

The following description of the governance arrangements of Primary Health Care Limited ("Primary") for the year ended 30 June 2017 ("FY 2017") addresses those principles set out in the ASX Corporate Governance Principles and Recommendations ("ASXCGC Recommendations") published by the ASX Corporate Governance Council ("Council"). In March 2014, the Council released the third edition of the Corporate Governance Principles and Recommendations by which entities are required to report, commencing with the financial year ended 30 June 2015. Below is a summary of the ASXCGC Recommendations and Primary's compliance with these guidelines. Copies of Primary's charters and policies are available at our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Where Primary's Board considers that a Council recommendation is not appropriate to its particular circumstances, this Corporate Governance Statement will explain why it has not adopted the recommendation.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Board responsibilities and delegation of authority

Board functions

Primary's Board Charter (a copy of which is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance") outlines the respective roles and responsibilities of its Board and management and those matters expressly reserved to the Board and those delegated to management. Under the Board Charter, the Board is responsible for:

- representing and serving the interests of security holders by overseeing and appraising the strategies, policies and performance of Primary;
- overseeing the financial and human resources which Primary has in place to meet its business objectives and for reviewing the performance of management;
- protecting and optimising Primary's performance and building sustainable value for security holders;
- monitoring and reviewing the effectiveness of the occupational health, safety and environment practices of Primary; and
- ensuring that security holders are kept informed of the Primary's performance and major developments affecting its state of affairs.

The Board may, from time to time, establish Board Committees, which have delegated authority to act under Primary's Constitution and the Board Charter. Each Board Committee functions under its own Charter. During FY 2017, the following Board Committees were in place:

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

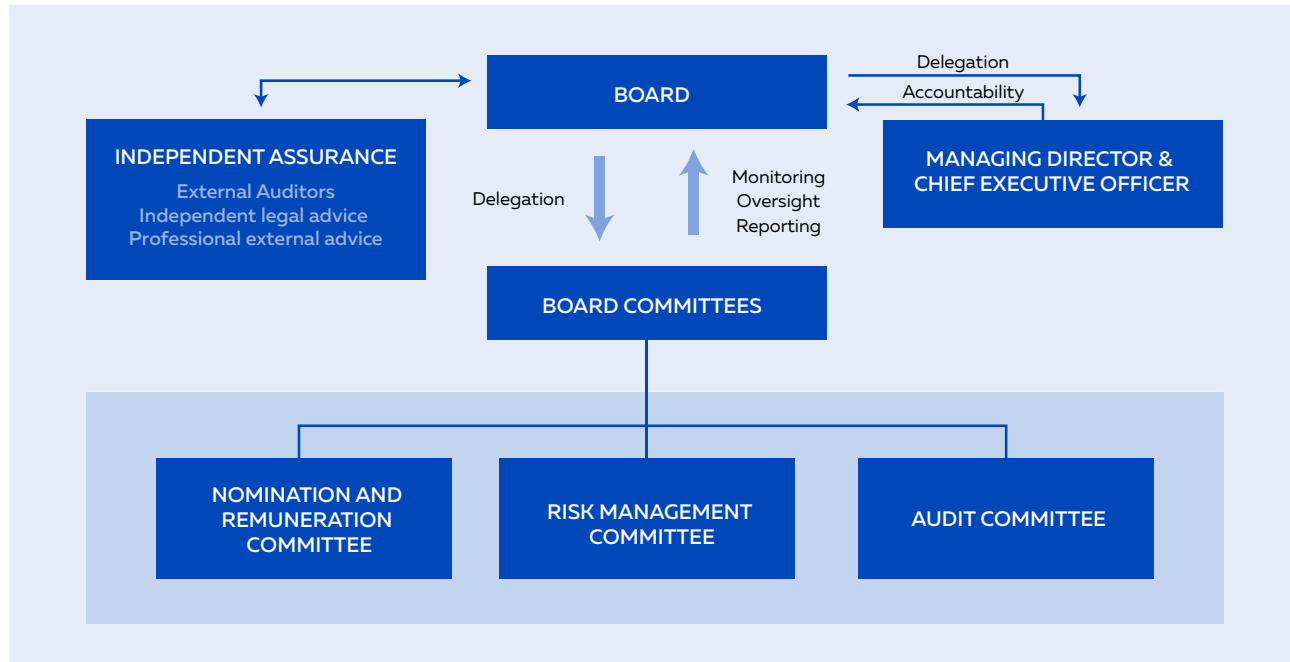
In carrying out its responsibilities and functions, the Board may delegate any of its powers as it considers appropriate or seek out qualitative or quantitative information from management and external consultants, from time to time. This delegation may be to a Board Committee, a Director, an employee, or other person. However, the Board acknowledges that it retains ultimate responsibility for strategy and control and for the exercise of such powers under the *Corporations Act 2001* (Cth) ("Corporations Act").

The Board holds at least 10 formal Board meetings each year and will also meet whenever necessary to carry out its responsibilities. During those meetings, Directors request any relevant information, raise and discuss issues which are of concern to them and vote on any resolution based on their own judgment. Directors are required to maintain confidentiality, with the exception of decisions which require public disclosure.

A copy of Primary's Board and Committee Charters are available on Primary's website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Primary's Governance Framework

Primary's Governance Framework illustrates the decision-making processes within Primary. The Managing Director & Chief Executive Officer ("MD & CEO"), in conjunction with those Senior Executives who report to the MD & CEO, are responsible for the day-to-day management of Primary, who, in turn, report to the Board on a regular basis. Board Committees have delegated authority to monitor specific issues involving remuneration and Board selection, risk management, audit and other regular reporting to the Board.



