

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

VIRTUS HEALTH LIMITED

ABN / ARBN:

80 129 643 492

Financial year ended:

30 JUNE 2019

Our corporate governance statement for the above period above can be found at:

☐ These pages of our annual report:

☒ This URL on our website: <https://www.virtushealth.com.au/investor-centre/corporate-governance>

The Corporate Governance Statement is accurate and up to date as at **20 August 2019** and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date:

20 August 2019

Name of Director or Secretary authorising
lodgement:

Glenn Powers – Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... |
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| PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT | | | |
| 1.1 | A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Board Charter at https://www.virtushealth.com.au/investor-centre/corporate-governance | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.2 | A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> detailed at 1.2(a) Corporate Governance Statement 1.2(b) All material information relevant to a decision on whether to elect or not elect or re-elect a director is contained in the Company's AGM Notice of Meeting | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 1.4 | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> in our Board Charter at https://www.virtushealth.com.au/investor-centre/corporate-governance | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... |
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| 1.5 | <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> | <p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.6 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... |
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| 1.7 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>AND</u></p> <p><input checked="" type="checkbox"/> details of the outcomes of the performance evaluation undertaken during the year for the CEO and senior executives can be found in the Remuneration Report in the Annual Report. Refer https://www.virtushealth.com.au/investor-centre/announcements</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

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| PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE | | | |
| 2.1 | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>2.1(a)(4) Corporate Governance Statement</p> <p>2.1(a)(5) Directors Report Section of the Annual Report Refer https://www.virtushealth.com.au/investor-centre/announcements</p> <p>Note: The Committee is a combined Nomination and Remuneration Committee</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 2.2 | <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p> | <p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

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| 2.3 | A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. | ... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here] ... and, where applicable, the information referred to in paragraph (b): Not Applicable ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |
| 2.4 | A majority of the board of a listed entity should be independent directors. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.5 | The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | ... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location here] | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY | | | |
| 3.1 | A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. | ... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement AND <input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement |

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| PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING | | | |
| 4.1 | <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>4.1(a)(4) Directors Report Section of the Annual Report and http://virtushealth.com.au/about-us/board-of-directors</p> <p>4.1(a)(5) Directors Report Section of the Annual Report Refer https://www.virtushealth.com.au/investor-centre/financial-reports-presentations</p> <p>or</p> <p>https://www.virtushealth.com.au/investor-centre/announcements</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 4.2 | <p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

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| 4.3 | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable</p> |
| PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE | | | |
| 5.1 | A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. | <p>... our continuous disclosure compliance policy or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS | | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | <p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at http://virtushealth.com.au/investor-centre AND https://www.virtushealth.com.au/about-virtus-health</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | <p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p> |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... |
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| PRINCIPLE 7 – RECOGNISE AND MANAGE RISK | | | |
| 7.1 | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>7.1(a)(4) Corporate Governance Statement</p> <p>7.1(a)(5) Directors Report Section of the Annual Report Refer https://www.virtushealth.com.au/investor-centre/financial-reports-presentations</p> <p>or</p> <p>https://www.virtushealth.com.au/investor-centre/announcements</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 7.2 | <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... |
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| 7.3 | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| 7.4 | <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> | <p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

| Corporate Governance Council recommendation | | We have followed the recommendation in full for the whole of the period above. We have disclosed ... | We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... |
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| PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY | | | |
| 8.1 | <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location here]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> at</p> <p>8.1(a)(4) Corporate Governance Statement</p> <p>8.1(a)(5) Directors Report Section of the Annual Report Refer https://www.virtushealth.com.au/investor-centre/financial-reports-presentations</p> <p>or</p> <p>https://www.virtushealth.com.au/investor-centre/announcements</p> <p>Note: The Committee is a combined Nomination and Remuneration Committee</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 8.2 | <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | <p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> in the Remuneration Report section of the Annual Report at https://www.virtushealth.com.au/investor-centre/financial-reports-presentations</p> <p>or</p> <p>https://www.virtushealth.com.au/investor-centre/announcements</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

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|---|--|---|--|
| 8.3 | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | <p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement AND</p> <p><input checked="" type="checkbox"/> in the Company's Securities Trading Policy which can be found at https://www.virtushealth.com.au/investor-centre/corporate-governance</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

This Corporate Governance Statement (**‘Statement’**) of Virtus Health Limited (**‘Company’** or **‘Virtus’**) has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange’s (**‘ASX’**) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (**‘ASX Principles and Recommendations’**). Virtus complies in all material respects, and the details of this compliance are set out in this statement. A separate Appendix 4G has been lodged with the ASX.

This Corporate Governance Statement explains how the Board of Directors (**‘Board’**) oversees the management of Virtus’ business. The Board is responsible for the overall corporate governance of Virtus. The Board monitors the operational and financial position and performance of Virtus and oversees its business strategy, including approval of the strategic goals of Virtus and considering and approving an annual business plan and budget.

The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Virtus. In conducting Virtus’ business with these objectives, the Board seeks to ensure that Virtus is properly managed to protect and enhance shareholder interests, and that Virtus, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Virtus, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the business and which are designed to promote the responsible management and conduct of Virtus.

Virtus’ ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is available in the Investors section on our website.

Both this Corporate Governance Statement and the Appendix 4G have been lodged with the ASX. This Statement has been approved by Virtus’ Board and is current as at 20 August 2019.

The ASX Principles and Recommendations and Virtus’ response as to how it follows those recommendations are set out below.

