CORPORATE GOVERNANCE STATEMENT

February 2019

Genworth Mortgage Insurance
Australia Limited and its
controlled entities
ABN 72 154 890 730

Corporate governance statement

February 2019

1. Genworth's corporate governance framework

1.1 Introduction

Genworth's Board of Directors (**Board**) drives an approach to corporate governance that incorporates a commitment to governance standards, which are essential to business performance and sustainability. In this context the Board seeks to continually improve its governance and risk management frameworks. This commitment incorporates interactions with Genworth's shareholders, customers, employees, regulators and the community.

The key aspects of Genworth's corporate governance framework are outlined in this document, including an explanation of practices that demonstrate compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). Genworth's governance practices are also underpinned by Genworth's responsibilities as an entity regulated by APRA, ASIC, the Bermuda Monetary Authority and the Reserve Bank of New Zealand, as well as Genworth's obligations under the *Corporations Act 2001* (Cth) (**Corporations Act**).

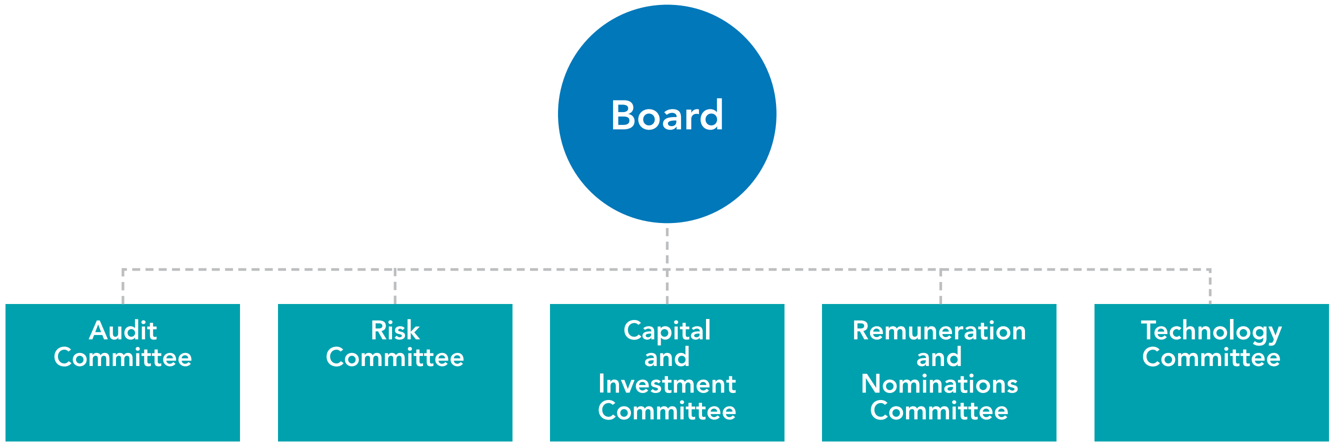
This corporate governance statement has been approved by the Board and is current as of 22 February 2019.

1.2 Overview of corporate governance framework

The Board has established five Board committees that assist it to oversee and develop the Company and its subsidiaries' (the **Group**) corporate governance policies and risk management framework.

The Audit Committee, the Risk Committee, the Capital and Investment Committee, the Remuneration and Nominations Committee and the Technology Committee each play an important role in ensuring effective governance structures remain in place.

In addition, three Board-designated committees have been established and report directly to the Board. The Board designated committees are the Fit and Proper Committee, the Executive Committee and the Disclosure Committee.



2. The Board – Oversight and responsibility

2.1 The Board's key accountabilities

The Board is accountable to shareholders for the long-term performance of Genworth and for embedding an effective corporate governance structure. The Board is ultimately responsible for setting policy regarding the strategic direction of the business and affairs of the Group, including its approach to risk taking activities.

The key accountabilities and responsibilities of the Board include:

- reviewing, monitoring and approving fundamental financial and business strategies;
- overseeing Genworth's corporate governance and risk management frameworks;
- reviewing and approving Genworth's annual budget, financial statements and reports;
- approving the Chief Executive Officer's appointment and remuneration, and the remuneration of senior executives of Genworth;
- overseeing management's implementation of Genworth's strategic objectives; and
- overseeing Genworth's process for making timely and balanced public disclosure of all material information.

A copy of the Board Charter is available at investor.genworth.com.au under the corporate governance section.

2.2 Board composition

The Constitution provides that there will be a maximum of nine directors. As at 22 February 2019, the Board comprised a total of nine Directors. Two directors are non-executive directors, six are independent directors and one is an executive director being the Chief Executive Officer (**CEO**) and Managing Director of Genworth. Biographies of the directors are contained in the directors' report which forms part of Genworth's 2018 Annual Report (**directors' report**).

The Shareholder Agreement entered into with Genworth Financial, Inc. (**Genworth Financial**) at the time Genworth listed on the ASX gives Genworth Financial designation rights with respect to the appointment of directors. More details with respect to these designation rights are outlined in section 2.6.

The Chairman is responsible for ensuring that the Board fulfils its responsibilities. The Chairman provides leadership to the Board, promotes constructive and respectful relations between directors and between the Board and management, and presides at meetings of the Board and of shareholders.

In accordance with the Board Charter, the Chairman is selected from the independent directors.

2.3 Director independence

The Genworth Board is comprised of a majority of independent directors assessed in accordance with the definition of independence set out in the ASX Recommendations.

2.4 Directors' conflicts of interests

Directors have a continuing obligation to keep the Board advised of any interest that could conflict with the interests of Genworth.