The general functions of the Board include, but are not limited to:

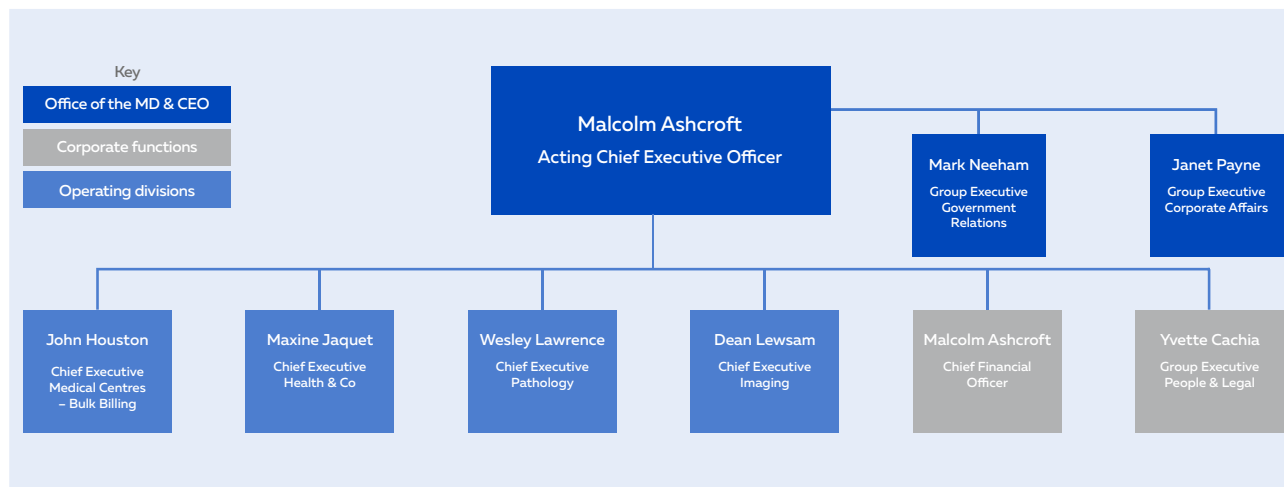
- approving the strategic direction of Primary;
- overseeing and approving major capital expenditure, capital management, acquisitions and divestments, to ensure the integrity of financial and other reporting;
- monitoring corporate performance and determining capital structure and dividends;
- selecting, appointing and evaluating the performance of the MD & CEO and determining the remuneration and succession planning associated with that position;
- reviewing the procedures for appointing, selecting and monitoring the performance of Senior Executives and succession planning associated with those roles;
- reviewing and approving Senior Executives' development and performance objectives;
- monitoring Work Health and Safety ("WHS") issues in Primary and reviewing WHS reports and information;
- approving major business initiatives within Primary, and providing advice and guidance to Senior Executives;
- approving the delegation of powers to Board Committees, the MD & CEO, and Senior Executives; and
- approving, overseeing and monitoring Primary's governance model.

Managing Director & Chief Executive Officer

As at 31 August 2017, the office of MD & CEO is vacant, however Primary's Board has appointed Dr Malcolm Parmenter to the role with a commencement date of 6 September 2017. Mr Malcolm Ashcroft (Chief Financial Officer) currently serves as Primary's Acting CEO. Primary's MD & CEO is responsible for:

- development of strategic development initiatives for Primary;
- leadership of the Executive Management team; and
- the ongoing operations of Primary's business divisions.

The following Senior Executives report directly to the MD & CEO (or, currently, the Acting CEO):



Recommendation 1.2: Provision of Director information to security holders

Primary follows the Council's recommendations in relation to the information to be provided to security holders which is relevant to the decision as to whether to elect or re-elect a particular candidate as a Director.

Primary has recently adopted a protocol for conducting criminal and insolvency background checks on candidates for the office of Director and these checks will be conducted for future appointments.

Recommendation 1.3: Agreements with Directors and Senior Executives

Primary has service agreements in place for the MD & CEO and with Senior Executives. The service agreements set the key terms of their appointment, remuneration arrangements and entitlements on termination.

For the Directors of Primary, while not all of them have received a formal letter of appointment, all are fully aware of the terms of their appointment including their roles and responsibilities. Primary's current appointment process for Non-executive Directors includes the provision of a letter of appointment setting out Primary's expectations. The Board considers that the appointment arrangements for Directors, when viewed in totality, adequately protect the interests of Primary and its shareholders.

Recommendation 1.4: Group Company Secretary

Primary's Group Company Secretary plays a role in advising the Board and its Committees on governance matters and covers all matters to do with the proper functioning of the Board, including advising the Board and its Committees on governance matters, monitoring the Board and Committee policies and procedures and ensuring the efficient administration of Board meetings. The Group Company Secretary is directly accountable to the Board in that he reports to the Chairman. The Board Charter provides that the Group Company Secretary attends meetings of the Board and Committees as minute secretary.

Recommendation 1.5: Diversity at Primary

Primary has a diverse and inclusive workforce comprising people from a broad range of backgrounds, skills, experience and perspectives, who collectively contribute to our success. Primary's employment-related policies acknowledge the broad nature of diversity in the workplace, including age, ethnicity, gender, sexual orientation, and cultural identity.