All references to Virtus’ website are to: www.virtushealth.com.au

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – The role and responsibilities of the Board and management and delegation

To clarify the roles and responsibilities of directors and management and to assist the Board in discharging its responsibilities, Virtus has established a governance framework, which sets out the functions reserved for the Board and provides for the delegation of functions to Board committees and to senior management. The Board operates under a formal charter, which outlines the role and responsibilities of the Board, a commitment to actively promote ethical and responsible decision making, effective communication with stakeholders, oversight of financial and capital management, compliance and risk management, Board composition, structure and membership requirements. A copy of the Charter can be found on Virtus’ website.

The Board has delegated to the CEO the authority to manage the day to day affairs of Virtus and the authority to control the affairs of Virtus in relation to all matters other than those responsibilities reserved to itself in its charter. The Board may impose further specific limits on CEO delegations. These delegations of authority are reviewed by the Board from time to time. The CEO has authority to sub-delegate to the senior management team who are responsible for implementation of Board directed strategies at an operational level. The Board reviewed and updated the Delegation of Authority during the financial year.

Recommendation 1.2 – Director election and re-election

The composition, structure and proceedings of the Board are primarily governed by the Constitution and the laws governing corporations in jurisdictions where Virtus operates. Virtus maintains a Board that comprises a majority of independent non-executive directors, which is currently in place.

Before appointing a director, or putting forward to shareholders a director for appointment, Virtus retains an external independent recruitment firm, and as part of the process, undertakes comprehensive reference checks that cover elements such as the person’s character, experience, employment history, qualifications, criminal history, bankruptcy history, and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission.

Peter Macourt declared his intention to the Board not to seek re-election at the Annual General Meeting (“AGM”) on 20 November 2019. The Nomination and Remuneration Committee commenced a recruitment process using an external independent recruitment firm to find a suitable non-executive director to supplement the existing skills on the Board. It is envisaged a suitable non-executive director will be appointed by the Board before the AGM. That Director will then stand for election at the AGM. The independent recruitment firm also conducted a separate process with the remaining independent Directors who unanimously nominated Sonia Petering as Chair commencing from 20 November 2019.

Directors are generally appointed for a term of three years. Retiring directors are not automatically re-appointed. Virtus provides information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information is included in the explanatory notes to the notice of AGM, and incorporates the candidate’s biography, which includes experience and qualifications, details of other directorships, and whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors. The Company Secretary’s role, in respect of matters relating to the proper functioning of the Board is set out in the Board Charter.

Recommendation 1.5 – Diversity policy, objectives and measurement

Virtus has a Diversity and Inclusion Policy, which requires the Board to consider measurable objectives for achieving gender diversity and to assess the objectives and Virtus’ progress towards achieving them on an annual basis.

The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables Virtus to attract and retain employees with the best skills and abilities.

The Board’s measurable objective for gender diversity on the Board requires that there be at least two women on the Board, equating to more than 30% based on the current Board numbers. As at 30 June 2019, Virtus clearly meets this target. The Board aims to increase the proportion of women in senior executive positions when appropriate opportunities become available for qualified candidates. Virtus and its Australian subsidiaries are relevant employers under the terms of the Workplace Gender Equality Act 2012 and Virtus has submitted a report to the Workplace Gender Equality Agency for the period 01 April 2018 to 31 March 2019.

The respective proportion of women and men in Virtus including its subsidiaries (‘**consolidated entity**’) as at 30 June 2019 are as follows:

| | Proportion of women | Proportion of men |
|-------------------------------|--------------------------------|------------------------------|
| On the Board | 33% | 67% |
| In senior executive positions | 33% | 67% |
| Across the whole organisation | 87% | 13% |

For this purpose, the Board defines a senior executive as an executive Board Director or key management person who makes, or participates in the making of decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly Virtus’ financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.

A copy of Virtus' Diversity and Inclusion Policy is available on Virtus' website.

Recommendation 1.6 – Board performance and evaluation

In November 2017, the Board conducted a formal, structured evaluation that involved each director completing a confidential survey covering the role and composition of the Board, director development, induction, effectiveness of Committees, meetings and processes, papers, evaluation of the Chairman, Board's understanding of the business, the risks it faces and how those risks are managed, Board's relationship with the CEO and Management and the evaluation process itself. The results of the survey and an analysis of these results were reported to the Board by one of the Independent Directors with an action plan to address any areas of lower rating. The Board reviewed the action plan in October 2018 to measure progress on the action plan and the way it conducted its review in 2017.

The Board also monitors its performance on an informal basis throughout the year and makes changes to Board practice where appropriate.

The Board proposes to conduct its next formal review in the new financial year.

Recommendation 1.7 – Senior executive performance and evaluation

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year; this performance review was undertaken in July 2019. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of Virtus. Key Performance Indicators are both financial and non-financial and are individual in nature. Further information on the senior executives' performance measures and assessments can be found in the Remuneration Report contained in the Annual Report.

Principle 2: Structure the board to add value

Recommendation 2.1 – Nomination Committee

The Board has established a combined Nomination and Remuneration Committee, whose current members are as follows:

| Director's name | Executive status | Independence status |
|------------------------|---------------------------|----------------------------|
| Sonia Petering - Chair | Non-executive Director | Independent |
| Peter Macourt | Non-executive Chairman | Independent |
| Greg Couttas | Non-executive Director | Independent |

The majority of the Committee members and the Chair are independent, non-executive directors.

The role of the Nomination and Remuneration Committee is to assist and advise the Board on the following nomination related matters:

- director selection and appointment practices;
- director performance evaluation processes and criteria;
- key management personnel remuneration and incentives;
- Board composition; and
- succession planning for the Board and senior executives, to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Virtus as a whole.

