there were seven directors on the board, each with specific expertise and experience relevant to the Group’s activities.

The board comprises a majority of directors who are non-executive and judged by the board to be independent and free of material relationships that might influence their ability to act in the interests of the Group and its members. The average tenure of non-executive directors at the end of the year in review is 3.7 years.

The personal qualities required of Australian Unity’s directors are:

- honesty and integrity
- strategic insight
- capacity to relevantly question, probe and challenge
- ability to inspire and inform
- extensive connectivity within the business world
- an understanding of contemporary leadership and management approaches
- a commitment to both the values of the Group and the highest standards of corporate governance and risk management

As well as these qualities, directors must also possess particular skills or experience relevant to the business operations of the Group and be ‘fit and proper’ within the meaning of Australian legislation and regulatory regimes applicable to the Group’s business operations.

The board, led by the Chair, regularly considers the skills represented by the directors to ensure that the mix of skills remains appropriate to achieve the Group’s objectives. The board consists of directors with a broad range of experience, expertise and diversity in background and gender. The

board is in the second year of the newly implemented board performance review framework and ensures that it continuously identifies opportunities to improve its own performance.

The board’s current “**skills-matrix**” includes:

Specific Skills	General Skills
✓ Healthcare	✓ Management
✓ Retirement communities	✓ Human resources
✓ Assisted living services	✓ Finances and accounting
✓ Financial services	✓ Law
✓ Investment management	✓ Governance
✓ Insurance	✓ Risk and compliance
✓ Property development	✓ Regulatory and public policy
	✓ Marketing and communications

### Board role and responsibilities

The role of the board is to promote and protect the interests of the Company and its members. It does so by taking informed risks, soundly governing the Group’s activities and by seeking the highest standards of ethical conduct and service from employees.

The role and responsibilities of the board are formalised in the board charter. Some of the key matters the board has reserved for itself include:

- appointment and terms of appointment of the Group Managing Director
- approval of Group and business unit strategies, operating plans (including budgets) and financial expenditures and allocations, and changes to the Group’s capital structure above delegated limits
- approval of new subsidiaries and subsidiary board members
- setting and monitoring the Group risk management framework, control and accountability policies and systems

### Role of Chair

The Chair, an independent non- executive director, is responsible for the efficient conduct of the board’s meetings, setting the

agenda, facilitating the work of the board at its meetings and ensuring that the procedures and standards of the board are observed.

### Meetings of the board

The board met on 11 occasions during the year under review, including a meeting to approve the strategic plan and its application to the year ahead. Each meeting usually took place over two days.

### Avoidance of conflicts of interests

In addition to their standing notices, directors must declare any specific conflicts of interest arising from the business of a particular meeting.

### Retirement and re-election of directors

Directors (other than the Group Managing Director) serve for a term of not more than three years from the conclusion of the annual general meeting at which they are elected. No director (other than the Group Managing Director) shall retain office past the third annual general meeting following the director’s appointment, although they may offer themselves for re-election at that time.

### Committees

The board has established committees that are necessary to assist it in monitoring and, where relevant, advising the management of the Group on matters specific to the committee’s terms of reference. Each committee comprises individual directors determined by the board to be best suited to fulfil the committee’s terms of reference. Membership of all committees and the number of meetings held by each committee in this reporting period are detailed in the Directors’ report.

The Chair of the Company is a member of each committee. Each committee is chaired by a non-executive director appointed by the board. Each committee provides regular reports to the board about the activities of the committee. The minutes of the committee are tabled at the following board meeting. The current ongoing committees established by the board to assist it in the performance of its duties are as follows.

### Audit & Compliance Committee

The Audit & Compliance Committee (“**A&C Committee**”) approves the annual internal audit plan and monitors the Group Audit department’s performance against this plan.

The main objective of the A&C Committee is to oversee the credibility and objectivity of financial reporting and the Group's compliance with regulatory requirements and compliance policies. The A&C Committee assists the board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices of the Group.

### **Risk Committee**

The Risk Committee oversees the risk management framework for identifying, assessing, mitigating and monitoring material risks arising from the activities of the Group, and promotes a greater awareness of risk management practices and risk culture within the Group. The Risk Committee is also involved in shaping the Group's risk appetite and guiding the Group's strategy in line with its determined risk profile.

