

# Genworth

## Corporate Governance Statement 2017

# Corporate Governance Statement

## 1. Genworth's Corporate Governance framework

### 1.1 Introduction

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

The key aspects of Genworth's corporate governance framework are outlined in this document, including an explanation of practices which demonstrate compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). The governance practices are also underpinned by Genworth's responsibilities as an APRA regulated entity and pursuant to the Corporations Act 2001 (Cth) (Corporations Act).

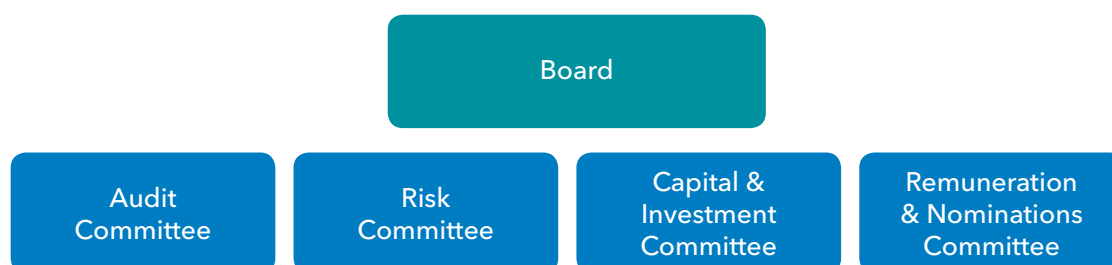
This Corporate Governance Statement has been approved by the Board and is current as of 24 February 2017.

### 1.2 Overview of Corporate Governance framework

The Board has established four Board Committees that assist it to oversee and develop the Group's corporate governance policies and risk management framework.

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

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



## 2. The Board – Oversight and responsibility

### 2.1 The Board's key accountabilities

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

The key accountabilities and responsibilities of the Board include:

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

A copy of the Board Charter is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.

# Corporate Governance Statement (continued)

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## 2. The Board – Oversight and responsibility (continued)

### 2.2 Board Composition

The Constitution provides that there will be a maximum of nine Directors. As at 24 February 2017, the Board comprised a total of nine Directors. Three directors are Non-Executive Directors, five are Independent Non-Executive Directors and one is an Executive Director being the Chief Executive Officer & Managing Director of Genworth. Biographies of the Directors are contained in the Directors' Report which forms part of Genworth's 2016 Annual Report (Directors Report).

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

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

In accordance with the Board Charter, the Chairman is selected from the Independent Non-Executive Directors.

### 2.3 Director independence

The Genworth Board is comprised of a majority of Independent Directors assessed in accordance with the definition of independence set out in the ASX Recommendations. From 5 May 2016 onwards, Genworth has complied with Recommendation 2.4 of the ASX Recommendations.

From the beginning of the reporting period to 5 May 2016, Genworth's Board did not have a majority of Independent Directors (it had four Independent Non-Executive Directors and four Non-Executive Directors who were Genworth Financial Designated Directors (see section 2.6)).

As an APRA-regulated entity, Genworth is required to comply with Prudential Standard CPS 510 Governance with respect to the composition of the Board. CPS 510 provides that where Genworth is a partly owned subsidiary of a prudentially regulated foreign entity, it is required to have a majority of Non-Executive Directors and at least three Independent Non-Executive Directors in addition to an Independent Chairman. Genworth met those requirements at all times during the reporting period and continues to meet those requirements.

An important part of Genworth's development has been the extensive experience afforded to it through its Genworth Financial Designated Directors. The Board is confident that at all times during the reporting period and currently it is in a position to effectively discharge its legal obligations and make considered decisions that are in the best interests of Genworth and shareholders. The Board also considers legal and ethical protections afforded to minority shareholders to ensure their interests are taken into account in relevant decision making processes.

### 2.4 Director's conflicts of interests

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

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

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

## 2.5 Board experience and skills

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

The collective skills of the Board and succession plans for Directors are reviewed annually so as to maintain an appropriate balance of skills and experience.

The skills matrix below sets out the mix of skills that the Board currently has in place and that it considers most critical to Genworth's success.

Board skills matrix

Customer focused approach to solutions and service	Investing in our core business model	Targeting appropriate risk adjusted returns and optimal capital structure	Maintaining strong risk management discipline	Regulatory advocacy
<ul style="list-style-type: none"><li>Financial services</li><li>Mortgage industry</li><li>Retail banking</li><li>Insurance industry</li><li>Commercial/business development</li></ul>	<ul style="list-style-type: none"><li>Operations/process management</li><li>Technology</li></ul>	<ul style="list-style-type: none"><li>Treasury/capital management/investment</li><li>Risk management</li><li>Actuarial, financial/accounting</li></ul>	<ul style="list-style-type: none"><li>Corporate governance</li></ul>	<ul style="list-style-type: none"><li>Legal/regulatory</li></ul>
<ul style="list-style-type: none"><li>Human Resources</li><li>Corporations Act/ASX Listing Rules</li></ul>		<ul style="list-style-type: none"><li>Board experience</li><li>International experience</li></ul>		

## 2.6 Appointment process for Directors

### Electing Independent Directors

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

Factors considered by the Remuneration & Nominations Committee when recommending a person for appointment as an Independent Non-Executive Director include:

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

# Corporate Governance Statement (continued)

## 2. The Board – Oversight and responsibility (continued)

### 2.6 Appointment process for Directors (continued)

#### Genworth Financial Designated Directors

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

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

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

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

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

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

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

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

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

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## Appointment terms

All Non-Executive Directors have been appointed pursuant to formal appointment letters, including the Chairman. The letters formally document the basis of each Non-Executive Director's appointment including:

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

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

## Tenure

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

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

Further information in relation to the experience and qualifications of the Directors can be found in the Directors Report.