A copy of the Nomination and Remuneration Committee Charter is available on Virtus' website.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

Recommendation 2.2 – Board Skills

The Board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary for optimal performance of the Board. It is also used when recruiting new directors based on the attributes of the current Board members. The existence of each attribute is assessed by the Board as either High, Medium or Low and includes an assessment of the existence of the skills in the current Board. This information presented outlines the Board's current skills matrix that was reviewed during the 2019 financial year.

| Skill category | Description of attributes required | Level of importance | Existence in current Board (out of 6 directors) |
|--|---|----------------------------|--|
| Leadership | Sustained success at CEO, COO or senior leadership level in a major business. | High | 5 |
| NED skills | Currently serving on other Boards, both ASX listed and non-ASX or previous ASX Board experience | Medium | 4 |
| Governance, Risk and compliance | Knowledge and experience in best practice governance structures, policies and processes, establishing risk and compliance frameworks, identification of and monitoring key risks to the company related to each key area of operations. Knowledge of legal and regulatory requirements. | High | 6 |
| Financial acumen and audit | Qualifications and experience in analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution of financial management of projects and company, analysis of financial performance, overseeing capital management. | High | 6 |
| Strategic direction | Experience and skill in development of or overseeing strategy implementation to achieve business objectives, and identification and critical assessment of strategic opportunities and threats to the company. | High | 5 |
| Information technology | Knowledge of IT governance including privacy, data management and security. | Medium | 3 |
| People | Experience in managing people, including the ability to appoint and evaluate the CEO and senior executives, succession planning for key executives, setting of key performance hurdles, experience in industrial relations and organisational change management programmes. | Medium | 6 |
| M&A and Capital Markets | Knowledge and experience in mergers and acquisitions and knowledge of capital markets. | Medium | 5 |
| International business development | Experience in development of business in an international jurisdiction to an Australian organisation. | Medium | 3 |
| Sustainability/corporate social responsibility | Experience related to workplace health and safety, environmental and social responsibilities and community. | Medium | 5 |
| Legal and regulatory | Legal qualifications and/or regulatory experience. | Medium | 1 |
| Health Sector experience | Experience in domestic or international health sector or related industry. | Medium | 4 |
| Consumer | Experience in domestic or international consumer facing industry. | Medium | 6 |

The biographies of all directors are included in the Director's Report in the Annual Report.

The Board currently believes that its membership adequately represents the required skills. External consultants may also be engaged with specialist knowledge when required.

In addition to the normal Board committees, Virtus operates a National Advisory Committee to support the Australian business activities. This Committee also provides clinical input to the Virtus Health Board.

The National Advisory Committee drives the strategic direction of Virtus as it relates to clinical, regulatory, scientific and operational governance and direction. Specifically, the Advisory Committee's role includes matters referred to it by the Board, including:

- providing a forum for sharing any fertility specialist and management concerns or issues with Virtus management;
- providing a forum for agreeing and communicating fertility specialist and management recommendations to the Board on certain matters, either as requested by the Board or at the request of the Advisory Committee;
- considering and providing input into Virtus' Australian healthcare strategy, plans and budgets and monitoring performance against them;
- considering and providing input into the recruitment and succession planning opportunities for new fertility specialists;
- ensuring compliance with legal and regulatory requirements and ensuring that ethical standards of Virtus are maintained;
- ensuring adequate risk management processes exist within Virtus and are complied with; and
- ensuring that corporate governance initiatives and policy guidelines, as issued by the Board and key managers, are implemented and provide feedback for consideration by the Board.

The National Advisory Committee comprises a member of the Board who is a fertility specialist, the CEO, CFO, and key managers (currently the State Managing and Medical Directors respectively of New South Wales, Victoria and Queensland, the Medical Director of Tasmania and up to one fertility specialist shareholder from New South Wales, Queensland and Victoria). Members of the Board attend the National Advisory Committee meetings as observers. This helps to build positive working relationships between the National Advisory Committee members and the members of the Board. Members of the Board are also invited to attend the National Advisory Committee annual strategy planning day.

As Virtus expands internationally, a similar advisory committee will be established to support the group's operations in Europe and Asia. Currently, the CEO and CFO hold regular Board meetings with the executive teams in Denmark, Ireland, United Kingdom and Singapore respectively. Each of the regional boards comprises the Virtus CEO, CFO, European Managing Director, European Financial Controller and the Managing Director and Medical Director of the territory. Virtus Board members receive regular briefings on all aspects of the international activities.

In addition to the specific skills that are required at Board level identified in the matrix above, the Board considers that all members of the Board each have the following attributes:

| | |
|------------------------------------|--|
| Leadership | Represents the company positively amongst stakeholders and external parties; acts decisively ensuring that pertinent facts are considered; leads others to actions; proactive solution seeker. |
| Ethics and integrity | Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement to matters discussed at Board meetings; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation. |
| Ability to think strategically | Ability to apply strategic thought and judgement in assessing strategic opportunities for the business and reviewing strategic priorities in overseeing implementation and development of strategy. |
| High level Communication | Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives, willing to question and provide constructive challenge. |
| Commitment to Corporate governance | Commitment to the highest standards of corporate governance mechanisms, controls and channels to effectively govern and manage risks. |
| Time available | The capacity and time available to devote to the Virtus business. |
| Fit | Board members are respectful, open to diversity, collegiate, share their views openly in Board discussion, supportive of the ARS industry, able to drive change in a positive and dynamic way. |

Recommendation 2.3 - Director independence

The Board assesses annually the independence of each director using the criteria set out in the ASX Corporate Governance Principles and Recommendations to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Virtus and its shareholders generally.