Primary's Diversity Policy outlines the requirements for the Board who, through delegated authority to the Nomination and Remuneration Committee, set objectives for identifying ways to foster gender diversity and annually assess both the objectives and Primary's progress in approving, monitoring and reporting on diversity at all levels, particularly in relation to gender diversity. The Policy applies to all Directors, employees and contractors of Primary.

As part of Primary's Gender Diversity Policy, the Board's Nomination and Remuneration Committee is responsible for making recommendations to the Board in relation to:

- initiatives to support and encourage diversity throughout Primary;
- objectives for addressing gender diversity, particularly at Board level, including selection, performance evaluation, and succession planning processes; and
- annual assessment of the effectiveness of measurable objectives in relation to diversity.

Corporate Governance Statement as at 31 August 2017

The Group Executive People and Legal is responsible for:

- researching gender diversity barriers for women in Primary's workplace and developing and implementing policies which address those barriers;
- leading Primary's People functions in best practice initiatives regarding gender diversity which include professional education about improved recruitment processes and education initiatives;
- assessing and developing the effectiveness of gender diversity initiatives to ensure appropriate support of females who have been identified as having management and leadership potential;
- reporting on gender diversity initiatives to the MD & CEO, Senior Executives, and the Nomination and Remuneration Committee;
- developing, reviewing and maintaining people policies and procedures in accordance with the Diversity Policy and, where relevant, in line with measurable objectives for achieving diversity, particularly gender diversity at senior levels; and
- preparing and reporting to the Workplace Gender Equality Agency ("WGEA").

When identifying candidates for vacancies on Primary's Board of Directors, the Nomination and Remuneration Committee ensures that internal and external assessments of potential candidates includes a search for suitably qualified and experienced women. At least one woman forms part of the interview and selection panel for Board appointments to promote equality and gender diversity.

When developing and implementing recruitment and selection processes for employees and contractors, Primary will ensure that all candidates are considered and selected on the basis of individual skills, experience and merit, in line with all equal opportunity and anti-discrimination legislation. Primary's Code of Conduct promotes respect for others, integrity and fairness in the workplace. All Directors, employees and contractors must adhere to those principles within the framework of the Code of Conduct.

The WGEA continues to assess Primary as compliant with the *Workplace Gender Equality Act 2012* (Cth). Females wishing to take advantage of flexible working options work in a variety of roles, including senior management positions.

As at 30 June 2017, the proportion of women employed by Primary was as follows:

- Key Management Personnel: 20%
- Other Executive/General Managers: 23%
- Senior Manager: 35%¹
- Other Manager: 62%²

Primary's workforce remains characterised by a high rate of female participation at all levels of the Company's operations.

Each year, Primary participates in the WGEA public reporting program. Those reports indicate that Primary comprises a diverse range of employees and contractors and is represented by a high number of women across the Medical Centres, Pathology, Imaging and functional business divisions. Women comprise 77.7% of Primary's full-time, part-time and casual employees. The WGEA report is available on our website in the "About Us" section under "Corporate Governance".

Primary Health Care Group Workplace Gender Profile as at 30 June 2017

OCCUPATIONAL CATEGORY	FULL TIME EMPLOYEES: % WOMEN	PART TIME EMPLOYEES: % WOMEN	CASUAL EMPLOYEES: % WOMEN	ALL EMPLOYEES: % WOMEN
Directors	14	—	—	14
CEO	—	—	—	—
Other KMP	20	—	—	20
Other Executives/General Managers	23	—	—	23
Senior Managers	35	25	—	35
Other Managers	59	92	100	62
Clerical and Admin	77	78	77	77
Community & Personal Service	82	92	85	88
Labourers	—	—	—	—
Machinery operators & drivers	13	25	33	16
Professionals	57	88	90	68
Technology & trade	56	89	90	68
Other	90	71	—	82
Graduates	50	—	—	50
All occupational categories	67	86	79	77

A copy of Primary's Diversity Policy is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance". The Policy requires Boards of ASX listed entities to approve, monitor and report on diversity at all levels, including Board level and particularly in relation to gender diversity.

- 1 Senior Managers are charged with one or more defined function, department or outcome. They are more likely to be involved in a balance of strategic and operational aspects of management. Some decision-making at this level would require approval from either of the two management levels above. They are also responsible for resourcing, a budget and assets (capital expenditure).
- 2 Other Managers are those who plan, organise, direct, control and coordinate an operational function. They usually oversee day-to-day operations, working within and enforcing defined company parameters. These individuals implement, determine, monitor and review strategies, policies and plans to meet business needs relating to their own function/work area. An 'other manager' is accountable for a defined business outcome which usually involves the management of resources that also includes time management, coordination of different functions of people, financial resources and other assets. Line managers are included in this category.

Gender diversity initiatives for the year ending 30 June 2017

A review of Primary's diversity strategy occurred during the year ending 30 June 2017 underpinned by Primary's strategic plans, focus groups, and culture and engagement survey data. This data indicates that care, connection and development are core to our people's values, irrespective of gender. We know that the requirements for effective cultural change include:

- anchoring initiatives in the business;
- aligning and engaging leaders;
- using tangible and intangible levers – that is, what is rewarded must be consistent with desired culture;
- working with systemic beliefs, values, mind sets and behaviours that work against desired culture;
- compelling and energising with communications – developing a compelling story linking strategy, performance imperatives and culture; and
- tracking the impact of the values and behaviours journey.

