

Corporate Governance Statement

as at 27 August 2019



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This Corporate Governance Statement describes Healius' corporate governance framework, policies and practices. This Statement has been approved by the Board and is current as at 27 August 2019.

As part of an ongoing commitment to security holders, Healius' Board of Directors is dedicated to creating and maintaining high standards of corporate governance. This is a key component of consistently delivering shareholder value. As a result, Healius' Board works within an accountable system that includes corporate governance policies and practices and risk management processes. These are designed to promote and strengthen Healius' responsible management and corporate code of conduct.

This Corporate Governance Statement outlines the main features of our governance framework reporting against the ASX Corporate Governance Principles and Recommendations (3rd edition) (ASXCGC Recommendations) as published by the ASX Corporate Governance Council (Council). This Corporate Governance Statement summarises Healius' compliance with the ASXCGC Recommendations. Where Healius' Board considers that a Council recommendation is not appropriate to its particular circumstances, this Corporate Governance Statement explains why the Board has not adopted the recommendation.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Board responsibilities and delegation of authority

BOARD FUNCTIONS

Healius' Board Charter can be viewed on Healius' website. It outlines our Board and management's roles and responsibilities.

The Board is responsible for the following:

- Representing and serving the interests of security holders by overseeing and appraising Healius' strategies, policies and performance.
- Overseeing the financial and human resources systems that meet Healius' business objectives and reviewing management's performance.
- Protecting and optimising Healius' performance and building sustainable value for security holders.
- Monitoring and reviewing the effectiveness of Healius' occupational health, safety and environment practices.
- Ensuring that security holders are kept informed of any major developments that affect Healius' performance and state of affairs.

From time to time, the Board may establish Board Committees which have delegated authority to act under Healius' Constitution and the Board Charter. Each Board Committee functions under its own Charter.

During and after FY 2019, the following Board Committees were in place:

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

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

The Board holds at least ten formal Board meetings each year and will also meet whenever necessary to carry out its responsibilities. During these meetings, Directors do the following:

- Request any relevant information.
- Raise and discuss and concerning issues.
- Vote on resolutions based on their own judgment.

Directors are required to maintain confidentiality, with the exception of decisions which require public disclosure.

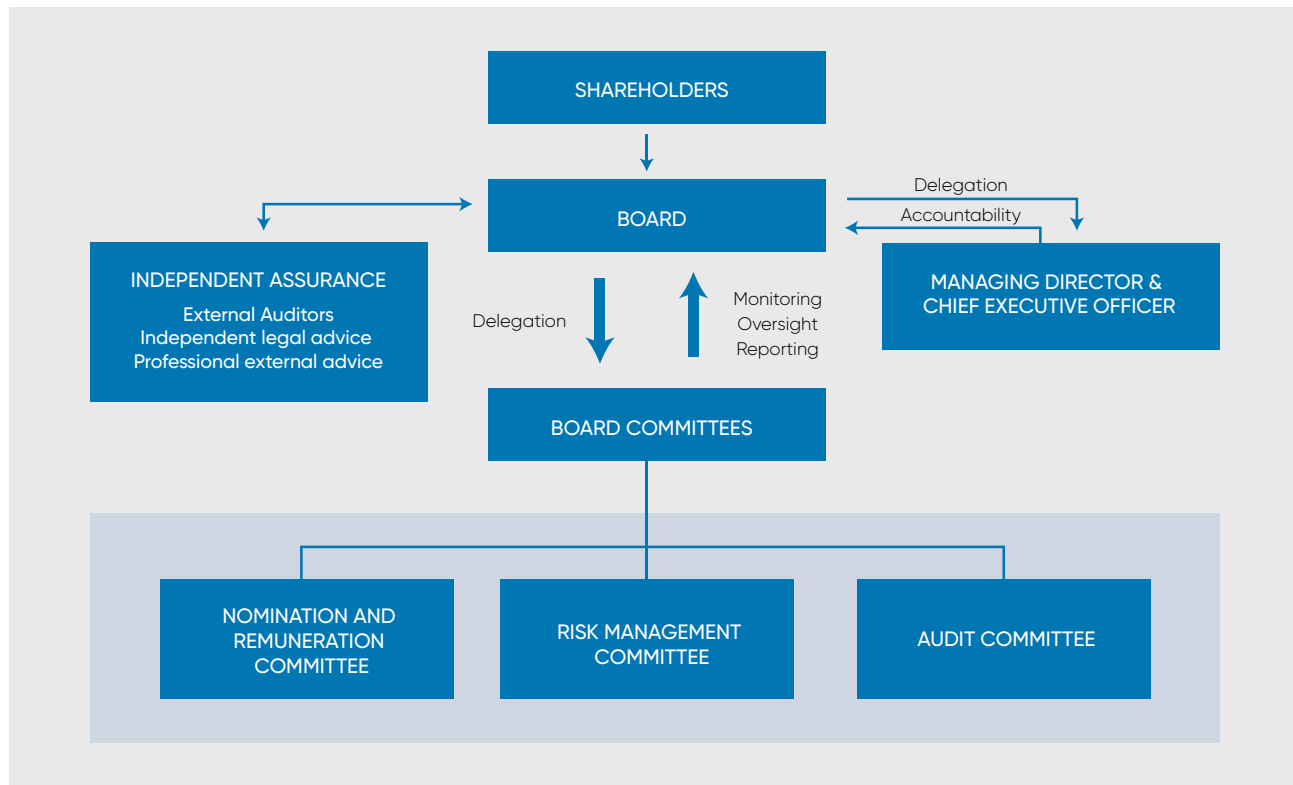
Copies of Healius' Board and Committee Charters are available at www.healius.com.au/about-us/corporate-governance/.