Directors are required to disclose any material personal interests in transactions or arrangements to which Genworth is a party and are required to abstain from decision making with respect to these transactions and arrangements. The Board assesses conflicts on a case-by-case basis with reference to the particular circumstances involved.

Directors with potential conflicts do not serve on any committees that are appointed to oversee the implementation of transactions or arrangements with which the interests may conflict.

Corporate governance statement (continued)

2.5 Board experience and skills

The Board has responsibility for ensuring that it has the necessary skills, experience and independence to meet its objectives and applicable regulatory requirements. Genworth's size, market position, complexity and strategic focus areas are all factors taken into account when assessing the skills of directors. Genworth's Fit and Proper Policy applies to all directors.

The collective skills of the Board and succession plans for directors are reviewed annually to ensure an appropriate balance of skills and experience.

The skills matrix below sets out the mix of skills that the Board currently has in place aligned to Genworth's strategic priorities. The skills matrix assists the Board in undertaking the director nomination and succession planning processes in an objective manner. Genworth reviews the skills and experience of the Board on a frequent basis to ensure they are aligned to support the strategic direction of the Company.

Customer-centric approach to solutions and service	Enhancing our core business model	Targeting appropriate risk adjusted returns and optimal capital structure	Maintaining strong risk management discipline	Regulatory advocacy
Financial services	Operations/process management	Treasury/capital management/investment	Corporate governance	Legal/regulatory
Mortgage industry	Technology	Actuarial, financial/ accounting	Risk management	
Retail banking				
Insurance industry				
Commercial/business development				

Human Resources	Corporations Act/ASX Listing Rules	Board experience	International experience

2.6 Appointment process for directors

Electing independent directors

The Board, through the Remuneration and Nominations Committee, assesses independent director candidates to fill a vacancy where one arises or if it considers that the Board would benefit from the services of a new director. The desired skills coverage of the Board and the outcomes of the Board performance evaluation process (as described in section 4.2 below) are key considerations in determining Board appointments.

Factors considered by the Remuneration and Nominations Committee when recommending a person for appointment as an independent director include:

- skills and qualifications;
- fitness and propriety, including the assessment in accordance with Genworth's Fit and Proper Policy;
- independence, taking into consideration APRA's Prudential Standard CPS 510, and the ASX Recommendations;
- the number of existing directorships and other commitments that may demand the attention of the appointee;
- the nature of existing positions, directorships or other relationships and the impact that each may have on the appointee's ability to exercise independent judgment; and
- the extent to which the appointee will contribute to the overall effectiveness of the Board.

Genworth Financial designated directors

Under the Shareholder Agreement, Genworth Financial (Genworth's majority shareholder) is entitled to designate a specified number of directors, rounded to the nearest whole number, determined by the relevant interest in aggregate Genworth Financial and its subsidiaries, other than Genworth and its subsidiaries (the **Genworth Financial Group**) has in Genworth's shares and the designation thresholds as set out in the table below.

If the number of directors Genworth Financial is entitled to designate decreases because of a reduction in the relevant interest in aggregate of members of the Genworth Financial Group in Genworth's shares, the number of directors that Genworth Financial is entitled to designate will not subsequently increase even if the relevant interest in aggregate of members of the Genworth Financial Group in Genworth's shares subsequently exceeds a greater designation threshold, unless such subsequent increase occurs within 90 days after the date on which the relevant interest in aggregate of members of the Genworth Financial Group in Genworth's shares decreased below the relevant threshold.

Relevant interest designation threshold	Number of directors
Greater than or equal to 50%	5/9
Less than 50% but not less than 40%	4/9
Less than 40% but not less than 30%	3/9
Less than 30% but not less than 20%	2/9
Less than 20% but not less than 10%	1/9
Less than 10%	None

The Board must, subject to approval of the designees by the relevant committee of the Board acting reasonably, appoint those designees as directors of Genworth.

Genworth Financial may remove any person which it has designated at any time and, where a designee is due to retire by rotation, propose a new designee. If the number of directors which Genworth Financial is entitled to designate falls as a result of its relevant interest falling below a designation threshold referred to above, the number of designated directors will be reduced by the Genworth Financial Group, either by removing a designated director or by notifying Genworth that a designated director who is either an independent director or a member of Genworth's senior management team is no longer its designee.

A designee who is appointed as a director of Genworth to fill a casual vacancy must retire from office, and will be eligible for re-election, at the next annual general meeting (**AGM**) following the designee's appointment. If a designee is removed, retires and fails to be re-elected by resolution of shareholders or ceases to hold office as a director for any reason (other than where the director retires and is re-elected at the same meeting), the Genworth Financial Group may designate another designee in that person's place to fill a casual vacancy.

Genworth Financial must not designate a person if that person has been removed or, being a director of Genworth retiring by rotation, is not re-elected, by a shareholder resolution.

Subject to law and the ASX Listing Rules, Genworth Financial has the right to vote any Genworth shares controlled by it on resolutions to remove or appoint directors or director candidates, whether or not designated by Genworth Financial.

Whilst the Genworth Financial Group has a relevant interest of 50 per cent or more of Genworth's shares, it has the right to appoint or remove the CEO.

Appointment terms

All non-executive directors, including the Chairman, have been appointed pursuant to formal appointment letters. The letters formally document the basis of each non-executive director's appointment including:

- terms of appointment, including remuneration;
- the role of the Board and of non-executive directors;
- the right to obtain independent professional financial and legal advice, at Genworth's expense, to assist with discharging their duties efficiently;
- the right of access to management and Genworth records; and
- the requirement to abide by Genworth's Code of Conduct and comply with Genworth's Disclosure and Trading Policies.