Apart from the ongoing initiatives outlined above, Primary's diversity initiatives for the year ending 30 June 2017 focused on connecting women in the workplace. Our recent corporate office relocation provided opportunities to do this more effectively.

The year ended 30 June 2017 saw the ongoing development and implementation of several key initiatives in the further support of gender diversity at Primary, including:

- strengthening internal recruitment functions, particularly in corporate services, facilitating a greater focus on ensuring gender equity in relation to the composition of short-lists for advertised positions;
- ongoing development of sponsored coaching and mentoring opportunities for female managers;
- development and roll-out of MyPulse, Primary's performance management framework aimed at improving the conversations around development and performance, where the "how" we work is as important as the "what" we are working on;
- a number of wellness-related programs targeted for female participation;
- strategic engagement plans targeting female-dominant workforce groups to create a rewarding employee experience; and
- a new leadership program targeted specifically for emerging female leaders rolling out in the year ending 30 June 2018.

Leadership Programs

During the year ended 30 June 2017, Primary developed and rolled-out a number of leadership programs available to both male and females, designed to foster team play in a collaborative and inclusive environment. For the year ending 30 June 2018, a program specifically targeting emerging female leaders will be rolled-out across Primary. The Promise of Leadership Program will provide a practical framework for professional growth, aiming to increase leadership effectiveness by offering leaders a quick and accurate snapshot of their current approach to leadership, and an assessment of their effectiveness. The program will help participants build on their creative leadership competencies. These are important skills to have, as they've been shown to improve leadership abilities, bring out the best in others, and significantly increase business performance.

Other FY 2017 initiatives

STRATEGIC ACTION	OUTCOME	OBJECTIVE	STATUS
Flexible Work Arrangements	Option to purchase leave.	Primary will introduce a voluntary provision where workers may purchase additional leave funded through the reduction of a worker's ordinary rate of pay where an ordinary salary rate will be reduced by the number of weeks leave purchased and then annualised at a pro-rata rate over the 12 month period.	Assessment and planning ongoing. This program was planned for approval in the year ending 30 June 2017, but has not yet been implemented due to other priorities.
Embedding Gender Diversity Across All Processes		Embed gender diversity business processes such as performance reviews, succession planning and goal-setting.	Complete. Development and implementation of Primary's first group-wide performance development framework – MyPulse.

Gender diversity initiatives for the year ending 30 June 2018

The following table shows some of the gender diversity initiatives for the year ending 30 June 2018.

STRATEGIC ACTION	OUTCOME	OBJECTIVE	STATUS
Promise of Leadership Program for emerging female leaders	Development opportunities to increase leadership potential and effectiveness.	The Program is designed to: ■ provide opportunities for increased self-awareness of behaviours strongly correlated with effective leadership. ■ provide a practical roadmap for reaching the next level of leadership effectiveness. ■ develop a talent pipeline for Primary's long-term leadership agenda.	First cohort commencing September 2017 in NSW with other states to follow during FY18. Each program to have 25 to 30 females.
Employee persona focus groups to improve role experience and engagement	Implementation of tailored strategies to improve development, engagement and workplace experience of female-specific workplace cohorts.	Each of Primary's divisional and functions will utilise design-thinking, personas and journey maps to segment female-oriented roles and create tailored employee personas to help manage the size and diversity of employee populations, especially females who comprise the majority of Primary's workforce. A development and engagement strategy will be created for each of the following roles during the year ending 30 June 2018: ■ Support functions – administrative staff ■ Medical Centres – receptionists ■ Pathology – blood collectors ■ Imaging – sonographers	Preparing employee experience journey maps for selected cohorts. Development of development and engagement plans for selected cohorts. Roll-out of strategic plans to commence in October 2017.
Further development of gender diversity policies	A number of new diversity policies to be developed and rolled out: ■ Retention policy ■ Promotions Policy ■ KPIs relating to gender equality (where relevant).	Primary will continue to develop gender diversity policies to complement existing policies to ensure gender diversity issues are appropriately addressed throughout the employee lifecycle.	Planned for the year ending 30 June 2018.

Recommendation 1.6: Board Performance

The performance of the Board, its Committees and individual Directors is assessed and reviewed by the Board and facilitated by the Chairman and the Group Company Secretary. To determine whether it is functioning effectively, the Board reviews its corporate governance policies and processes annually and performs an evaluation of the Board's performance at appropriate intervals. This process is confidential and involves both self and peer assessment. The evaluation is a useful tool for examining the role, composition, administration, and effectiveness of the Board, its Committees and individual Directors.

The Board is responsible for undertaking an annual performance evaluation of its members in light of Primary's Board Charter. The most recent review took place in FY 2016 and was externally facilitated by independent consultants from The Ethics Centre. The outcomes of this review were shared amongst the Chairman and the Directors. The review commenced in FY 2017 remains in progress.

Recommendation 1.7: Senior Executive Performance

The performance of Senior Executives at Primary is assessed as part of the Primary Executive Incentive Program ("PEIP"). The operation of the PEIP is explained in Primary's Remuneration Report for FY 2017, which is part of Primary's 2017 Annual Report. Senior Executive performance in FY 2017 was evaluated under the PEIP.

The Board considers that the PEIP process meets the Council's requirements of formality and rigour.

Principle 2: Structure the Board to add value

Recommendation 2.1: Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for making recommendations to the Board about the:

- evaluation of the performance of the Board, its Committees, and Directors;
- appointment, re-election, and succession of Directors;
- remuneration, recruitment, retention, and termination policies and procedures for Senior Executives; and
- superannuation arrangements.