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HEALIUS' GOVERNANCE FRAMEWORK

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



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

- Approving Healius' strategic direction.
- Overseeing and approving major capital expenditure, capital management, acquisitions and divestments, to ensure the integrity of financial reporting.
- Monitoring corporate performance.
- Determining capital structure and dividends.
- Selecting, appointing and evaluating the performance of the CEO and determining the remuneration and succession planning associated with that position.
- Reviewing the procedures for appointing, selecting and monitoring Senior Executives' performance as well as succession planning associated with these roles.
- Reviewing and approving Senior Executives' development and performance objectives.
- Monitoring Healius' Work Health and Safety (WHS) issues and reviewing WHS reports and information.
- Approving Healius' major business initiatives.
- Providing advice and guidance to Senior Executives.
- Approving the delegation of powers to Board Committees, the CEO and Senior Executives.
- Approving, overseeing and monitoring Healius' governance model.

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (CEO)

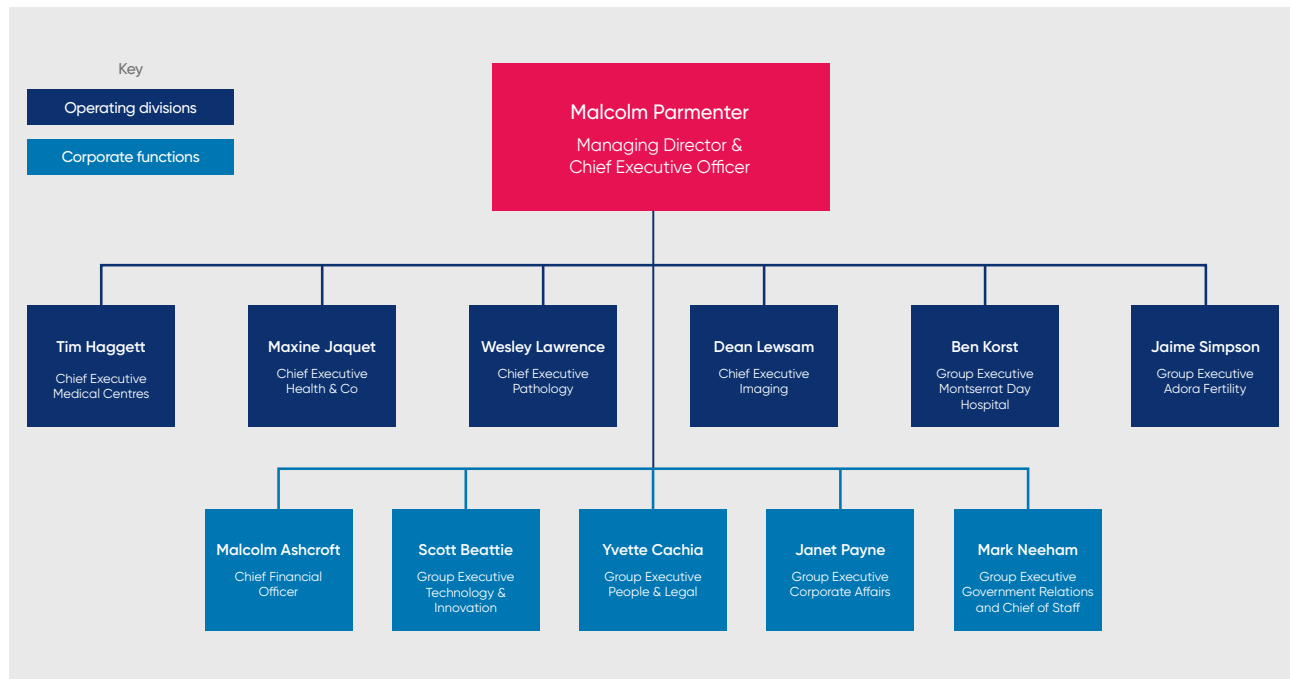
Healius' CEO is Dr Malcolm Parmenter. Malcolm is responsible for:

- Developing Healius' strategic development initiatives.
- Leading the Executive Management team.
- Managing Healius' business divisions.

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The following Senior Executives report directly to Malcolm Parmenter:



Recommendation 1.2: Provision of Director information to security holders

Healius follows all Council recommendations relating to information provided for security holders. This is information that's relevant to deciding whether or not to elect or re-elect a particular candidate as Director.

Healius has adopted a protocol for conducting criminal and insolvency background checks on candidates for the office of Director.