## Shareholder information

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

## 2.7 Director induction and education

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

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

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

# Corporate Governance Statement (continued)

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## 2. The Board – Oversight and responsibility (continued)

### 2.8 Committees

#### Committee governance

The Board has established four Committees, each comprising representatives of the Board, to assist in the discharge of its functions. A Charter for each Committee sets out its composition, authority and responsibilities and is reviewed periodically by the Board. It is intended that a Technology Committee will be established on 1 March 2017.

The role of Chairman of each Committee is exercised by an Independent Non-Executive Director who is not Chairman of the Board. Each Committee Chairman is responsible for reporting the outcome of all Committee meetings to the Board.

#### Remuneration & Nominations Committee

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

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

- Review and recommend to the Board all remuneration proposals (total fixed remuneration, bonus, equity awards and termination payments (including termination payments made to former Directors and Key leaders within three years of ceasing to be a Director or Key Leader)) for the CEO and other Key Leaders of Genworth;
- Review and recommend to the Board remuneration proposals in aggregate for Key Functional Employees to ensure the independence of these employees in carrying out their functions;
- Review recruitment, retention and termination policies generally;
- Review and recommend to the Board salary and variable remuneration plans (e.g. STI and LTI) including annual goals and objectives and annual funding/budgets;
- Monitor progress in relation to the performance metrics under incentive remuneration plans;
- Oversee the development of executive succession plans in relation to the CEO and other senior management;
- Annually review and recommend to the Board the remuneration of Independent Directors and the remuneration pool to be recommended to shareholders;
- Recommend the annual remuneration report to the Board for approval and inclusion in Genworth's Annual Report;
- Annually review and recommend to the Board Genworth's Diversity Inclusion Policy, measurable objectives for achieving diversity and progress in achieving such objectives.

The current members of the Remuneration & Nominations Committee are Mr David Foster (Committee Chairman), Ms Gai McGrath, Mr Anthony Gill, and Mr Leon Roday.

The Remuneration & Nominations Committee met eight times during 2016 and member attendance at each meeting is shown in the Directors' Report.

The Remuneration & Nominations Committee Charter is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.

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## Risk Committee

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

The key responsibilities of the Risk Committee include to:

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

The current members of the Risk Committee are Ms Gayle Tollifson (Committee Chairman), Ms Gai McGrath, Mr David Foster, and Mr Anthony Gill.

The Risk Committee met six times during 2016 and member attendance at each meeting is shown in the Directors' Report.

The Risk Committee Charter is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.

## Audit Committee

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

The key responsibilities of the Audit Committee include to:

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

The current members of the Audit Committee are Ms Gayle Tollifson (Committee Chairman), Mr Anthony Gill, Ms Gai McGrath, Mr David Foster, and Mr Jerome Upton.

The Audit Committee met seven times during 2016 and member attendance at each meeting is shown in the Directors' Report.

The Audit Committee Charter is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.



# Corporate Governance Statement (continued)

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## 2. The Board – Oversight and responsibility (continued)

### 2.8 Committees (continued)

#### Capital & Investment Committee

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

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

- set and review the capital and investment objectives in accordance with Genworth's strategies, business plan and risk management framework;
- oversee and recommend to the Board the Internal Capital Adequacy Assessment Process;
- review and recommend to the Board any amendments to the target capital range and total capital position, including any new capital instruments to be issued;
- review and recommend to the Board any amendments to the Reinsurance Management Strategy;
- review and approve amendments to investment policies and guidelines; and
- review the composition and performance of investment portfolios and any deviations from mandates.

The current members of the Capital & Investment Committee are Mr Anthony Gill (Committee Chairman), Ms Gai McGrath, Mr David Foster, Ms Gayle Tollifson and Mr Jerome Upton.

The Capital & Investment Committee met seven times during 2016 and member attendance at each meeting is shown in the Directors' Report.

The Capital & Investment Committee Charter is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.

#### Technology Committee (to commence on 1 March 2017)

The Board has also established a Technology Committee to commence on 1 March 2017 comprised of Mr David Foster (Chairman), Mr Tony Gill, Ms Gai McGrath and Mr Jerome Upton.