During FY 2017, the Nomination and Remuneration Committee comprised four independent Non-executive Directors:

- Mr Robert Ferguson (Chairman);
- Mr Brian Ball;
- Dr Errol Katz; and
- Ms Arlene Tansey.

This Committee composition therefore meets the criteria set out by the Council as to the independence of the Committee Chair, number of members and independence of members.

The number of meetings attended by each member of the Nomination and Remuneration Committee is set out on page 33 of Primary's 2017 Annual Report.

A copy of Primary's Nomination and Remuneration Committee Charter is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Board Selection and Membership

As part of its role in relation to the nomination of Directors, the Board devises criteria for Board membership. The key criteria for the selection of suitable candidates is their capacity to contribute to the ongoing development of Primary, having regard to Primary's business, the candidate's experience, and the attributes of existing Board members. Where a vacancy exists on the Board, or where it is considered that the Board would benefit from the services of a new Director with particular skills, suitable candidates are proposed for consideration. Where appropriate, the services of external consultants are also engaged.

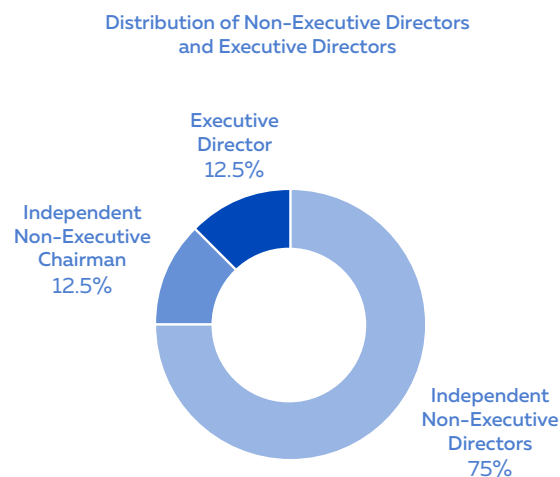
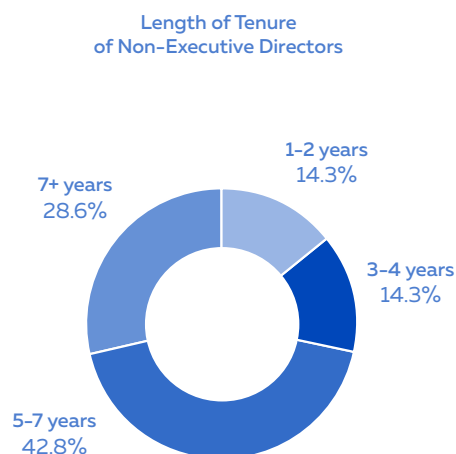
Board Renewal

With the exception of the sole Executive Director (the MD & CEO), one third of all eligible Directors, and any other Director who has held office for more than three years since their last election, must retire in rotation at the Annual General Meeting ("AGM"), in accordance with Primary's Constitution. A retiring Director holds office until the conclusion of the meeting at which he or she retires, and may stand for re-election by security holders at that meeting. The Board may appoint a new Director to fill a casual vacancy and that Director will hold office until the close of the next AGM, unless elected at that meeting.

The Board makes recommendations in respect of the election or re-election of each Director based on tenure, the particular skills, and experience of the Director in relation to Board composition. The Nomination and Remuneration Committee ensures that appropriate background checks are undertaken for the appointment of a new Director or puts forward a candidate for election. The details of those Directors who stand for re-election will be provided in the Notice of Meeting sent to security holders prior to the AGM. Additionally, each Director will provide a short presentation to security holders at the meeting itself.

Recommendation 2.2: Board skills matrix

The Board considers that its membership should comprise Directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds. The names, skills, experience, expertise, and appointment dates, of the current Directors of Primary are set out on pages 30 to 31 of Primary's 2017 Annual Report. The length of tenure, and distribution of Non-executive Directors and Executive Directors is illustrated in the charts below:



Corporate Governance Statement as at 31 August 2017

The current skills and experience of Primary's Directors include that of: the healthcare industry, financial, regulatory and business acumen and public company Board, Committee member and Chair experience.

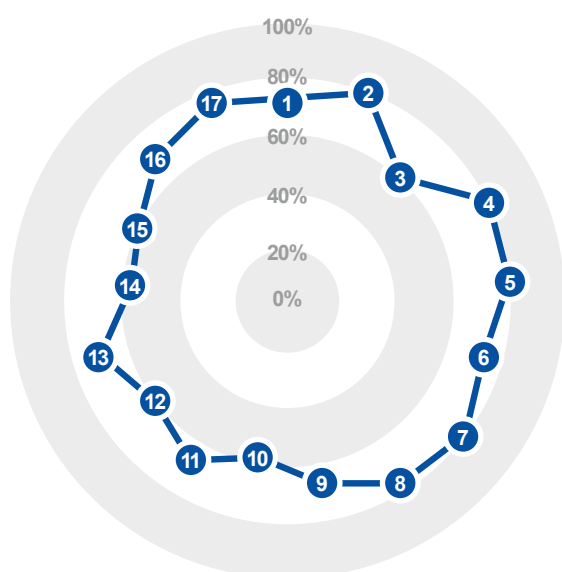
The Board Performance Assessment which occurred in FY 2016 led to the development of a more granular Board Skills Matrix. The information has allowed the Committee greater visibility of the key issues in relation to Directors' experience, knowledge and skills. This process has assisted, and will continue to assist, Primary in meeting high standards of corporate governance.