These checks were conducted in relation to Healius' two most recent Director appointments.

Recommendation 1.3: Agreements with Directors and Senior Executives

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

All Directors have received a formal letter of appointment, and are fully aware of the terms of their appointment including their roles and responsibilities. Healius' current appointment process for Non-executive Directors includes the provision of a letter of appointment setting out Healius' expectations. The Board considers that the appointment arrangements for Directors, when viewed in totality, adequately protect the interests of Healius and its shareholders.

Recommendation 1.4: Group Company Secretary

Healius' Group Company Secretary is responsible for advising the Board and its Committees on governance matters (covering all matters relating to the proper functioning of the Board and its Committees), monitoring the Board and Committee policies and procedures, and ensuring the efficient administration of Board meetings. The Group Company Secretary is directly accountable to the Board in that the role reports to the Chair. The Board Charter stipulates that the Group Company Secretary attends Board and Committee meetings as minute secretary.

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Recommendation 1.5: Diversity at Healius

Healius has a diverse and inclusive workforce that consists of people from a wide range of backgrounds, skills, experience and perspectives. Together they contribute to our success. Healius' employment-related policies acknowledge our diverse workplace which includes gender, ethnicity, religion, culture, language, sexual orientation, disability and age. Healius' Diversity Policy provides that the Board sets objectives for identifying ways to foster gender diversity. As part of Healius' Diversity Policy, the Board's Nomination and Remuneration Committee is responsible for making Board recommendations in relation to:

- Initiatives that support and encourage diversity throughout Healius.
- Objectives that address gender diversity, particularly at Board level. This includes selection, performance evaluation and succession planning processes.
- The annual assessment of the effectiveness of the objectives relating to diversity.

Healius' Group Executive People & Legal is responsible for:

- Researching gender diversity barriers for women in Healius' workplace and developing and implementing policies which address those barriers.
- Leading Healius' People functions in best practice initiatives regarding gender diversity. This includes professional education on improved recruitment processes and education initiatives.
- Assessing and developing the effectiveness of gender diversity initiatives to ensure the appropriate support of females who have been identified as having management and leadership potential.
- Reporting on gender diversity initiatives to the CEO, Senior Executives, and the Nomination and Remuneration Committee.
- Developing, reviewing and maintaining people policies and procedures according to the Diversity Policy and in keeping with the measurable objectives for achieving diversity, particularly gender diversity at senior levels.
- Preparing and reporting to the Workplace Gender Equality Agency (WGEA).

When identifying candidates for vacancies on Healius' Board of Directors, the Nomination and Remuneration Committee ensures that internal and external assessments of potential candidates includes a search for suitably qualified and experienced women.

In order to promote equality and gender diversity when appointing Board members, at least one woman forms part of the interview and selection panel.

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

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

As for FY 2018, Healius provided separate workplace profiles and reports to WGEA. As at 30 June 2019, the proportion of women employed by Healius' reporting entities was as follows:

BUSINESS DIVISION	MANAGER OCCUPATIONAL CATEGORIES				TOTAL ALL MANAGERS %
	KEY MANAGEMENT PERSONNEL	OTHER EXECUTIVE/ GENERAL MANAGERS %	SENIOR MANAGERS %	OTHER MANAGERS %	
Corporate (including IT)	50	43	34	49	39
Medical Centres	43	25	62	90	85
Imaging	43	20	57	58	54
Pathology	-	-	34	60	48

- **Key Management Personnel**, for the purposes of WGEA reporting on separate business entities, are those who sit on the divisional or functional executive leadership team as direct reports of the divisional CEO or functional Group Executive.
- **Other Executive/General Managers** are those general managers largely tasked with managing state operations, smaller businesses or a direct report of a functional Group Executive.
- **Senior Managers** are charged with one or more defined function, department or outcome. They are more likely to be involved in a balance of strategic and operational aspects of management. Some decision-making at this level would require approval from either of the two management levels above. They are also responsible for resourcing a budget and assets (capital expenditure).
- **Other Managers** are those who plan, organise, direct, control and coordinate an operational function. They usually oversee day-to-day operations, working within and enforcing defined Company parameters. These individuals implement, determine, monitor and review strategies, policies and plans to meet business needs relating to their own function/work area. An "Other Manager" is accountable for a defined business outcome which generally involves the management of resources that also includes time management, coordination of different functions of people, financial resources and other assets. Line managers are also included in this category.

Healius' workforce remains characterised by a high rate of female participation at all levels of the Company's operations. Each year, Healius participates in the WGEA public reporting program. Those reports indicate that Healius comprises a diverse range of employees and contractors and is represented by a high number of women across the Medical Centres, Pathology, Imaging and functional business divisions. Women comprise 78% of Healius' full-time, part-time and casual employees.