Details of the Board, their appointment date, length of service and independence status is as follows:

| Director's name | Appointment date | Length of service at reporting date | Independence status |
|------------------------|-------------------------|--|----------------------------|
| Peter Macourt | 17 May 2013 | 6 years | Independent Non-executive |
| Sue Channon | 10 April 2008 | 11 years | Non-independent, Executive |
| Lyndon Hale | 17 May 2013 | 6 years | Non-independent, Executive |
| Greg Couttas | 5 October 2016 | 3 years | Independent Non-executive |
| Sonia Petering | 1 September 2014 | 5 years | Independent Non-executive |
| Shane Solomon | 24 September 2018 | 11 months | Independent Non-executive |

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations. There were no directors in this category for the period ended 30 June 2019.

As part of its independence assessment, the Board considers the length of time that the director has been on the Board, as a prolonged service period may also be seen to impair independence. The Board concludes that no non-executive director has been on the Board for a period which could be seen to compromise their independence.

Where it is determined that a non-executive director should no longer be considered independent, Virtus shall make an announcement to the market. As part of the continual assessment of director independence, the Board reviews the directors' shareholding and standing notice registers at each Board meeting.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date were independent.

Recommendation 2.5 - Chair and CEO

Peter Macourt is Chair of the Board and is considered to be an independent non-executive director of Virtus. Sue Channon is the CEO. There is a clear line of responsibility between the Chair and the CEO.

Recommendation 2.6 - Induction of directors and professional development

New directors undertake an induction program coordinated by the CEO and Company Secretary on behalf of the Nomination and Remuneration Committee. The program includes strategy briefings with senior management and staff, inspection of key company sites, access to board reference documents, including minutes from previous meetings, explanations and copies of Company policies and procedures, governance frameworks, code of conduct and values, company history, director and executive profiles and other pertinent Company information such as Virtus' strategic plan, its financial position and any material risks. New directors are also provided with a copy of the Securities Trading Policy. Virtus has adopted a Board Induction program that is aimed at providing new directors the opportunity to build their knowledge of the group quickly and make an effective contribution to the work of the Board. Directors are given direct access to Management and the Company Secretary to assist with the understanding of the business. Virtus also supports appropriate training and briefings to ensure that directors can enhance their skills and remain abreast of important developments to enable them to discharge their director obligations as effectively as possible.

Principle 3: Act ethically and responsibly

Recommendation 3.1 – Code of Conduct and Whistleblower policy

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct to be followed by the Board along with all employees, officers, contractors,

consultants and other persons that act on behalf of Virtus and associates of Virtus. Virtus' Code of Conduct sets out the values, commitments, ethical standards and policies of Virtus and outlines the standards of conduct expected of Virtus' business and people in a range of circumstances. In particular, the code requires awareness of, and compliance with, Virtus' operating policies and procedures.

The key aspects of this code are to:

- act with honesty and integrity in all dealings both internally and externally;
- respect all people, their ideas and cultures and to reflect this respect in all behaviours and actions;
- maintain a safe working environment to safeguard the health and safety of employees, consultants, contractors, patients, suppliers and other persons who visit Virtus' workplaces;
- develop a culture of excellence and deliver quality of service that meets the expectations of patients, regulatory requirements and continuously improves; and
- develop Virtus' people to ensure that patients have access to the best possible care and outcomes.

The Code of Conduct sets out Virtus' policies on various matters including conflicts of interest, use of Virtus' property, giving or accepting gifts (including money), dealings with politicians and government officials, confidentiality, privacy, fair dealings (in relation to suppliers, competitors and clients), discrimination, bullying, harassment, vilification, health and safety, compliance with laws and regulations, responsibility to shareholders and the financial community, insider trading obligations and whistle-blower protections.

The code also sets out the consequences for a breach of the Code of Conduct, including the possibility of legal or disciplinary action. The Code of Conduct is available on Virtus' website.

Virtus also has a specific Code of Conduct which applies to fertility specialists contracted to provide services to Virtus clinics in Australia, Ireland, Denmark, United Kingdom and Singapore.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 – Audit Committee

The Board maintains an Audit Committee, the members of which are:-

| Director's Name | Executive Status | Independence Status |
|------------------------|-------------------------|----------------------------|
| Greg Couttas - Chair | Non-executive Director | Independent |
| Peter Macourt | Non- executive Chairman | Independent |
| Shane Solomon | Non-executive Director | Independent |

All of the Audit Committee members and the Chair are independent.

Details of the qualifications and experience of the members of the Committee is provided in the 'Information on directors' section of the Directors' report and on Virtus' website.

The role of the Audit Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including oversight of:

- the integrity of Virtus' external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of Virtus' external auditors;
- the performance of the external audit function and review of their audit;
- the effectiveness of Virtus' system of financial risk management and internal controls;
- Virtus' systems and procedures for compliance with applicable legal regulatory requirements; and
- the internal audit function and the internal audit plan.

A copy of the Audit Committee Charter is available on Virtus' website.

The number of Audit Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

Recommendation 4.2 – Declaration from CEO and CFO on Financial Statements

In relation to the financial statements for the financial year ended 30 June 2019 and the half-year ended 31 December 2018, Virtus' CEO and CFO provided the Board with declarations that state in their opinion:

a) With regard to the integrity of the financial report of Virtus Health Limited:

- The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001, Corporations Regulations, International Reporting Standards and other mandatory professional reporting requirements;
 - The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at balance date and performance of Virtus for the period ended on the balance date as required by Section 297 of the Corporations Act 2001;
- b) With regard to the financial records and systems of risk management and internal compliance and control of Virtus Health for the period ended on the balance date:
- the financial records of the Company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - the statements made in a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control;
 - the risk management and internal compliance and control systems of the Company relating to financial reporting objectives are operating effectively in all material respects; and
 - subsequent to balance date, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the Company.