Genworth enters into an Access, Indemnity and Insurance Deed with directors as part of the appointment process.

Tenure

The Board recognises that Genworth's interests are well served by having a mix of directors, some with a longer tenure and deep understanding of Genworth and the business and some with a shorter tenure with fresh ideas and perspectives. The Board regularly assesses whether each director has served on the Board for such a period that could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of Genworth and, in the case of independent directors, whether his or her independence may have been compromised. This assessment will take place annually for any director who has served in that position for more than 10 years.

Board tenure conditions do not apply to the appointment or removal of the CEO and Managing Director.

Further information in relation to the experience and qualifications of the directors can be found in the directors' report.

Shareholder information

The Board ensures that Genworth provides to shareholders all material information in Genworth's possession, including the information required under the Corporations Act and ASX Recommendations, relevant to a decision regarding the election of a director.

2.7 Director induction and education

Directors are required to maintain and develop the skills and knowledge required to perform their roles effectively. Each director must clearly understand the key functions of their individual role and the goals of the Board as a whole. This is achieved through a number of initiatives:

- an induction and education program for new directors to ensure they are aware of the expectations of their role and are familiar with Genworth's strategy. The program generally includes meetings with the Chairman, CEO, relevant Board Committee members and the senior leadership team (**SLT**). The Chairman is responsible for inducting new directors and for ensuring they have appropriate access to the business and fellow directors;
- provision of information to new directors pertaining to Genworth's business strategy and to current issues before the Board;
- participation in professional development programs; and
- ongoing engagement with the SLT and other key business representatives on a regular basis.

The Board Charter and committee charters set out objectives and provide details of the expectations placed on directors. In addition, the annual Board performance assessment process ensures that the objectives continue to be met.

2.8 Committees

Committee governance

The Board has established five committees, each comprising representatives of the Board, to assist in the discharge of its functions. A charter for each committee sets out its composition, authority and responsibilities and is reviewed periodically by the Board.

The role of chairman of each committee is exercised by an independent director who is not Chairman of the Board. Each committee chairman is responsible for reporting the outcome of all committee meetings to the Board.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee assists the Board to fulfil its responsibility to shareholders and regulators in relation to remuneration, succession planning, board effectiveness, diversity and inclusion. The Committee meets APRA's requirements under Prudential Standard CPS 510 Governance.

The key responsibilities of the Remuneration and Nominations Committee include to:

- Review and recommend to the Board all remuneration proposals (total fixed remuneration, bonus, equity awards and termination payments (including termination payments made to former directors and key leaders within three years of ceasing to be a director or key leader)) for the CEO and other key leaders of Genworth;
- Review and recommend to the Board remuneration proposals in aggregate for key functional employees to ensure the independence of these employees in carrying out their functions;
- Review recruitment, retention and termination policies generally;
- Review and recommend to the Board salary and variable remuneration plans (eg short-term incentive and long-term incentive) including annual goals and objectives and annual funding/budgets;
- Monitor progress in relation to the performance metrics under incentive remuneration plans;
- Oversee the development of executive succession plans in relation to the CEO and other senior management;
- Annually review and recommend to the Board the remuneration of independent directors and the fee pool to be recommended to shareholders;
- Recommend the annual Remuneration Report to the Board for approval and inclusion in Genworth's Annual Report; and
- Annually review and recommend to the Board Genworth's Diversity and Inclusion Policy, which includes measurable objectives for achieving diversity and progress in achieving such objectives.

The current members of the Remuneration and Nominations Committee are David Foster (Committee Chairman), Gai McGrath, Stuart Take and Gayle Tollifson.

The Remuneration and Nominations Committee met five times during 2018 and member attendance at each meeting is shown in the directors' report.

The Remuneration and Nominations Committee Charter is available at investor.genworth.com.au under the corporate governance section.

Risk Committee

The role of the Risk Committee is to assist the Board in its review, governance and oversight of the implementation and ongoing operation of Genworth's risk management framework, including recommending the adoption of policies and procedures on risk management to effectively identify, assess, monitor and manage risk within appetite. The Committee meets APRA's requirements under Prudential Standard CPS 510 Governance.

The key responsibilities of the Risk Committee include to:

- Advise the Board on overall current and future risk appetite and risk management strategy;
- Establish an institution-wide view of Genworth's current and future risk position relative to its risk appetite and capital strength;
- Oversee senior management's implementation of the risk management strategy;
- Constructively challenge senior management's proposals and decisions on all aspects of risk management arising from Genworth's activities; and
- Review the performance and objectives of Genworth's Chief Risk Officer (CRO), and ensure the CRO has unfettered access to the Board and the Committee.

The current members of the Risk Committee are Gayle Tollifson (Committee Chairman), Gai McGrath, Stuart Take, Jerome Upton and Duncan West.

The Risk Committee met five times during 2018 and member attendance at each meeting is shown in the directors' report.

The Risk Committee Charter is available at investor.genworth.com.au under the corporate governance section.

Corporate governance statement (continued)

Audit Committee

The role of the Audit Committee is to assist the Board in reviewing the effectiveness of Genworth's corporate reporting framework. Th Committee meets APRA's requirements under Prudential Standard CPS 510 Governance.

The key responsibilities of the Audit Committee include to:

- Safeguard the integrity of corporate reporting to ensure that financial statements provide a true and fair view of the financial position of Genworth;
- Provide oversight with respect to the effectiveness of accounting policies and adherence to relevant regulatory reporting requirements;
- Review statutory reports and returns for lodgement with APRA;
- Ensure material financial risks are managed appropriately and recommend remediation steps where control weaknesses are identified;
- Recommend to the Board the adoption of insurance liabilities recommended by the appointed actuary;
- Review and recommend to the Board the appointment and removal of the external auditor and the head of internal audit; and
- Review and approve the annual internal and external audit plans.