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Healius Group Workplace Gender Profile as at 30 June 2019

OCCUPATIONAL CATEGORY	FULL TIME EMPLOYEES: % WOMEN	PART TIME EMPLOYEES: % WOMEN	CASUAL EMPLOYEES: % WOMEN	ALL EMPLOYEES: % WOMEN
Directors	29	–	–	29
CEO	–	–	–	–
Other KMP	47	–	–	44
Other Executives/General Managers	17	–	–	17
Senior Managers	43	33	–	42
Other Managers	73	88	100	75
Clerical and Admin	89	95	93	92
Community & Personal Service	83	92	88	89
Labourers	–	–	–	–
Machinery operators & drivers	30	42	26	35
Professionals	58	77	65	65
Technology & trade	68	87	100	75
Sales	59	86	100	63
Other	–	–	–	–
Graduates	–	–	–	–
All occupational categories	68	86	81	78

A copy of Healius' Diversity Policy is available on Healius' website. The Policy requires Boards of ASX listed entities to approve, monitor and report on diversity at all levels, including Board level particularly in relation to gender diversity.

GENDER DIVERSITY INITIATIVES FOR FY 2019

During FY 2018 Healius developed a new purpose, mission and values (PMV) framework. This framework was underpinned by Healius' strategic plans, focus groups, culture and engagement survey data. Healius' PMV is being used to inform Healius' gender diversity initiatives.

Healius know that the requirements for effective cultural change include:

- Anchoring initiatives in the business.
- Aligning and engaging leaders.
- Using tangible and intangible levers – that is, what is rewarded must be consistent with desired culture.
- Working with systemic beliefs, values, mind sets and behaviours that work against desired culture.
- Compelling and energising with communications – developing a compelling story that links strategy, performance imperatives and culture.
- Tracking the impact of the values and behaviours journey.

Apart from the ongoing initiatives outlined above, Healius' diversity initiatives for FY 2019 continued to focus on connecting women in the workplace.

FY 2019 saw the ongoing development and implementation of several key initiatives in the further support of gender diversity at Healius, including:

- Strengthening internal recruitment functions, particularly in corporate services with a greater focus on ensuring gender equity in short-lists for advertised positions.
- The ongoing development of sponsored coaching and mentoring opportunities for junior and senior female managers.
- Use of MyPulse; Healius' performance management framework aimed at improving the conversations around development and performance. This is when the "how" we work is as important as the "what" we're working on.
- The broadening of our Employee Assistance Program to include direct access counselling opportunities for all employees undergoing issues which may form barriers to effective workplace participation and wellness.
- Wellness-related programs targeted for female participation such as corporate sports and yoga.
- Strategic engagement plans targeting female-dominant workforce groups to create a rewarding employee experience, including collectors, practice managers and sonographers.

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The following table shows some of the gender diversity initiatives for FY 2019.

STRATEGIC ACTION	OUTCOME	OBJECTIVE	STATUS
Promise of Leadership Program	Development opportunities to increase leadership potential and effectiveness for emerging female leaders.	<p>The Program is designed to:</p> <ul style="list-style-type: none"> • Provide opportunities for increased self-awareness of behaviours strongly correlated with effective leadership. • Provide a practical roadmap for reaching the next level of leadership effectiveness. • Develop a talent pipeline for Healius' long-term leadership agenda. 	<p>The Promise of Leadership Program provides a practical framework for professional growth, aiming to increase leadership effectiveness by offering leaders a quick and accurate snapshot of their current approach to leadership as well as an assessment of their effectiveness. The program helps participants build on their creative leadership competencies. These are important skills to have, as they've been shown to improve leadership abilities, bring out the best in others and significantly increase business performance.</p> <p>Three cohorts have been run in Sydney with internal networks established.</p> <p>Healius plan to roll this program out nationally over FY 2020.</p>
Employee personae focus groups to improve role experience and engagement	Implementation of tailored strategies to improve development, engagement and workplace experience of female-centric workplace cohorts.	<p>Each of Healius' divisional and functions will utilize design-thinking, personae and journey maps to segment female-oriented roles and create tailored employee personae to help manage the size and diversity of employee populations, especially females who comprise the majority of Healius' workforce.</p> <p>A development and engagement strategy was created for each of the following roles during FY 2019:</p> <ul style="list-style-type: none"> • Support functions – administrative staff • Medical Centres – receptionists • Pathology – blood collectors • Imaging – sonographers. 	<p>Pathology</p> <p>A national collector framework, created in FY 2018, has been rolled across the country to create a consistent and contemporary attraction, selection, on boarding, learning and ongoing assessment framework for collectors, the majority of whom are female.</p> <p>Imaging</p> <p>Healius' sonographer recruitment and retention strategy (developed in partnership with the Australian Sonographers Association) to provide training, mentoring, and networking opportunities to develop a succession pipeline was expanded to radiographers in FY 2019.</p> <p>Medical Centres</p> <p>Following Healius' successful leadership program targeting high-potential practice managers in FY 2018, we have further developed the competency and development framework for practice manager roles in FY 2019.</p>
Further development of gender diversity policies	<p>A number of new diversity policies to be developed and rolled out:</p> <ul style="list-style-type: none"> • Retention policy. • Promotions Policy. • KPIs relating to gender equality (where relevant). 	<p>Healius is continuing to develop gender diversity policies to complement existing policies to ensure gender diversity issues are appropriately addressed throughout the employee lifecycle.</p>	<p>Healius is currently continuing our audit and refresh of all policies across the Healius Group begun in FY 2018.</p> <p>FY 2019 saw continued involvement of key female senior leaders in a number of critically important projects across the Group.</p>