The Board does and will continue to seek these assurances prior to approving the financial statements for all half year and full year results.

Recommendation 4.3 - External Auditor attendance at AGM

The engagement partner for the Company's external auditor attends the AGM and is available to answer questions from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - Continuous disclosure obligations

Virtus is committed to effective communication with its investors and the wider community. Virtus strives to ensure that all stakeholders, market participants, patients and the wider community are informed in a timely manner of its activities and performance in line with its Continuous Disclosure Policy and the *Corporations Act 2001* (Cth).

Virtus maintains a written Disclosure Policy that outlines the responsibilities relating to the directors, officers and employees in complying with Virtus' disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought from the Company's external legal counsel.

Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to Virtus such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and buybacks, and any other transaction flagged by the Chairman as being fundamentally significant.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

No member of Virtus shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

A copy of the Disclosure Policy is available on Virtus' website.

Principle 6: Respect the rights of security holders

Recommendation 6.1 – Information to investors

Virtus maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on Virtus' website.

Virtus' website contains a large amount of information for investors and this is primarily contained in the Investors section. The following information for investors is located under the Investors section:

- ASX Announcements;
- Reports and Presentations;
- Directors and senior management details;
- An Investor Calendar – detailing key investor events;
- Corporate Governance information – including Charters and Policies; and
- Share registry contact information.

The 'Home' section also contains general Information about Virtus and its activities and the 'News' section contains all Virtus media releases. Corporate contact information is also located on the website. The website also provides links to all Company operations which provide detailed information regarding the services provided to patients in Australia, Denmark, Ireland, United Kingdom and Singapore. There is also a section on Virtus' latest published scientific and clinical research.

Recommendations 6.2 and 6.3 – Investor relations and shareholder meetings

Virtus ensures shareholders are fully informed of its governance processes and are notified of any major developments affecting the Group. In order for investors to gain a greater understanding of Virtus' business, governance practices, financial performance and future prospects, Virtus has implemented an Investor Relations Program. Virtus schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media. Scheduled interactions take place following the announcements of half-year and full year results. Where presentations are given to shareholders at institutional investor events, Virtus discloses details of any presentations provided to the ASX at the time of the presentation.

Meetings and discussions with analysts must be approved by the CEO and are generally conducted by the CEO and/or the CFO. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information. These meetings are not held within blackout periods that commence at the half year period end dates, 31 December and 30 June, in advance of the release of interim or full-year results.

Virtus encourages shareholders to attend Virtus' AGM, usually held in November each year. Shareholders are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on Virtus website and lodged with the ASX. The next Annual General Meeting will be held on 20 November 2019.

In addition, a document or electronic request is enclosed with the notice of meeting to invite shareholders to submit questions of the Board, management or the auditors prior to the AGM so that they may be answered during the meeting.

Shareholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all shareholders are eligible to vote on all resolutions. Shareholders who cannot attend the AGM are encouraged to lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry electronically, by mail, hand delivery or by facsimile.

Transcripts of the Chairman and CEO's addresses to shareholders are also released to the ASX upon the commencement of the AGM. These transcripts, together with the results of the AGM are also posted on the Virtus website and the ASX.

Recommendation 6.4 - Electronic communication with shareholders:

Virtus engages its share registry Link Marketing Services Limited to manage the majority of communications with shareholders. Shareholders are provided with an option to receive communication from, and send communications to, Virtus and the share registry electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry.

Principle 7: Recognise and manage risk

Recommendations 7.1 and 7.2 – Risk Committee and risk management framework:

The Board has established a Risk Committee, the members of which are:

| Director's Name | Executive Status | Independence Status |
|------------------------|-------------------------|----------------------------|
| Shane Solomon - Chair | Non-executive Director | Independent |
| Sonia Petering | Non-executive Director | Independent |
| Greg Couttas | Non-executive Director | Independent |
| Sue Channon | Executive Director | Non-independent |

Kirsty Barber, Group Quality, Compliance and Risk Manager, and Lyndon Hale, Medical Director of Melbourne IVF, are also invitees of the Risk Committee. The majority of the Committee members and the Chair are independent.

Details of the qualifications and experience of the members of the Committee is provided in the 'Information on directors' section of the Directors' report.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

The Risk Committee operates pursuant to a charter, which is available on Virtus' website. The charter includes the committee's responsibilities which include procedures for general risk oversight and monitoring, risk management, risk transfer and insurance and other responsibilities.

The Risk Committee reviewed Virtus' risk management framework during the financial year and is satisfied that Virtus is operating within the risk parameters set by the Board. The Group maintains a Risk Register that documents all identified risks, lists appropriate preventative actions to mitigate risks, reviews process of reduction of risk and nominates people responsible to take ownership of key risks and the mitigation strategies.

Recommendation 7.3 - Internal Audit

Virtus has established a dedicated outsourced internal audit function whose role is to provide the Board and management with independent and objective assurance on the effectiveness of Virtus' governance, risk management and internal control processes. An external provider, working in conjunction with both the Audit and Risk Committees is responsible for the testing and maintenance of internal controls and procedures of Virtus. The external provider is appointed by the Board and reports to the Audit and Risk Committees who, in conjunction with executive management, determine the internal audit scope, the annual budget, monitor the performance of internal audit and approve recommendations for implementation. The internal audit function works closely with the CFO and is given unrestricted access to the books and records of Virtus. The function is operated independently of the external audit.