The current members of the Audit Committee are Gai McGrath (Committee Chairman), Christine Patton, Gayle Tollifson and Jerome Upton.

The Audit Committee met six times during 2018 and member attendance at each meeting is shown in the directors' report.

The Audit Committee Charter is available at investor.genworth.com.au under the corporate governance section.

Capital and Investment Committee

The role of the Capital and Investment Committee is to assist the Board to set and review capital and investment strategies and objectives, supervise the execution of the strategy and monitor compliance with Genworth's Internal Capital Adequacy Assessment Process (ICAAP) and investment mandates.

The key responsibilities of the Capital and Investment Committee include to:

- Set and review the capital and investment objectives in accordance with Genworth's strategies, business plan and risk management framework;
- Oversee and recommend to the Board the ICAAP;
- Review and recommend to the Board any amendments to the target capital range and total capital position, including any new capital instruments to be issued;
- Review and recommend to the Board any amendments to the reinsurance management strategy;
- Review and approve amendments to investment policies and guidelines; and
- Review the composition and performance of investment portfolios and any deviations from mandates.

The current members of the Capital and Investment Committee are Duncan West (Committee Chairman), David Foster, Christine Patton, Gayle Tollifson and Jerome Upton.

The Capital and Investment Committee met six times during 2018 and member attendance at each meeting is shown in the directors' report.

The Capital and Investment Committee Charter is available at investor.genworth.com.au under the corporate governance section.

Technology Committee

The role of the Technology Committee is to make recommendations to the Board on Genworth's information technology strategy and its implementation, together with relevant policies.

The key responsibilities of the Technology Committee include to:

- Review and report to the Board on Genworth's technology strategy with respect to a three to five year horizon;
- Oversee sourcing strategies for the Group's selection and evaluation of the performance of its key external technology suppliers;
- Review emerging global technologies and trends and their potential for application within Genworth, including educating the Committee through meetings with experts and education visits to key technology partners and industries;
- Oversee the technology governance and operating model being the operating structure, governance structure and key accountabilities for technology and the business;
- Review and report to the Board on the effectiveness of disaster recovery plans and disaster recovery testing;
- Consider post implementation reviews of all key projects that involve technology investment; and
- Review key technology risks and technology risk mitigation strategies, including the overall technology risk profile of Genworth.

The current members of the Technology Committee are David Foster (Committee Chairman), Gai McGrath, Jerome Upton and Duncan West.

The Technology Committee met three times during 2018 and member attendance at each meeting is shown in the directors' report.

The Technology Committee Charter is available at investor.genworth.com.au under the corporate governance section.

Additionally, Genworth has a Fit and Proper Committee and a Disclosure Committee. The Fit and Proper Policy and Disclosure Policy are available at investor.genworth.com.au under the corporate governance section.

3. SLT – Management and leadership

3.1 Linking Board strategy and organisational functions

The Board delegates the day-to-day management and administration to its CEO, Georgette Nicholas. The CEO manages Genworth in accordance with the strategies, plans and delegations reviewed and approved by the Board. Formal approvals are provided by the Board on an annual basis with respect to Genworth's documented business plans, risk appetite statement and related frameworks.

The CEO is supported by the SLT members, each of whom reports directly to the CEO.

The CEO and SLT provide the Board with accurate, timely and clear information to enable the Board to monitor the exercise of its delegated authority and to perform its own responsibilities. Recommendations are regularly made to the Board with respect to various issues including strategic business initiatives, budgetary considerations and risk management.

The CEO and SLT also comprise the Executive Committee, which formally reports to the Board through the CEO on key management issues.

3.2 Designation of key management personnel (KMP) status within the SLT

In 2018, five roles within the SLT, (CEO, Chief Financial Officer (CFO), CRO, Chief Commercial Officer (CCO) and the Chief Operations Officer (COO)) were responsible for planning, directing and controlling the activities of Genworth. These roles were designated as executive KMP and accordingly the remuneration report sets out details of their individual remuneration. The remuneration report is included in Genworth's Annual Report.

3.3 Appointment of SLT

Employment agreements with the CEO and SLT set out the details of each of their appointments. A summary of key terms as they relate to executive KMP employment agreements is contained in the remuneration report.

All members of the SLT are required to comply with Genworth's Fit and Proper Policy with respect to their skills, experience and integrity. Each member of the SLT is assessed in accordance with Genworth's Fit and Proper Policy before being appointed. Attestations are then completed annually.

3.4 Company Secretary

The Company Secretary plays an important role in ensuring a close link is maintained between the Board and the SLT, and in ensuring Genworth operates within a robust corporate governance framework. The Board Charter provides for the Company Secretary to have a direct reporting line to the Chairman of the Board.

The Company Secretary is also responsible for compliance with Board and Committee procedures and for providing advice to the Board in relation to Genworth's constitution and related regulatory requirements. Through these processes, timely and effective decision making is facilitated.

3.5 Senior leadership attestations – reporting and risk management

Genworth's financial statements are reviewed and endorsed by the CEO and the CFO. Before approving Genworth's financial statements for a financial period (full year and half year), the Board receives from the CEO and CFO a declaration that, in their opinion:

- the financial records of Genworth for the financial period have been properly maintained in accordance with the Corporations Act;
- the financial statements and the notes for the financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Genworth;
- the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Management reporting is provided to the CEO and CFO to assist them in forming this opinion.