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Plans for FY 2020:

STRATEGIC ACTION	OUTCOME	OBJECTIVE	PLANS
Promise of Leadership Program	Development opportunities to increase leadership potential and effectiveness.	See above.	Continue the roll out of this program nationally in cross-functional cohorts during FY 2020.
Employee personae focus groups to improve role experiences and engagement	Further expansion of programs in FY 2020.	See above.	Continuation and building on objectives from FY 2019.
Creation of several new diversity programs	Diversity Strategy FY 2019 – FY 2021. Disability Action Plan. Reconciliation Action Plan.	To broaden the range of programs designed to meet the needs of Healius' diverse workforce and to refresh our diversity programs in line with Healius' new purpose, mission and values.	Continue to develop a new Gender Diversity Plan in consultation with business, management and Board. Continue design and implementation of a Disability Action Plan. Continue to develop a Group Reconciliation Action Plan in consultation with stakeholder groups and local communities.

Recommendation 1.6: Board performance

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

The Board is responsible for undertaking an annual performance evaluation of its members in light of Healius' Board Charter. The most recent review took place in FY 2019, with the Board electing to use an external consultant to facilitate the performance evaluation. The outcomes of this review were shared among the Chair, the Directors and Senior Executives.

Recommendation 1.7: Senior Executive performance

The performance of Senior Executives at Healius is assessed as part of the Healius Executive Incentive Program (PEIP).

The operation of the PEIP is explained in Healius' Remuneration Report for FY 2019, which is part of Healius' 2019 Annual Report. Senior Executive performance in FY 2019 was evaluated under the PEIP.

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

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Principle 2: Structure the Board to add value

Recommendation 2.1: Nomination and Remuneration Committee

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

- Evaluation of the performance of the Board, its Committees, and Directors.
- The appointment, re-election, and succession of Directors.
- Remuneration, recruitment, retention and termination policies and procedures for Senior Executives as well as superannuation arrangements.

During and after FY 2019, the Nomination and Remuneration Committee comprised at least three independent Non-executive Directors:

- Arlene Tansey (Chair) (appointed Chair 17 July 2018).
- Sally Evans (appointed 21 August 2018).
- Robert Hubbard (appointed 24 July 2018).
- Errol Katz.
- Robert Ferguson (resigned as Chair 17 July 2018; retired 24 July 2018).

This committee composition meets the Council's criteria in terms of the Committee Chair's independence, number of members and independence of members.

The number of meetings attended by each member of the Nomination and Remuneration Committee is set out on page 39 of Healius' 2019 Annual Report.

A copy of Healius' Nomination and Remuneration Committee Charter is available at www.healius.com.au/about-us/corporate-governance/.

BOARD SELECTION AND MEMBERSHIP

As part of its role in relation to the nomination of Directors, the Board devises criteria for Board membership. The criteria for the selection of suitable candidates are the candidate's capacity to contribute to Healius' development regarding the business, the candidate's experience, and the attributes of existing Board members.

Where a vacancy exists on the Board, or where it is considered that the Board would benefit from a new Director with particular skills, suitable candidates are proposed for consideration. Where appropriate, the services of external consultants are also engaged.

BOARD RENEWAL

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

The Board makes recommendations in respect of the election or re-election of each Director based on tenure, skills and experience of the Director in relation to Board composition. The Nomination and Remuneration Committee ensures that appropriate background checks take place for the appointment of a new Director. The details of those Directors who stand for re-election will be provided in the Notice of Meeting which is sent to security holders prior to the AGM.

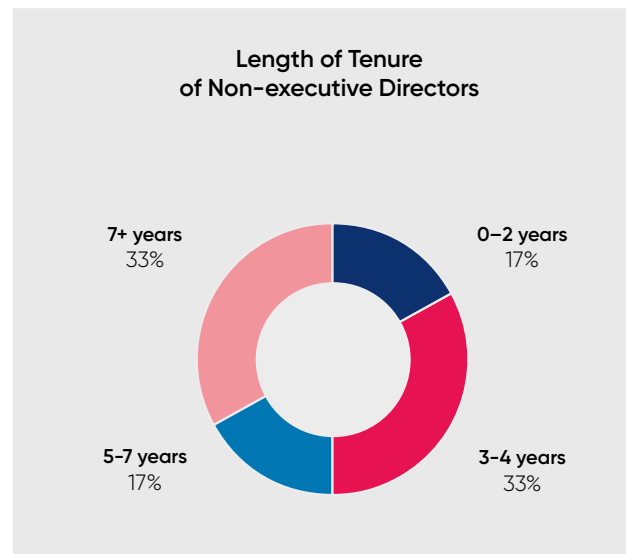
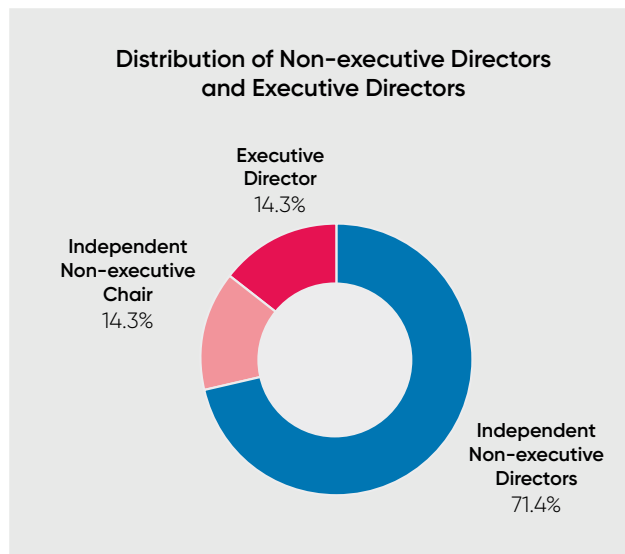
Additionally, each Director standing for re-election makes a short presentation to security holders at the meeting itself.