### **Investment Committee**

The Investment Committee reviews and monitors the performance of the Group's investments and any investment managers utilised by it. It also approves the investment policies, strategies and other guidelines for the Group's own investable assets. The Investment Committee plays a critical role in assessing and reviewing the Group's investment approach and outlook to support their appropriateness and compliance with relevant covenants and mandates.

### **HR Committee**

The Human Resources, Remuneration and Nominations Committee ("**HR Committee**") is responsible for assisting the board and Chair in relation to key appointments, remuneration, nomination and related matters.

The HR Committee also recommends the performance measures, evaluation and remuneration of the Group Managing Director to the full board, and approves the remuneration for Group Executives and financial control and reporting personnel as defined by the APRA standards.

The HR Committee oversees the frameworks that enable the appropriate culture, workforce engagement, workplace diversity and representation of values, talent management and succession across the Group, and reviews the outputs of these frameworks at the appropriate time throughout the year.

The HR Committee works to ensure that the Group has remuneration policies and practices that promote sound risk management and fairly, responsibly and appropriately reward executives and staff. Further detail, including engagement of independent remuneration consultants, is contained in the Remuneration report (contained in the Directors report).

### **Remuneration**

Australian Unity's remuneration policy, which was developed by the board on the advice of the HR Committee, sets the framework for rewarding all directors, officers and employees of the Group.

The Remuneration report (contained in the Directors' report) sets out the key objectives and principles of the remuneration policy. The report also outlines the executive remuneration structure, which comprises fixed and variable remuneration components, in addition to details about non-executive directors' remuneration and other information specifically required under the *Corporations Act 2001* (Cth) (the "**Corporations Act**").

### **Audit**

#### **External auditor**

PwC Australia ("**PwC**") has been appointed to conduct an audit of the financial report and to report to members in accordance with the requirements set out in the Corporations Act for the year under review. Its audit report is provided at the end of the financial report.

A representative from PwC attended the November 2017 annual general meeting to answer any questions from members on the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted in the preparation of the financial statements and PwC's independence in relation to the conduct of the audit of the Group's financial statements. A representative from PwC will attend the October 2018 annual general meeting of the Company to fulfil a similar role.

#### **Internal audit**

The Group's audit department provides independent, objective assurance and consulting services to the Group's operations. The Group's audit department assesses whether the Group's network of risk management, control and governance

processes are adequate and functioning in a manner that supports various aims including: the appropriate identification, reporting and management of risks; the accuracy, reliability and relevance of financial, managerial and operating information; and that employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.

### Risk management

The Company is committed to the identification, management and, where relevant, quantification of risk throughout its business units and controlled entities. Risk culture, and the implementation and adherence to sound risk management frameworks and practices, is a core area of focus for the Company's board and management.

The board, informed by the work of its Risk Committee, has established a comprehensive enterprise risk management policy and framework covering significant business risks and strategic considerations, and adopted a risk appetite statement. The underpinning processes are consistent with the principles of the relevant Standard (AS/NZS ISO 31000).

As part of the risk management framework, all business units regularly identify, evaluate and develop action plans to manage their business risks and maintain risk registers, which are regularly reviewed and updated. Higher-rated risks are regularly reviewed by the Risk Committee in addition to annual risk reviews, which addresses existing and emerging risks, associated mitigation strategies and status of implementation.

Business-related proposals to be considered by the board require proposing officers to be individually accountable for the identification, measurement and mitigation of all risk involved, and risk registers form part of the project management framework. There are also programs in place to manage risk in specific areas, such as capital management, business continuity, information security and emerging regulation.

The potentially adverse financial impacts associated with catastrophic risk exposures with regard to certain aspects of the Company's activities, are also attenuated by the purchase of appropriate insurance cover.

The Group's risk management framework is periodically revised to facilitate a continued

proactive and consistent approach to risk management across all areas of activity.

### Tax transparency

The Company (as the head company of the "Australian Unity tax consolidated group") is a signatory to the Board of Taxation's Registry in respect of the Voluntary Tax Transparency Code (the "Tax Transparency Code"). The Tax Transparency Code supports greater tax disclosure in Australia and reflects the Company's commitment to compliance and governance. Each financial year end the Company publishes details of the taxes paid or payable by the "Australian Unity tax consolidated group" and the Australian Unity Tax Transparency Report is released annually through the Company's website.

### Compliance

The Company has a well developed and implemented compliance framework. Compliance managers are in place in specific business units where appropriate.

The focus of this function is to ensure ongoing compliance with all laws and regulatory requirements, with particular attention to industry specific requirements.