A performance evaluation of the CEO and each member of the SLT was undertaken in 2018 in accordance with the process described above.

4. Remuneration – Performance and shareholder value

4.1 Remuneration practices

Genworth's Remuneration Policy outlines how the Company's remuneration programs, governance and structure reward and motivate employees to support the achievement of business objectives while encouraging behaviours that support the long-term sustainability of the organisation, deliver value to customers and align with the Company's risk management framework and Genworth's values.

The Remuneration Policy has been developed in line with relevant APRA Prudential Standards and ASX requirements. Remuneration practices for directors and the SLT are overseen by the Board, through the Remuneration and Nominations Committee.

Remuneration practices for directors and executive KMP are set out in Genworth's remuneration report. Genworth's remuneration practices are consistent between executive KMP and other SLT members. The remuneration report for the 2018 financial year will be put to shareholders for a non-binding, advisory vote at the 2019 AGM.

4.2 Performance evaluation of directors

Overview

In accordance with Genworth's Board Performance and Renewal Policy, the Remuneration and Nominations Committee undertakes an annual evaluation of Board performance and effectiveness, including the Board, its sub-committees and individual directors. Genworth's Board Performance and Renewal Policy sets out the key considerations in assessing the performance of the Board and of each individual director with reference to APRA CPS 510 Governance and the ASX Recommendations.

The Board recognises that the Company's interests are well served by having a mix of directors, some with longer tenure and deep understanding of the Company and some with shorter tenure with fresh ideas and perspectives. It also recognises the need for directors to continue to develop in order to fulfil their responsibilities and to maintain an appropriate balance and diversity of skills and experience.

The Board evaluates its performance through a combination of both internal peer assessments and externally facilitated assessments. The evaluation includes an analysis of how the Board and directors are functioning, the time spent by the Board considering matters, compliance with Board governance policies and whether the charters for the Board and its committees are being effectively met. It considers the balance of skills, experience, independence and knowledge of the Board and how the Board works together.

The Remuneration and Nominations Committee facilitates the Board's review of each director's performance. The Chairman of the Remuneration and Nominations Committee manages the process and the Chairman of the Board shares the results with each director. In respect of the Chairman's performance, the Chairman of the Remuneration and Nominations Committee provides feedback to the Chairman. External independent advisers are engaged as deemed appropriate (at least once every three years) by the Remuneration and Nominations Committee. The involvement of an independent third party has assisted in ensuring the evaluation process is rigorous, fair, and facilitates continuous Board improvement.

A performance and effectiveness evaluation of the Board, its committees and individual directors was carried out in 2018 and facilitated by a third party in accordance with the prescribed process.

4.3 Performance evaluation of SLT

The performance of the SLT is assessed through Genworth's performance and development review (**PDR**) process. Genworth's approach to performance evaluations – for all employees is to encourage regular, constructive performance feedback on an ongoing basis as well as conduct an overall assessment of performance against business goals and behaviours aligned to the Company values. This provides a balanced assessment both of what was achieved and how it was achieved. This annual assessment of performance has strong links to the individual's remuneration outcomes.

All employees, including the SLT, are required to set goals and development objectives in line with Genworth's strategic objectives for each calendar year. Performance measures for these objectives are a mixture of financial, non-financial and risk-related indicators. These measures align with Genworth's business plan, reflect the individual's overall accountabilities and support Genworth's organisational culture.

The CEO assesses the performance of each member of the SLT to ensure that the performance of the team is clearly aligned to Genworth's business performance and so, the interests of shareholders.

The CEO's performance is assessed both via the PDR process and the annual Board performance and effectiveness evaluation process outlined above. CEO performance assessments are managed by the Board Chairman.

A performance evaluation of the CEO and each member of the SLT was undertaken in 2018 in accordance with the process described above.

4.4 Equity based remuneration scheme

To ensure remuneration is aligned to the creation and enhancement of long term shareholder value, certain Genworth employees may be eligible to receive rights to equity under the Genworth Share Rights Plan (**Rights Plan**). Incentives for the SLT will be granted on the basis of certain performance hurdles being met. Genworth's employee equity plans have been disclosed in the remuneration report in the directors' report, (located in the 2018 Annual Report), which is subject to a non-binding shareholder vote at the AGM and grants to the CEO are approved by shareholders.

The Remuneration and Nominations Committee is responsible for ensuring that any actions taken by participants in the Rights Plan do not adversely impact the interests of Genworth or its shareholders in any way. The Committee and the Board may at their discretion adjust any deferred equity components (to zero if appropriate), or exercise claw back of equity based payments previously made, in order to protect the financial soundness of the Company, or to respond to misconduct, inappropriate risk taking behaviour or unforeseen or unintended consequences.

Employees participating in the Rights Plan are required to comply with the Rights Plan rules and Genworth's Trading Policy.

5. Risk management – Sustainable business practices

5.1 Risk and capital management framework and strategy

Genworth's risk and capital management framework and strategy comprises the totality of the systems, processes, policies and people utilised to identify, measure, monitor, treat and control all sources of material risk. An integrated risk and capital management framework and strategy has been developed to provide a holistic view of risk and capital management. It assists Genworth in making proactive risk management and internal assessments of its capital requirements in the context of its business plan, and includes consideration of stress and scenario testing.

The framework is further enhanced by Genworth's obligations under the Shareholder Agreement with Genworth Financial, which requires Genworth to comply with various regulatory requirements.