Recommendation 2.2: Board skills matrix

The Board considers that its membership should consist of Directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds. The names, skills, experience, expertise, and appointment dates of Healius' current Directors are set out on pages 34 to 35 of Healius' 2019 Annual Report. The length of tenure, and distribution of Non-executive Directors and Executive Directors are listed in the following charts.

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

The most update to the Healius' Board Skills Matrix occurred as part of the Board Performance Assessment carried out in FY 2018. The information allowed the Committee greater visibility of the key issues relating to the Directors' experience, knowledge and skills. This process has assisted, and will continue to assist, Healius in meeting high standards of corporate governance.

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

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

The 17 criteria listed above were evaluated for each Board member by the other Board members. Self-evaluation was also part of this process.

The evaluation was conducted on a four point scale for each criterion:

0 (absent or not observed); 1 (basic); 2 (sound); or 3 (advanced).

This resulted in an average score between 0 and 3 for each criterion for each Director. The mean score for each criterion across all Directors was obtained (again a value between 0 and 3). This value was converted to a percentage for mapping onto the matrix.

The resulting Board Skills Matrix is as follows:

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COMPOSITION, OPERATION AND REPORTING OF COMMITTEES

The composition of Board Committees is also reviewed annually. Members are selected on the basis of their skills and experience, as well as requirements related to independence. Each Board Committee is chaired by an independent Non-executive Director.

Committees meet at least bi-annually and more often as required. Senior Executives and other senior managers may attend Committee meetings by invitation, provided there is no conflict of interest. All Directors have access to all Board Committee papers and can attend Board Committee meetings on request.

Recommendations 2.3 & 2.4: Directors' independence

The size, composition and independence of Healius' Board is determined by the Board Charter and Healius' Constitution. It is also assessed annually. The Board recognises that independent Directors are important in assuring security holders that the Board is able to exercise independent judgment when meeting its responsibilities under the Board Charter.

A Director should be independent of management and free from any interest and business or other relationship that could be perceived to materially interfere with his / her ability to act in Healius' best interests. To determine this, materiality is assessed on a case-by-case basis in relation to each Director's personal circumstances rather than a specific materiality threshold.

The Board considers that the current Non-executive Directors, including the Chair, meet the definition of independence as prescribed in the ASXCGC Recommendations.

Healius' current independent Directors are:

- Robert Hubbard (Chair from 24 July 2018).
- Gordon Davis.
- Sally Evans (appointed 21 August 2018).
- Paul Jones.
- Errol Katz.
- Arlene Tansey.

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

The Service fees received by Healius from Paul's company for FY 2019 were \$131,330 (FY 2018: \$96,219). This Service fee revenue was accounted for by Healius in the same way as revenue from other healthcare practices. Under the terms of the most recent extension to the agreement between Paul's company and the Group, Paul's company is entitled to receive a lump sum amount in three instalments from the Group. The FY 2019 instalment was \$nil (FY 2018: \$40,000). There were no amounts payable or receivable as at 30 June 2019 (2018: nil) and the provision of the Services continues as at the date of this Corporate Governance Statement.

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Recommendation 2.5: The Chair

Healius' Non-executive Chair until 24 July 2018 was Robert Ferguson. On Robert's retirement, Robert Hubbard was appointed Chair. The Chair is responsible for:

- Effective leadership of the Board.
- Oversight of Healius' corporate governance framework.
- Oversight of Board meeting agendas, record-keeping (in conjunction with the Group Company Secretary) and Committee processes.
- Board succession planning and assessment.
- Representing the Board in communications with the public, the CEO and with management.

The Chair is independent and does not also hold the office of Chief Executive Officer.

Recommendation 2.6: Board induction, information, advice and support

All new Board members participate in an induction program individually designed to help them understand Healius' operations. The induction is coordinated by the Group Company Secretary and includes meetings with key management across all business divisions, visits and practical demonstrations at various sites. It also includes information about Healius' history, operations, key stakeholders and corporate governance protocols.