The methodology used to construct the Matrix involved firstly selecting appropriate criteria for assessment. The following criteria were selected (sorted into categories to illustrate the broader areas considered in selecting assessment criteria):

TECHNICAL	EXPERIENTIAL	INDUSTRY KNOWLEDGE	RISK	GOVERNANCE	FINANCIAL
Business & organisation management	Experience on other Boards	Clinical	Risk management	Corporate governance	Audit & accounting
Strategic planning	International experience	Health care admin & policy	Legal	Committee experience	Corporate finance
Information technology	Marketing, comms & PR				Fundraising
HR management	Government				

Each of the above 17 criteria were evaluated for each Board member by each other Board member (plus a self-evaluation). This evaluation was conducted on a 4 point scale for each criterion: 0 (absent or not observed); 1 (basic); 2 (sound); or 3 (advanced). This resulted in an average score between 0 and 3 for each criterion for each Director. The mean score for each criterion across all Directors was obtained (again a value between 0 and 3). This value was converted to a percentage for mapping onto the matrix.

The resulting Board Skills Matrix is as follows:



1	Audit & Accounting	73%
2	Business & organisation management	80%
3	Clinical	60%
4	Committee experience	80%
5	Corporate Finance	80%
6	Corporate governance	73%
7	Experience on other Boards	80%
8	Fundraising	77%
9	Government	67%
10	Health care admin & policy	57%
11	HR management	67%
12	Information technology	60%
13	International experience	70%
14	Legal	57%
15	Marketing, comms & PR	60%
16	Risk management	70%
17	Strategic planning	77%

Composition, operation and reporting

The composition of Board Committees is also reviewed annually. Members are selected on the basis of their skills and experience, as well as requirements related to independence. Each Board Committee is chaired by an independent Non-executive Director. Committees meet at least bi-annually and more often as required. Senior Executives and other senior managers may attend Committee meetings by invitation. Provided that there is no conflict of interest, all Directors can receive all Board Committee papers and can attend Board Committee meetings on request.

Recommendations 2.3 & 2.4: Directors' independence

The size, composition, and independence of Primary's Board is determined pursuant to the Board Charter and Primary's Constitution, and is assessed on an annual basis. The Board recognises that independent Directors are important in assuring security holders that the Board is properly able to exercise independent judgment when meeting its responsibilities under the Board Charter. In determining whether a Director is independent of management and generally free from any interest and any business or other relationship that could be perceived to materially interfere with the Director's ability to act in the best interests of Primary, materiality is assessed on a case-by-case basis in relation to each Director's personal circumstances, rather than a specific materiality threshold.

Having considered the various positions and relationships of each of the Non-executive Directors, and in light of the definition of independence and assessment procedures, the Board considers the current Non-executive Directors, including the Chairman, meet the definition of independence as prescribed in the ASXCGC Recommendations.

Primary's current independent Directors are:

- Mr Robert Ferguson (Chairman);
- Mr Brian Ball;
- Mr Gordon Davis;
- Mr Robert Hubbard;
- Dr Paul Jones;
- Dr Errol Katz; and
- Ms Arlene Tansey.

In considering the independence of Brian Ball, the Board recognises that a Director's length of service may be a relevant factor in determining their independence. The Board notes that Brian has served as a Director for more than 10 years. However, the Board is satisfied that Brian continues to demonstrate independent judgment and character in performing his role on the Board and as a member of the Committees on which he serves and considers him to be independent.

In considering the independence of Paul Jones, the Board is aware that the Primary Group provides medical centre management services to a company controlled by Paul on ordinary arm's length terms. The Board is satisfied that Paul demonstrates independent judgment and character in performing his role on the Board and as a member of the Committees on which he serves and considers him to be independent. Indeed the Board considers his medical expertise and his familiarity with the operations of Primary's medical centres to be an invaluable asset to the Board.

The service fees received from Dr Jones' company by Primary for FY 2017 were \$118,785 (FY 2016: \$95,073). This fees revenue was accounted for by Primary in the same way as revenue from other healthcare practices. Under the terms of the most recent extension of the agreement between Dr Jones' company and the Group, Dr Jones' company is entitled to receive a lump sum amount in three instalments from the Group. The FY 2017 instalment was \$40,000 (FY 2016: \$40,000). There were no amounts payable or receivable as at 30 June 2016.

Recommendation 2.5: The Chairman

Primary's Non-executive Chairman is Mr Robert Ferguson. Mr Ferguson is responsible for:

- effective leadership of the Board;
- oversight of Primary's corporate governance framework;
- oversight of Board meeting agendas, record-keeping (in conjunction with the Group Company Secretary) and Committee processes;
- Board succession planning and assessment; and
- representing the Board in communications with the public, the MD & CEO, and with management.

Mr Ferguson is independent and does not also hold the office of Chief Executive Officer.

Recommendation 2.6: Board induction, information, advice and support

All new Board members participate in an induction program individually designed to assist them to understand Primary's operations. The induction is coordinated by the Group Company Secretary and includes meetings with key management across all business divisions, visits and practical demonstrations at various sites, and information about Primary's history, operations, key stakeholders and corporate governance protocols. All Directors have access to company records and information and receive regular reports from Executive Management. The Group Company Secretary also plays an important role in supporting Board members by monitoring adherence to policies and procedures and by providing briefing material for the Board's consideration at Board meetings. This information includes regular reports from Primary's Senior Executives, including the MD & CEO and the Chief Financial Officer, to ensure that the Board can discharge its duties effectively.