The Risk Committee and Capital and Investment Committee, on behalf of the Board, are collectively responsible for overseeing the implementation of Genworth's risk and capital management framework and for ensuring strategic objectives are pursued within the limits set by the Board approved risk appetite. The Audit Committee provides further assurance through an objective review of the effectiveness of Genworth's corporate reporting and overall risk management framework.

Annual reviews consider various matters such as the framework's effectiveness in managing risk, the alignment of Genworth's strategy and risk appetite, the risk culture of the organisation, the appropriateness of policies that identify risks and controls, risk related reporting and how remediation recommendations are actioned. Each of these components were covered as part of the 2018 review process.

5.2 Governance, culture and accountability

Governance, culture and accountability were key themes in the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry as the issues facing financial institutions in Australia.

APRA requested the Boards of many financial institutions to undertake and provide a written self-assessment of their governance, culture and accountability practices. In 2018, the Board conducted a culture and risk governance self assessment which included a review of Genworth's governance, culture, leadership, accountability and remuneration practices as well as the Company's issues management, risk and compliance practices. The Board's assessment concluded that, following significant investment in Genworth's values, culture and leadership over the past two years, the Company has made substantial progress in maturing its governance, culture and accountability practices. Genworth recognises that the Board's assessment reflects a point in time and that the Company's practices continue to evolve. The Board is committed to undertaking assessments on a regular basis to address further insights that may arise. The Board also expects that APRA will oversee progress made by Genworth in addressing the insights garnered from its assessment as part of its supervisory program in 2019.

Corporate governance statement (continued)

5.3 Key components of the risk and capital management framework and strategy

The key components of the risk and capital management framework and strategy are set out below.

Governance framework
Governance, remuneration, culture

Business strategy and planning
Strategic planning and strategy
Risk appetite statement

Risk and capital management framework

Risk management framework	Capital management framework
• Risk culture	• ICAAP
• Governance	• Internal capital modelling process
• Risk appetite statement	• Monitoring of capital position
• Three lines of defence	• Stress and scenario testing
• Risk policies and processes	• Target capital buffers
• Risk management architecture	• Capital triggers and remediation

Risk and capital management strategy

Risk management strategy	Capital management strategy
• Medium-term outlook	• Multi-year plan for capital
• Material risks	• Stress testing outcomes and target capital buffers
• Areas of focus	• Reinsurance management strategy

Recovery and run-off planning

Related frameworks
Business continuity management and crisis management, data management, delegated underwriting authority risk management, compliance, audit, other

Risk management framework

Risk culture

Risk culture forms the cornerstone of the way Genworth conducts business. Genworth's risk culture statement and related code of ethics identify behaviours which facilitate decision making based on transparency, detailed knowledge and analysis, and constructive challenge.

Governance

The Board and SLT have oversight of the risks faced by Genworth and its current and forecast capital position, with clearly defined and articulated roles and responsibilities.

Risk appetite statement

Genworth's risk appetite, which is aligned to the strategic objectives of the business, defines the parameters Genworth uses to assess and manage risk, and the outcomes Genworth is prepared to accept over the medium-term.

Corporate governance statement (continued)

The three lines of defence

Genworth operates a "*three lines of defence*" approach to risk management that drives ownership of, and accountability and responsibility for, risk management.

First line	The first line of defence comprises the business management who assume ownership of risks. Accountability and responsibility for risk management starts with the area where the risk originates, and each business unit is responsible for the effective design and implementation of controls to manage their risks.
Second line	The second line of defence comprises the independent risk and compliance functions who establish frameworks, policies, delegated authority limits and processes for the management, monitoring and reporting of risk. The second line evaluates the adequacy and effectiveness of business unit controls and the application of frameworks and policies. The second line also monitors Genworth's risk profile, including any emerging trends or weaknesses.
Third line	The third line of defence comprises both internal and external audit functions which provide assurance with regard to the organisation's overall risk management systems, controls and governance processes. Genworth's internal audit function is responsible for developing an annual risk-based audit plan, reporting the results of its work to management and the Audit Committee, and for ensuring required remediation actions are executed properly and in a timely manner. The head of internal audit reports functionally to the Audit Committee and administratively to the CFO. The head of internal audit has free and unrestricted access to the Audit Committee and all of Genworth's functions, records, property, and personnel to discharge internal audit's role.

Risk policies and processes

Genworth has embedded policies and processes to ensure that risks are identified and assessed, and are effectively mitigated through the implementation of appropriate controls. Risk and control assessments are used to facilitate the development and prioritisation of any necessary action plans.

Capital management framework

ICAAP

The overarching goal of Genworth's approach to capital adequacy and management is to ensure there is sufficient capital to support Genworth's business operations and strategy, including all its obligations to policyholders, over the foreseeable future at a reasonable cost and to generate appropriate returns to shareholders in line with Genworth's specified risk appetite.

Internal capital modelling process

As part of its ICAAP, Genworth uses a risk-based approach to estimate the level of capital required to support the risks being taken in delivering its strategic objectives.

Monitoring of capital position

Genworth undertakes four formal planning processes throughout the year:

- Multi year planning;
- Business planning;
- Risk and capital framework and strategy, including capital stress testing; and
- Short and medium term capital forecasting.

Capital planning is a key step in each of the above processes and incorporates Genworth's business plan, multi-year plan and insurance liability projections. Genworth's capital requirements and solvency ratio are forecast under the internal methodology and the APRA Prescribed Capital model.

Stress testing and scenario testing

The purpose of Genworth's stress testing program is to estimate the extent of losses and the resultant capital impact that could emerge from the Genworth portfolio in various economic scenarios.