Recommendation 7.4 – Exposure to Economic, Environmental and Social Sustainability Risks

The management of Virtus and the execution of its growth strategies are subject to a number of risks, which could adversely affect Virtus' future development. The management and Board seek to mitigate exposures to Virtus and will continue to enhance response plans to address risks. The following is not an exhaustive list or explanation of all risks and uncertainties associated with Virtus (and its subsidiaries), but those considered by management to be the principal material risks which could impact the future financial performance of Virtus:

Material Economic business risks

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|--------------------|--|
| Fertility patients | <p>The Company needs to continually attract new patients in sufficient numbers, especially in markets where the Company already has a high degree of market penetration and where competition is increasing. In order to do this, the Company must maintain its capability and competence in delivering the highest levels of patient care, service and success rates.</p> <p>The Company's strategy also requires existing patients to continue to use Virtus services where they may not be initially successful. Maintenance of a high level of patient satisfaction and communication is a critical business activity and Virtus monitors its net promoter score in its fertility clinics on a quarterly basis.</p> <p>Virtus also recognises that patients are becoming more price sensitive particularly where they attend low cost clinics for their assisted reproductive services and accordingly revenue may be reduced where the price for Virtus services is not competitive for certain types of service.</p> |
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If Virtus fails to provide the highest level of patient care, group revenue may be reduced which could have an adverse effect on the financial results.

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| Government funding in Australia | <p>Qualifying patients receive partial reimbursement for Assisted Reproductive Services (“ARS”) in Australia through government programs including the Medicare Benefit Schedule (“MBS”) and the Extended Medicare Safety Net (“EMSN”). MBS benefits in relation to ARS have been frozen until 2020. The Australian Federal Health department has commenced a review of all ARS items listed on the Medicare schedule and the review is ongoing. If the outcome of the review is unfavourable for patients and out of pocket payments increase, the utilisation of ARS in Australia could reduce and this could have an adverse effect on the financial results. The review of ARS items on the Medicare Schedule was published in February 2019 and at the date of this statement, no changes have been made to the ARS item numbers on the schedule.</p> |
| National government and state legislation | <p>ARS activities are subject to extensive legislation and regulatory guidelines in each of the countries in which Virtus operates. The nature of the legislation is constantly changing and common areas of focus in Europe and Australia are on the regulations relating to the use and anonymity of donor gametes, sex selection, surrogacy and the use of genetic screening of embryos.</p> <p>Material changes in legislation may lead to changes in clinical practice and depending on the nature of the legislation change, favourable or adverse impacts on revenue. Virtus management and Medical Directors maintain close relationships with legislative bodies to ensure that clinics comply with new legislation.</p> |
| Technology | <p>Developments in the application of technology in ARS are a key feature of a successful business and Virtus participates in the adoption of new technologies and systems. Virtus is investing heavily in new IT capability, software, medical and diagnostic equipment and infrastructure. Virtus will also pursue improvements in internal processes through automation particularly in its diagnostic testing and embryology activities. If Virtus does not commit to technology improvement and adoption its clinical capabilities may not be maintained and the group could lose its competitive position leading to a reduction in the number of services provided which could have an adverse effect on the financial results.</p> |
| Research and development | <p>Virtus actively encourages a culture of innovation, internal research, continual improvement and adoption of new ideas and processes. Virtus scientists and clinical specialists carefully monitor and review new clinical and scientific techniques and give serious consideration to potential improvements in patient success rates, safety and welfare.</p> <p>Although improvements in success rates are incremental any failure to maintain improvements in success rates and clinical service could result in lower patient recruitment, which could lead to the loss of revenue.</p> <p>Following initiation of a development project in FY2018, Virtus, in conjunction with an Australian technology partner developed an artificial intelligence software programme named “Ivy” designed to improve the probability of successful embryo selection. In April 2019, Virtus and its partner signed collaboration and research agreements with a manufacturer of time lapse embryo incubation systems to further develop Ivy’s capabilities. Ivy also received Therapeutic Goods Association approval as a Class 1 medical device in May 2019, and it is now used by Virtus embryologists to support their embryo selection decision in clinics where the time lapse incubators are deployed. A randomised clinical trial commencing in FY2020 will also form part of the collaboration with our technology partners.</p> |
| Brand reputation | <p>Maintaining and enhancing the Virtus brand and the brands of our key operations is critical to the Company’s strategies going forward. If the Company fails to meet patient (and supplier) expectations, negative publicity and complaints on social media platforms could damage the brand and ultimately reduce patients’ willingness to seek services from the Company. If the Company fails to maintain the brand or if excessive expenses are incurred in this effort, the Company’s business, results of operations, financial condition and financial results may be materially and adversely affected.</p> <p>As with all brands, the Company is exposed to risk from unauthorised use of its brands and other intellectual property. Any infringement could lead to a loss in profits and have a negative impact on image and continued success.</p> |