Each Director has entered into access and indemnity arrangements which allow access to documents for a period of seven years following resignation or retirement. With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice, at Primary's expense, concerning any aspect of Primary's operations or undertakings, in order to fulfil their duties and responsibilities as a Director.

Principle 3: Act ethically and responsibly

Recommendation 3.1: Code of Conduct

Primary's Code of Conduct promotes ethical and responsible decision-making throughout Primary. Application of the Code of Conduct is supported through a range of policies and management practices. It encompasses guidance to manage:

- compliance with law and regulations;
- corporate integrity and social responsibility;
- conflicts of interest;
- the maintenance of information privacy and confidentiality;
- inside information;
- improper benefits;
- misappropriation; and
- workplace conduct.

Issues believed to amount to a breach of the Code are to be reported for investigation to those Senior Executives identified in the Code. A copy of Primary's Code of Conduct is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1: Audit Committee

Primary has a formal and rigorous structure and process for verifying and safeguarding the integrity of its corporate reporting. The Audit Committee is a key part of this structure.

The Audit Committee's principal responsibility is assisting the Board in relation to the reporting of financial information, the appropriate application and amendment of accounting policies, the appointment, independence and remuneration of the external auditor, and to provide a link between the external auditor, the Board, and management of Primary. The Audit Committee is also responsible for:

- reviewing the Company's financial reporting and disclosure processes, and ensuring the reliability and integrity of the Company's financial reporting and accounting policies;
- assessing whether the Company's external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- assessing the adequacy of the management processes supporting external reporting;
- developing and implementing procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- reviewing the performance and independence of the external auditor, including recommending the appointment, or, if necessary, the removal of the external auditor;
- recommendation to the Board in relation to the compensation, the terms of engagement and other contractual terms of the external auditor; and
- assessing the performance and objectivity of the internal audit function.

During FY 2017, the Audit Committee comprised the following independent Non-executive Directors:

- Mr Robert Hubbard (Chairman);
- Mr Brian Ball;
- Mr Robert Ferguson;
- Dr Paul Jones; and
- Ms Arlene Tansey.

This Committee composition therefore meets the criteria set out by the Council as to the independence of the Committee Chair, number of members and independence of members.

The relevant qualifications and experience of the members of the Audit Committee are set out on pages 30 to 31 of Primary's 2017 Annual Report. The number of meetings attended by each member are set out on page 33 of the 2017 Annual Report. A copy of Primary's Audit Committee Charter is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Recommendation 4.2: Executive assurance to the Board

Prior to the approval of Primary's financial statements for the half year and full year periods, the Board receives from the MD & CEO and Chief Financial Officer a written declaration that, in their opinion:

- the financial records of Primary have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Primary; and
- that their opinions have been formed on the basis of a sound system of risk management and internal control.

In providing that assurance declaration, the MD & CEO and the Chief Financial Officer require that management of the business divisions complete a comprehensive review and make independent declarations of the financial position of their respective business divisions.

Recommendation 4.3: External Auditor involvement in Primary's AGM

Deloitte Touche Tohmatsu, Primary's external auditors, attend the AGM and are available to answer questions from security holders.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Communication (including Continuous Disclosure) Policy

Primary has put in place a Communication (including Continuous Disclosure) Policy to help ensure the provision of timely, balanced and accurate disclosure of material information to the market in order to comply with the continuous disclosure obligations under the Corporations Act and the Australian Securities Exchange ("ASX") Listing Rules. This includes the provision of information about Primary's financial situation, performance, ownership and corporate governance. Primary ensures that security holders, regulators, ratings agencies and the general investment community have equal and timely access to material information concerning Primary, including its:

- annual and interim profit announcements;
- release of financial reports; and
- investor presentations and briefings.

The identification and monitoring of matters which may require disclosure in accordance with Primary's continuous disclosure obligations occurs on a regular basis at meetings attended by Senior Executives. If a matter is identified as potentially requiring disclosure it is immediately referred to the Board by the Disclosure Committee.

Company announcements are lodged on both the ASX Company Announcements Platform and Primary's website. Investors can elect to receive key announcements via a link on the website. In addition to recent announcements, Primary's website contains key dates for results releases and shareholder meetings, annual reports, presentations, and corporate governance policies.

A copy of Primary's Communication (including Continuous Disclosure) Policy is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Principle 6: Respect the rights of security holders

Recommendation 6.1: Communications with security holders via Primary's website

Primary has provided information about itself and its governance to its investors by its website (www.primaryhealthcare.com.au) for a number of years. Primary's website includes a dedicated Investor Centre to make accessing information about Primary easier for investors. Primary's website includes copies of all information lodged with the ASX as well as other information.

Recommendation 6.2: Investor relations program

Primary's security holder communication strategy, disclosed in Primary's Communication (including Continuous Disclosure) Policy, has been developed to provide security holders with accurate, relevant, and timely information to enable them to exercise their rights as security holders in an informed manner and to provide potential investors and other interested stakeholders equal and timely access to information about Primary.

The AGM further provides an open forum for the Board to engage in direct two-way dialogue with Primary's security holders and is an opportunity for security holders to express views, ask questions, and respond to Board proposals.