All Directors have access to company records and information and receive regular reports from executive management. The Group Company Secretary also plays an important role in supporting Board members by monitoring adherence to policies and procedures and by providing briefing material for the Board's consideration at Board meetings. This information includes regular reports from Healius' Senior Executives including the CEO and the Chief Financial Officer. This is to ensure the Board can discharge its duties effectively.

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

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Principle 3: Act ethically and responsibly

Recommendation 3.1: Code of Conduct

Healius' Code of Conduct promotes ethical and responsible decision-making throughout the Healius Group. Application of this code is supported by a range of policies and management practices including:

- Compliance with law and regulations.
- Corporate integrity and social responsibility.
- Conflicts of interest.
- The maintenance of information privacy and confidentiality.
- Inside information.
- Improper benefits.
- Misappropriation.
- Workplace conduct.

Any issues which may amount to a breach of this Code will be reported for investigation to the Senior Executives identified in the Code.

A copy of Healius' Code of Conduct is available at www.healius.com.au/about-us/corporate-governance/.

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Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1: Audit Committee

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

The Audit Committee's main responsibility is assisting the Board in the following:

- Reporting financial information.
- Determining the appropriate application and amendment of accounting policies.
- Appointing and remunerating an external auditor.
- Providing a link between the external auditor, the Board, and management of Healius.

The Audit Committee is also responsible for:

- Reviewing Healius' financial reporting and disclosure processes.
- Ensuring the reliability and integrity of Healius' financial reporting and accounting policies.
- Assessing whether Healius' external reporting is consistent with Committee members' information and knowledge and whether it satisfies shareholder requirements.
- Assessing the adequacy of the management processes supporting external reporting.
- Developing and implementing procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.
- Reviewing the performance and independence of the external auditor, including recommending the appointment, or, if necessary, the removal of the external auditor.
- Recommendation to the Board in relation to the compensation, terms of engagement and other contractual terms for the external auditor.
- Assessing the performance and objectivity of the internal audit.

During and after FY 2019, the Audit Committee comprised the following independent Non-executive Directors:

- Robert Hubbard (Chair) (resigned as Chair 24 July 2018).
- Gordon Davis (Chair) (appointed Chair 24 July 2018).
- Robert Ferguson (retired 24 July 2018).
- Paul Jones.
- Arlene Tansey.

This committee composition meets the Council's criteria in terms of the Committee Chair's independence, number of members and independence of members. On Robert Hubbard's appointment as Chair of the Board, he resigned as Chair of the Audit Committee and Gordon Davis was appointed Committee Chair.

The relevant qualifications and experience of the members of the Audit Committee are set out on pages 34 to 35 of Healius' 2019 Annual Report. The number of meetings attended by each member are set out on page 39 of the 2019 Annual Report.

A copy of Healius' Audit Committee Charter is available at www.healius.com.au/about-us/corporate-governance/.

Recommendation 4.2: Executive assurance to the Board

Prior to the approval of Healius' financial statements for the half year and full year periods, the Board receives a written declaration from the CEO and the Chief Financial Officer with the following assertions:

- The financial records of Healius have been properly maintained and the financial statements comply with the appropriate accounting standards; they give a true and fair view of Healius' financial position and performance.
- Their opinions have been formed on the basis of a sound risk management and internal control system which is operating effectively.

In providing this assurance declaration, the CEO and the Chief Financial Officer require a comprehensive review from the business division managers as well as independent declarations of their respective business divisions' financial position.

Recommendation 4.3: External Auditor involvement in Healius' AGM

Ernst & Young (also known as EY), Healius' external auditors, attend the AGM and are available to answer questions from security holders.

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Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Communication (including Continuous Disclosure) Policy

Healius has put in place a Communication Policy – which includes Continuous Disclosure – to ensure the provision of timely, balanced and accurate disclosure of material information to the market. This is in order to comply with the continuous disclosure obligations under the Corporations Act and the Australian Securities Exchange (ASX) Listing Rules. This includes the provision of information on:

- Healius' financial situation.
- Performance.
- Ownership.
- Corporate governance.

Healius also ensures security holders, regulators, ratings agencies and the general investment community have equal and timely access to all the material information that concerns Healius including:

- Annual and interim profit announcements.
- Release of financial reports.
- Investor presentations and briefings.

The identification and monitoring of matters which may require disclosure, in accordance with Healius' continuous disclosure obligations, occurs regularly at Senior Executive meetings and meetings of the Disclosure Committee. If a matter is identified as potentially requiring disclosure, it is referred to the Board by the Disclosure Committee.

Company announcements are lodged on both the ASX Company Announcements Platform and Healius' website. Investors can elect to receive key announcements via a website link.

In addition to recent announcements, Healius' website contains key dates for:

- Results releases and shareholder meetings.
- Annual reports.
- Presentations.
- Corporate governance policies.

A copy of Healius' Communication (including Continuous Disclosure) Policy is available at www.healius.com.au/about-us/corporate-governance/.

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Principle 6: Respect the rights of security holders

Recommendation 6.1: Communications with security holders via Healius' website

Healius provides information about the company and governance to all investors via the Healius website.

In order to make information easily accessible for investors, the website includes a dedicated "Invest in Us" section as well as copies of all information lodged with the ASX.