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| Cash and other financial risk | The management of cash is of fundamental importance. Cash generation is required for re-investment in facilities, business expansion through organic growth and acquisition and the payment of dividends to shareholders. Excess cash will be used to reduce bank borrowings where there are no significant acquisition opportunities. The Company is also exposed to financial risks such as foreign currency and interest rate risks. Refer to the 'Financial Instrument' note to the financial statements for further information on these risks and how they are managed. |
| Loss of key personnel | The Company's senior executive team is instrumental in implementing the Company's strategies and executing business plans which support the business operations and growth. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including short and long term incentive schemes) and succession planning within the team. |
| Availability of fertility specialists | <p>Virtus relies on maintaining its relationship with existing fertility specialists and recruitment of new fertility specialists. The inability to maintain sufficient fertility specialists could result in a loss of cycle volume and a reduction in revenue and earnings. During the last financial year, the total number of fertility specialists increased by 1 to 127.</p> <p>In Australia, there was one retirement during the year and one contract termination. In international locations, there is a higher level of mobility between competitor clinics and Virtus seeks to maintain the supply of clinicians by a number of methods including equity incentives, access to the annual Virtus international clinical conference and electronic access to Virtus peer group meetings in other countries.</p> |
| Cyber security risk | Virtus takes cyber security and its potential consequences extremely seriously. Virtus relies on software integration, interfaces and communication platforms to manage its businesses in an efficient manner and has comprehensive security arrangements in place to prevent attempted attacks. The application of automation and deeper integration is a key objective and accordingly the management of cyber security risk and continual improvement in system security is a significant continuing priority for management. A serious breach of privacy caused by a cyber-attack could result in loss of patient data, damage to brand reputation, financial loss and permanent loss of revenue. Levels of redundancy and backup are built into IT systems to provide system availability and protection of data. During the year, Virtus requested the internal auditors to conduct a penetration test and review of the Australian and European IT infrastructure and where potential issues and risks have been identified, management is undertaking a programme of improvements to reduce risk of a data breach. |

Material Environmental and Social Sustainability risks

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| Employee engagement, diversity and inclusion | <p>The Company is committed to an active equal opportunities policy. It is the Company's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Company.</p> <p>Virtus has a Diversity and Inclusion Policy, Racial and Religious Tolerance Policy and a separate Bullying and Harassment Policy to reinforce its equal opportunities objectives.</p> |
| Employee welfare, health and safety | <p>Virtus employees work in environments which are designed to meet the aspirations of patients and employees; workplaces are designed to make patients and staff feel welcome and comfortable. Virtus recognises that flexibility is important to patients and the staff who deliver the services to patients and where operational requirements allow, Virtus adopts a flexible approach to staff working conditions.</p> <p>Virtus encourages employees to apply for career development opportunities by advertising internal job opportunities, whether in their existing workplace or another Virtus location; successful application to a new position is subject to meeting the qualifications and experience required by the role.</p> |

Virtus provides all employees with access to a confidential counseling service, administered by a third party and this allows individuals an opportunity to discuss any personal or work related issue with complete confidentiality.

As Virtus is a highly decentralised organisation with over forty separate locations, the effectiveness of local management teams is an important factor in internal communications. Virtus and senior executives are encouraged to provide appropriate access to employees to discuss local employee welfare and health and safety matters. Virtus utilises a user friendly intranet and an electronic induction system in Australia which delivers online training to all employees. Virtus employees may also access a full suite of Workplace Health and Safety procedures which are made available on the intranet. Virtus is progressively upgrading the intranet capability for its international locations with the objective of improving the ability to harmonise information available for all global employees.

The Board monitors workplace safety using software which records all health and safety related incidents. The Board reviews a monthly report of incidents for all group operations. The incident report is also considered by the Risk Committee and it is provided to the group's external insurance and risk advisers. The Board in conjunction with executive management uses the incident report to continuously assess workplace health and safety issues and where appropriate, takes action to introduce operational improvements to minimise risk where reasonably possible.

Virtus has appointed a Group Quality, Compliance and Risk Manager with the objective of improving consistency and coordination of workplace health and safety compliance reporting in its Australian activities. Virtus international clinics are also adopting the reporting methodology and software reporting systems to record health and safety incidents.

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| Opportunities for all employees | Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees. |
| Climate change | Virtus Board has conducted a preliminary review of the potential impact of climate change on its business activities. Published research into the impact of climate change on human fertility is currently limited, with most research activity limited to the impact of climate change on other species, such as insects and small mammals. The Board will monitor developments in this area as the scientific research develops. |
| Waste and hazardous materials management | <p>Although no material environmental or social sustainability risks have been identified, and the environmental impact of Virtus activities is minimal, the management of environmental risks is a key responsibility. Virtus adopts the approach of a responsible corporate citizen with regard to the management of waste and hazardous materials:</p> <ul style="list-style-type: none"> • The disposal of healthcare waste and consumables is undertaken by qualified third party contractors to ensure compliance with territory legislation. Virtus has a Waste Management Policy and Procedure; • The disposal of packaging, office paper, computers and obsolete IT equipment is managed to ensure compliance with territory legislation; • Virtus continues to minimise the use of paper by introducing electronic patient records wherever local legislation and operational process allows, reductions in marketing collateral and the elimination of hard copy board and committee papers. Employees are encouraged to minimise the excessive use of paper and recycling activities are undertaken where possible. The Board, Advisory Committee and Senior Executive Committee all use an electronic meeting paper system; and • Progressive elimination of fax communication. |
| Energy Management | Virtus is not a significant consumer of electricity, water or gas and accordingly, the opportunities for material reductions in power consumption are limited. Virtus maintains a small fleet of courier vehicles in Australia and all vehicles have the capability to use E10 petrol. |
| Service quality and patient welfare | Virtus monitors patient safety using software which records all incidents reported by patients and staff working with patients. The Board reviews a monthly report of incidents for all group operations. |

The incident report is also considered by the Risk Committee and bordereaux and escalation reporting is provided to the group's external insurance and risk advisers. The Board in conjunction with executive management encourages a culture of incident reporting and uses the incident reports to continuously assess patient safety issues and where appropriate, takes action to introduce operational improvements to minimise risk where reasonably possible.

Virtus fertility specialists are responsible for patient care and clinical sovereignty rests with the specialists who operate in each facility. Virtus fertility specialist representatives, normally the Medical Director of an individual state, are also required to meet with independent territory ethics committees (where applicable) to consider patient quality, safety, research projects and ethical issues. Clinical, risk and safety policies are subject to a continuous review process in each territory and such matters are managed by the territory Medical Director in conjunction with the appropriate territory Managing Director, quality compliance and risk managers and other territory senior managers.