Target capital buffers

As the quantum of the capital requirements and capital bases are dynamic, Genworth manages capital to incorporate a target buffer range above its internal and regulatory capital requirements.

Capital triggers and remediation

Incorporated within the capital reporting mechanisms and to ensure the business is managed in accordance with its stated risk appetite, the business has established a number of capital "trigger" points which are reviewed regularly. Capital triggers are intended to serve as early warning indicators to provide the Board and senior management with time to rectify issues and restore capital prior to any potential breach of target capital levels or regulatory requirements.

5.4 Economic, environmental and social sustainability risk

Management of macroeconomic risks and responses to changes in the economic environment are integral to Genworth's risk management practices.

Social sustainability risk and environmental risk are considered by Genworth as part of its overall risk management practices. The Board and SLT are committed to identifying and assessing the impacts of climate change risk on Genworth's business. The Board and SLT are also committed to undertaking and evaluating Genworth's impact on the communities in which it operates and the environment. Regular consideration of potential risks enables risk mitigation activities to be devised where required.

Genworth believes that a responsible approach to helping preserve the environment is critical to building trust and creating long-term value for all its stakeholders, including customers, regulators, employees and investors. Genworth is also committed to making a difference in the communities in which it operates and has in place a community plan that addresses the areas of education, homelessness and basic needs.

Further details in relation to the Group's approach to these risks can be found in Genworth's operating and financial review contained in the directors' report and in Genworth's Sustainability Report, available in the sustainability section of the Genworth website at genworth.com.au/sustainability/

6. Communication with shareholders – transparency and accountability

6.1 Genworth's website

Genworth's website (genworth.com.au) provides shareholders with a variety of information resources. This includes information about Genworth's operations, the key corporate governance policies, biographies of directors and the SLT and an investor section with links to annual and interim reports and public announcements, a key events calendar, and share price and dividend payments history.

6.2 Investor relations program

Open communications

Genworth is committed to accurate and timely communication with its shareholders. Communication methods include information and disclosures on Genworth website, public releases on the ASX and through media outlets, direct shareholder communications in written form and shareholder meetings and briefings.

Genworth has set standards in respect of its approach to media and public relations, which are set out in Genworth's Media and Public Relations Policy. The policy includes the management and presentation of public information disclosed via the ASX and other public outlets and in respect of employee responsibilities in communicating Company information. A summary of the Media and Public Relations Policy is available at investor.genworth.com.au in the corporate governance section.

Shareholders and investors can directly raise any queries on Genworth's investor relations program by contacting Genworth by email at investorrelations@genworth.com. Alternatively, shareholders and investors can write to the Chairman or Company Secretary at Genworth, Level 26, 101 Miller Street, North Sydney NSW 2060, Australia.

Electronic interactions with shareholders

Shareholders have the option to receive and send communications with Genworth and its share registry electronically.

6.3 Continuous disclosure

Genworth is committed to the continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of Genworth are designed to comply with the ASX Listing Rules and the requirements of the Corporations Act.

Genworth has a Disclosure Policy to ensure that Genworth complies with its continuous disclosure obligations and manages other communications with the media and financial markets. The Disclosure Policy recognises Genworth's obligations under the Shareholder Agreement to make available certain information to Genworth Financial to enable Genworth Financial to comply with its regulatory and market reporting requirements.

Genworth's Disclosure Committee is responsible for overseeing Genworth's disclosure controls, procedures and practices.

ASX announcements and the disclosure policy are available at investor.genworth.com.au, in the announcement/news releases and corporate governance sections respectively.

6.4 Participation at shareholder meetings

Genworth actively encourages interaction with its shareholders. Genworth has implemented policies and procedures, including the Media and Public Relations Policy and the Disclosure Policy, to assist in facilitating an effective flow of information to shareholders. As part of this process, participation at shareholder meetings is actively encouraged.

The Notice of AGM provides details in relation to items of business, voting rights and explanatory notes. Genworth provides webcast facilities for those shareholders unable to attend the AGM. The appointed auditor for Genworth attends the AGM to respond to any shareholder questions relevant to the audit and corporate reporting for the prior financial year. These may include questions relevant to the conduct of the audit, the preparation of the appointed auditor's report, the accounting policies adopted by Genworth and the independence of the appointed auditor.

7. Working environment – Ethics and a diverse and inclusive workplace

7.1 Code of conduct – "Integrity First"

The Board acknowledges the need for high standards of corporate governance practices and ethical conduct to be maintained by all directors and employees of Genworth.

The Board has adopted "Integrity First" (Genworth Financial's code of ethics) as Genworth's code of conduct. The "Integrity First" code of conduct sets out Genworth's commitment to maintaining high levels of integrity and ethical standards in its business practices by prescribing the required standards of behaviour of directors, employees and contractors (as well as various other stakeholders). Issues addressed by the code of conduct include conflicts of interest, public and media interactions, use of Company resources, security of information, intellectual property, discrimination and harassment, corrupt conduct, workplace health and safety and insider trading.

Genworth requires all directors, employees and contractors to ensure their behaviours, decisions and choices are conducted in accordance with all applicable laws and regulations. Genworth's commitment to ensuring appropriate standards of behaviour are maintained is reflected in the annual training on the code of conduct completed by all personnel.

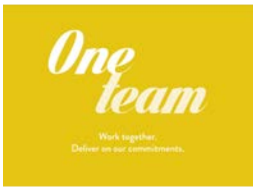
A copy of the code of conduct is available at investor.genworth.com.au in the corporate governance section.