Recommendation 6.2: Investor relations program

Healius' security holder communication strategy has been disclosed in Healius' Communication (including Continuous Disclosure) Policy. Developed to provide security holders with accurate, relevant, and timely information, it also enables them to exercise their rights as security holders in an informed manner.

This communication strategy provides potential investors and other interested stakeholders with equal and timely access to important Healius information.

Healius arranges advance notification of shareholder briefings via its investor database and website. Investors also have access to Healius' briefings and question and answer sessions through teleconferences.

Recommendation 6.3: Security holder participation at meetings

The AGM provides an open forum for the Board to communicate directly with Healius' security holders. It is also an opportunity for security holders to express views, ask questions, and respond to Board proposals.

Recommendation 6.4: Electronic communications

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

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Principle 7: Recognise and manage risk

Recommendation 7.1: Risk Management Committee

The Risk Management Committee is responsible for designing, implementing and maintaining Healius' system of risk management and internal control.

This Committee also assists the Board with its oversight responsibility by reviewing, assessing and making Board recommendations relating to the risk management framework and internal control structures.

The risk identification, analysis, treatment and monitoring processes implemented by Healius are in accordance with Standards Australia AS/NZS ISO 31000: 2009. Every quarter, management reports to the Risk Management Committee on Healius' key risks and the status of risk mitigation activities.

The Risk Management Committee is also responsible for:

- Ensuring Healius identifies and updates the profile of each material business risk (excluding financial reporting risks which are managed by the Audit Committee).
- Monitoring any anticipated changes to Healius' material business risks.
- Monitoring and reviewing the effectiveness of the risk management system implementation.
- Reporting and providing recommendations to the Board (or the CEO and/or Chief Financial Officer) in relation to any proposed financial certifications on whether the risk management system is sound, being managed and implemented effectively.
- Reviewing and approving key policies in each business division that relates to the risk management system implementation.

During and after FY 2019, the Risk Management Committee comprised the following Independent Non-executive Directors:

- Errol Katz (Chair).
- Gordon Davis.
- Sally Evans (from 21 August 2018).
- Robert Hubbard (until 24 July 2018).
- Paul Jones.

This committee composition meets the Council's criteria in terms of the Committee Chair's independence, number of members and independence of members.

The Risk Management Committee has the authority to seek any information it considers relevant to its functions from any Healius officer or employee. These personnel must readily provide the requested information. The Committee also has authority to conduct or direct any investigation it considers necessary.

The number of meetings attended by each member of the Risk Management Committee is set out on page 39 of Healius' 2019 Annual Report.

A copy of Healius' Risk Management Committee Charter is available at www.healius.com.au/about-us/corporate-governance/.

Recommendation 7.2: Risk management framework update

In FY 2019, Healius' risk management framework was reviewed and updated by the Risk Management Committee. The Committee determined that the risk management framework continues to be sound.

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Recommendation 7.3: Internal Audit function

During FY 2019, the structure of Healius' Internal Audit team was enhanced so that its functions are carried out not only by external consultants (PricewaterhouseCoopers) but also by a new Internal Audit Manager.

The Internal Audit team's role is to review and enhance internal control processes across the entire Healius Group. As in FY 2018, FY 2019 saw the team focus on a number of specific projects.

All progress was reported back to the Board, via the Audit Committee and the Risk Management Committee. The Internal Audit function continues to evolve into a balance of compliance and business reviews.

In addition to the dedicated internal audit function, Healius has an effective system of risk management and internal control processes. Within the risk management framework, each business unit is required to formally consider its risk environment and create the following:

- A register of identified risks.
- Controls.
- A risk treatment plan.

All of these are stored in a risk information management system.

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

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

Healius' operations are highly regulated and subject to a range of State and Commonwealth legislation and accreditation requirements. Each of the Pathology, Medical Centres and Imaging divisions operates under a range of policies which provide guidance relating to identifying and responding to risk.

An incident notification and response procedure is in place throughout Healius. Implementation of these policies is ultimately overseen by Senior Executives within each division. A comprehensive insurance program and nationwide work health and safety program is in place and is reviewed annually.

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Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: Nomination and Remuneration Committee

The independence of the Committee Chair, number of members and member independence meets the criteria set out by the Council. For details on Healius' Nomination and Remuneration Committee, please refer to page 9 of this Corporate Governance Statement.

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

For further details on the remuneration of Healius' Non-executive and Executive Directors and Senior Executives, please refer to pages 43 to 68 in Healius' 2019 Annual Report.

Healius' current policies comply with the Council's guidelines set out in the ASXCGC Recommendations.

Recommendation 8.3: Economic risks under equity-based remuneration scheme

The Healius Executive Incentive Plan (PEIP) allows the Board to award incentive payments in the form of equity. The Corporations Act prohibits key management personnel (or closely-related parties) of an ASX-listed Australian company (such as Healius) from entering into an arrangement that would limit their exposure to an element of their remuneration subject to a holding lock. Equity-based awards by Healius under the PEIP are made on the condition that Corporations Act requirements are complied with.

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