Virtus Medical Directors monitor success rates in each country or territory on a continual basis and the group monitors comparative clinic performance on an annual basis. Virtus also holds an annual International Clinical Day at which success rate performance across all Virtus clinics is considered. This process of peer group review is instrumental in Virtus implementing continual improvement and facilitates greater cooperation and collaboration across all Virtus international activities.

Disclosure of success rate data to patients is governed by specific country regulatory and legislative provisions and Virtus complies with local disclosure requirements in its marketing materials. However, it should be noted that the disclosure of average success rate information is not necessarily a meaningful representation of success rate expectation for individual patients due to a range of medical factors.

Virtus also performs continuous patient satisfaction reviews in its ARS units and also monitors patient satisfaction levels using daily surveys for day hospital patients. Virtus Board and management reviews a quarterly net promoter score for all major ARS clinic locations.

All Virtus facilities meet the appropriate standards for accreditation which vary dependent on the territory in which they operate. The main accreditations with which Virtus complies are as follows:

- Australian ARS facilities comply with the full certification requirements of Reproductive Technology Accreditation Committee ("RTAC") and ISO9001. The facilities also comply with federal and state legislation requirements;
- Singapore ARS facilities comply with the international RTAC guidelines and the legislation requirements of Singapore Ministry of Health;
- Ireland ARS facilities comply with the full certification requirements of ISO9001, and full authorisation of IMB Tissue Establishment Inspection requirements. The facilities also comply with Ireland Health Board and European legislative requirements;
- Denmark ARS facilities comply with a range of Danish Health and European legislative requirements;
- United Kingdom ARS facilities comply with The Human Fertilisation and Embryology Authority Code of Practice which helps licensed clinics to comply with the legal requirements set out in the Human Fertilisation and Embryology Act;
- Virtus Australian Andrology and Endocrinology laboratories comply with the National Accreditation of Testing Authorities accreditation to ISO 15189; and
- Virtus Day Hospitals in Australia comply with the requirements of National Safety and Quality Health Service Standards. The facilities also comply with state department of health day hospital licencing requirements.

Where any non-conformances have been identified by an auditing body these have been rectified in line with the auditing bodies recommendations and time lines.

Virtus has also installed new technology to enhance the normal gamete and embryo witnessing processes currently followed by all Virtus clinics. This technology, which tracks and records gametes at each step of the ARS process via radio frequency identification tags provides an extra safeguard and reassurance for laboratory teams and Virtus patients. The installation of this technology is part of a continual process improvement program.

**Selling practices
and consent**

Virtus clinics recognise that the provision of health care services to patients involves a material financial commitment which requires appropriate presentation of the nature of the services to be provided and the potential opportunity for success of those services. By their nature, ARS success rates for individual patients vary significantly and are personal to the individual or couple involved.

Virtus fertility specialists endeavour to provide patients with as much information regarding their treatment and chance of success. As part of the contractual and management process, patients are required to sign a financial consent after consultation with a qualified fertility specialist that they understand the financial commitment of the services being proposed.

Patient access and affordability

Virtus recognises that the cost of treatment and certain diagnostic screening tests is material. Virtus also recognises that affordability is a potential restriction to patients accessing fertility treatment and has developed a range of fertility and clinical services which attempt, within the parameters of providing an appropriate level of patient service, to meet the financial resource capacity of patients. Virtus provides services from basic insemination treatment to full service IVF with complex genetic screening, although fertility specialists need to balance the clinical needs of a patient with their capacity to afford any particular course of treatment. The ultimate decision to proceed with any course of treatment is agreed by the fertility specialist and the patient.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - Remuneration Committee

The Board has established a combined Nomination and Remuneration Committee, which operates under a formal charter. The members of the Committee are detailed in Recommendation 2.1 above.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information of directors' section of the Directors' report.

The Nomination and Remuneration Committee assists and advises the Board with discharging its responsibilities to shareholders with regard to developing and monitoring remuneration policies and practices for the Board, the CEO, the CFO, senior executives and other key management personnel whose activities, individually or collectively, affect the financial soundness of Virtus. When considered necessary, the Committee may obtain external advice from independent consultants in determining Virtus' remuneration practices including remuneration levels.

The role and responsibilities of the Nomination and Remuneration Committee are set out in the Charter. A copy of the Nomination and Remuneration Committee Charter can be found on Virtus' website.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

Recommendation 8.2 – Remuneration of executive and non-executive directors and senior executives

Non-executive directors are remunerated by way of cash salary and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors as it could be perceived to impair their independence in decision making.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration designed to attract and retain Management and fairly reward senior management for positive performance. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives. Share options and performance rights are aligned to longer term performance hurdles.

Further details in relation to Virtus' remuneration policies are contained in the Remuneration Report, within the Directors' Report.

Recommendation 8.3 - Equity based remuneration

The CEO, CFO and other key management personnel have long term incentives that are equity based and linked to hurdles that are aligned to the entity's longer term performance objectives. The participants have no mechanisms to limit the risk associated with that scheme.

The use of financial products, such as derivatives, options or warrants, or other hedging arrangements for securities obtained under an equity-based remuneration scheme or otherwise is prohibited for Designated Persons under Virtus' Securities Trading Policy. Designated Persons include directors, officers and other Key Management Personnel and National Advisory Committee members (Australia), including state based and international based managing directors, and any other person designated by the Company Secretary from time to time.

Virtus Health Limited
Corporate Governance Statement
30 June 2019

The Securities Trading Policy is available on Virtus' website.

This Corporate Governance Statement was approved by a resolution of the Board on 20 August 2019.