7.2 A diverse and inclusive workplace

At Genworth, diversity and inclusion are part of our business strategy as we believe diverse teams working in an inclusive environment are more effective and this drives value for shareholders, customers and employees. Genworth's diversity and inclusion objectives are grounded in the Company's values and the way in which the Company acts reflects the diverse and inclusive workplace it is committed to achieving.

We support equality of opportunity regardless of gender, age, ethnicity, sexual orientation, disability or carer status.

We draw on the broad range of experiences and different thinking styles of our people to enable idea generation, drive innovation and encourage creative solutions to business problems.



We commit to working as one team in which everyone feels valued and is able to make their own unique contribution.

We are all accountable for ensuring our workplace is free from discrimination, harassment and bullying. We are committed to supporting an environment which fosters positive, respectful working relationships where people are able to achieve their best.

Reflecting the diversity of our customers and the communities in which we operate drives greater understanding and better solutions to meet their needs.

Corporate governance statement (continued)

Progress in 2018

In 2018, Genworth made measurable progress against our diversity and inclusion objectives.

Objective	Outcomes
Creating an inclusive culture where differences are valued and diversity and thought and experience are effectively leveraged	• >89% positive response on diversity and inclusion questions in our 2018 employee engagement survey • Acknowledgement of the diversity of employees through awareness-raising campaigns and celebrations including International Women's Day, Chinese New Year, Mardi Gras, Diwali, Family Day, International Day of People with Disabilities and NAIDOC Week • Support for people with differing intellectual abilities via a partnership with JobSupport • Increased the capability of people leaders to create an inclusive workplace by providing tools to better respond to the diverse needs of their team members through inclusive leadership training and a bespoke leadership program
Providing visible leadership around diversity both internally and externally	• Regular participation by members of the SLT and Board in internal and external diversity-related forums • Hosted a Diversity and Inclusion panel discussion, "Diversity Matters" attended by the Board, Senior Leadership Team, other Genworth employees, customers, suppliers and other external stakeholders • The CEO continued in her role as a WGEA Pay Equity Ambassador and Genworth participated in a panel discussion on gender pay equity hosted by the WGEA • Genworth was recognised by the WGEA as an Employer of Choice for Gender Equality for the fourth consecutive year • Genworth was the winner of the Australian Property Institute's workplace diversity and culture award
Support and role modelling for flexible working to make our business more agile and enable our people to balance work/life commitments	• 62% of all female employees and 29% of all male employees have some form of formal flexible work arrangement • In the 2018 employee engagement survey, 84% of employees indicated they have the flexibility they need to manage work and caring responsibilities
Achieving and sustaining gender diversity within the leadership of Genworth	As at 31 December 2018: • 44% of the Board were female • 43% of the SLT were female • 38% of "other" managers were female

The following table summarises the proportion of men and women on the Board, in senior executive positions and across the Company as at 31 December 2018 compared to 31 December 2017.

	2018		2017	
	Female	Male	Female	Male
Board	4 (44%)	5 (56%)	3 (33%)	6 (67%)
SLT (CEO and direct reports)	3 (43%)	4 (57%)	3 (38%)	5 (62%)
Other management roles (excluding the SLT)	18 (38%)	30 (62%)	19 (35%)	35 (65%)
Overall	101 (44%)	127 (56%)	107 (45%)	131 (55%)

WGEA Employer of Choice for Gender Equality

WGEA Pay Equity AMBASSADOR

API Australian Property Institute
Genworth Australia
Winner of Workplace Diversity and Culture Award

An inclusive and flexible work environment

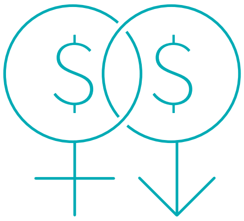
In 2018, Genworth undertook a significant project to transform its physical work environment to be one that enables its people to collaborate more effectively, work more flexibly and work together more inclusively as "one team". With the completion of Project Home, the workplace transformation was completed and Genworth is reaping the benefits of an open plan environment with a range of spaces to suit different work styles. Technology has played a significant role in enabling a more inclusive work environment and provided employees with more flexibility around where they work and how they engage with colleagues.

Genworth has a strong uptake of flexible work arrangements across the business with 62% of women and 29% of men taking up a formal flexible work arrangement. This year Genworth held a "Flex Work Week" in which it addressed a number of myths that exist around flexible working and which encouraged all employees to trial a flexible work arrangement. Genworth continues to focus on mainstreaming flexible working to make the business more agile and to enable its people to balance their work/life commitments.

Corporate governance statement (continued)

Pay equity

Every year Genworth undertakes a pay equity analysis. In 2018, Genworth's gender pay gap calculations showed on average a 5% pay gap between males and females (down 2% since 2017). While this difference reflects an opportunity for continuing to progress female representation at higher levels of the Company, these figures compare favourably to Australian averages of a 22% total pay gap across all industries; and a 32% total pay gap in Financial and Insurance Services. The analysis further showed that when examining pay competitiveness by career band/seniority, females performing roles of "equal value" to men were not systemically disadvantaged. On a like-for-like basis wherein Genworth compared remuneration competitiveness of males and females, females were paid slightly above the market median for their role and males were paid at the market median for their role.



0%
GENDER PAY GAP ON
LIKE-FOR-LIKE ROLES

Each year, the Board commits to measurable diversity and inclusion objectives against which progress is reviewed. In 2019, Genworth's diversity and inclusion objectives are supported by a number of targets including:

- 40 percent female representation on the Board
- 40 percent female representation on the SLT
- Minimum 40 per cent female representation in other management roles
- Gender diverse candidate slates for all roles.

Genworth®