Primary arranges advance notification of shareholder briefings via its investor database and its website. Teleconference arrangements are available for investors to dial-in to Primary's briefings and participate in question and answer sessions.

Recommendation 6.3: Security holder participation at meetings

The AGM provides an open forum for the Board to engage in direct two-way dialogue with Primary's security holders and is an opportunity for security holders to express views, ask questions, and respond to Board proposals. Teleconference arrangements are available for investors to dial-in to the AGM and participate in question and answer sessions.

Recommendation 6.4: Electronic communications

Security holders have the additional option to receive communications from, and send communications to, Primary and its share registry, via the Primary website to its share registry. Security holders can register to receive relevant announcements via e-mail using Primary's website.

Principle 7: Recognise and manage risk

Recommendation 7.1: Risk Management Committee

The responsibility for designing, implementing and maintaining Primary's system of risk management and internal control has been delegated to the Risk Management Committee. The Risk Management Committee assists the Board with its oversight responsibility by reviewing, assessing and making recommendations to the Board in relation to the risk management framework and internal control structures put in place by management.

The risk identification, analysis, treatment and monitoring processes implemented by Primary are in accordance with Standards Australia AS/NZS ISO 31000: 2009. Management reports to the Risk Management Committee on Primary's key risks and the status of risk mitigation activities on at least a quarterly basis.

The Risk Management Committee is also responsible for:

- ensuring that Primary identifies and regularly updates the profile of each of Primary's material business risks (excluding financial reporting risks);
- monitoring any anticipated changes to Primary's material business risks;
- monitoring and review the effectiveness of the implementation of the risk management system;
- reporting and providing recommendations to the Board (or the MD & CEO and/or Chief Financial Officer) as and when requested by such an officer in relation to proposed financial certifications on whether the risk management system is sound, being managed and implemented effectively; and
- reviewing and approving key policies as required in each business division of Primary, relating to the implementation of the risk management system.

During FY 2017, the members of the Risk Management Committee comprised the following non-executive, independent Directors:

- Dr Errol Katz (Chairman);
- Mr Gordon Davis;
- Mr Robert Hubbard; and
- Dr Paul Jones.

This Committee composition meets the criteria set out by the Council as to the independence of the Committee Chair, number of members and independence of members.

The Risk Management Committee has the authority to seek at any time any information the Committee considers may be relevant to its functions from any officer or employee of Primary. Such officers or employees must fully cooperate in the provision of such information. The Committee also has authority to conduct or direct any investigation it considers necessary.

The number of meetings attended by each member of the Risk Management Committee is set out on page 33 of Primary's 2017 Annual Report.

A copy of Primary's Risk Management Committee Charter is available on our website at www.primaryhealthcare.com.au in the "About Us" section under "Corporate Governance".

Recommendation 7.2: Risk management framework update

In FY 2017, Primary's risk management framework was reviewed and updated by the Risk Management Committee and upon review and update, it was determined that the risk management framework continues to be sound.

Recommendation 7.3: Internal audit function

Primary's Internal Audit team is currently structured such that its functions are carried out by external consultants (PricewaterhouseCoopers).

The current role performed by the Internal Audit team is to review and enhance internal control processes across the entire Primary Group. As in FY 2016 (when the Internal Audit function was established), FY 2017 saw the team focus on a number of specific projects and report back to the Board, via the Audit Committee and the Risk Management Committee, on progress. Over time, the Internal Audit function will evolve into a balance of compliance and business reviews as the Primary Group continues to evolve.

In addition to the dedicated internal audit function, Primary has an effective system of risk management and internal control processes. Within the risk management framework, each business unit is required to formally consider its risk environment and create a register of identified risks, controls and a risk treatment plan which are stored in a risk information management system.

Recommendation 7.4: Material exposure to economic, environmental and social sustainability risks

Primary does not have any material exposure to economic, environmental and social sustainability risk under the ASXCGC Recommendations.

Primary's operations are highly regulated and subject to a range of State and Commonwealth legislation and accreditation requirements. Each of the Pathology, Medical Centres and Imaging divisions operates under a range of policies which provide guidance in relation to identifying and responding to risk. An incident notification and response procedure is in place throughout Primary. Implementation of these policies is ultimately overseen by Senior Executives within each division. A comprehensive insurance program and nation-wide work health and safety program is in place and this is reviewed on an annual and ongoing basis.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: Nomination and Remuneration Committee

Details of Primary's Nomination and Remuneration Committee are set out on page 7 of this Corporate Governance Statement.

The Committee composition meets the criteria set out by the Council as to the independence of the Committee Chair, number of members and independence of members.

Recommendation 8.2: Remuneration of Non-executive Directors, MD & CEO and other Senior Executives

Particulars concerning the remuneration of Primary's Non-executive and Executive Directors and Senior Executives, are set out in the FY 2017 Remuneration Report on pages 37 to 67 of Primary's 2017 Annual Report.

Primary considers that its current policies comply with the Council's guidelines set out in the ASXCGC Recommendations.

Recommendation 8.3: Economic risks under equity-based remuneration scheme

The Primary Executive Incentive Plan ("PEIP") allows the Board to award incentive payments in the form of equity.

The Corporations Act prohibits key management personnel (or closely-related parties of such personnel) of an ASX-listed company established in Australia (such as Primary) from entering into an arrangement that would have the effect of limiting their exposure to risk related to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.

Equity-based awards by Primary under the PEIP are made on the condition that Corporations Act requirements are complied with.