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

The key responsibilities of the Technology Committee will include to:

- review and report to the Board on Genworth's technology strategy with respect to a 3-5 year horizon;
- oversee sourcing strategies for the Group's selection and evaluation of the performance of its key external technology suppliers;
- review emerging global technologies and trends and their potential for application within Genworth, including educating the Committee through meetings with experts and education visits to key technology partners and industries;
- oversee the technology governance and operating model being the operating structure, governance structure and key accountabilities for technology and the business;
- review the effectiveness of disaster recovery plans and disaster recovery testing;
- post implementation reviews of all key projects that involve technology investment; and
- review key technology risks and technology risk mitigation strategies, including the overall technology risk profile of Genworth.

The Technology Committee Charter will be available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section from 1 March 2017.

Consequently from 1 March 2017, the composition of the Board Committees will change to the following:

Board Committee	Committee Chairman	Other Committee members
Audit Committee	Ms Gai McGrath	Ms Gayle Tollifson Mr Tony Gill Mr Jerome Upton
Risk Committee	Ms Gayle Tollifson	Mr Tony Gill Ms Gai McGrath Mr Stuart Take Mr Jerome Upton
Capital & Investment Committee	Mr Tony Gill	Ms Gayle Tollifson Mr Jerome Upton Mr David Foster
Remuneration & Nominations Committee	Mr David Foster	Mr Leon Roday Ms Gai McGrath Ms Gayle Tollifson
Technology Committee	Mr David Foster	Mr Tony Gill Ms Gai McGrath Mr Jerome Upton

Additionally, Genworth has a Fit & Proper Committee and a Disclosure Committee. The Fit & Proper Policy and Disclosure Policy are available at <http://investor.genworth.com.au> under the Corporate Governance section.

## 3. Senior Leadership Team – Management and leadership

### 3.1 Linking Board strategy and organisational functions

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

The CEO is supported by the Senior Leadership Team, each of whom report directly to the CEO.

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

The CEO and Senior Leadership Team also comprise the Executive Committee, which formally reports to the Board on key management issues.

### 3.2 Designation of Key Management Personnel (KMP) status within the Senior Leadership Team

Within the Senior Leadership Team, five roles (CEO, Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Commercial Officer (CCO) and the Chief Operations Officer (COO)) are deemed to be responsible for planning, directing and controlling the activities of Genworth. These roles are designated as Executive Key Management Personnel and accordingly the remuneration report sets out details of their individual remuneration. The remuneration report is included in Genworth's Annual Report (Remuneration Report).

# Corporate Governance Statement (continued)

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## 3. Senior Leadership Team – Management and leadership (continued)

### 3.3 Appointment of Senior Leadership Team

Employment agreements with the CEO and Senior Leadership Team set out the details of each of their appointments. These appointments may be terminated by written notice from either party. A summary of key terms as they relate to Executive KMP employment agreements is contained in the Remuneration Report.

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

### 3.4 Company Secretary

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

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

### 3.5 Senior Leadership Attestations – Reporting and risk management

Genworth's financial statements are always reviewed and endorsed by the CEO and the CFO. Declarations are provided that in their opinion the financial records of the entity for the financial year have been properly maintained in accordance with the Corporations Act and that the notes for the financial year comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. Management reporting is provided to the CEO and CFO to help inform them of this opinion. The directors approve the financial statements for the year on that basis.

## 4. Remuneration - Performance and shareholder value

### 4.1 Remuneration practices

Genworth's Remuneration Policy supports behaviour and outcomes consistent with Genworth's long term financial soundness and strategic goals. It has been developed in line with APRA Prudential Standards as well as ASX requirements to which Genworth is subject. Remuneration practices for Directors and the Senior Leadership Team are overseen by the Board, through the Remuneration & Nominations Committee.

Remuneration practices for Directors and Executive KMP are set out in Genworth's Remuneration Report. Genworth's remuneration practices are consistent between Executive KMP and other Senior Leadership Team members. The Remuneration Report for the 2016 financial year will be put to shareholders for a non-binding, advisory vote at the 2017 Annual General Meeting.

### 4.2 Performance evaluation of Directors

#### Overview

Board performance and skills are assessed annually in accordance with Genworth's Board Performance and Renewal Policy. The policy sets out the key considerations in assessing the performance of the Board and of each individual Non-Executive Director.

The Board recognises the need to renew itself and individual Directors in order to continue to fulfil its responsibilities, to provide fresh perspectives on business strategies and to maintain an appropriate balance of skills and experience. Renewal issues are therefore given consideration as part of the Board and Directors' performance evaluations.

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

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

An internal performance evaluation of the Board, its Committees and individual directors was carried out in 2016 in accordance with the prescribed process.

## 4.3 Performance evaluation of Senior Leadership Team

The performance of the Senior Leadership Team is managed through a formal Performance and Development Review (PDR) process. This is a defined process for the performance evaluations of all Genworth employees and evaluates performance against business goals and professional competencies.

All employees including the Senior Leadership Team are required to set goals and development objectives in line with Genworth's strategic objectives for each calendar year. Performance measures are developed from these objectives and are a mixture of financial, non-financial and risk-related indicators. These measures align with Genworth's Business Plan, reflect the individual's overall accountabilities and support Genworth's corporate culture.

Performance is reviewed on a half yearly basis, with the annual review conducted to evaluate an individual's performance against the full year goals and competencies. The annual review forms the basis of an individual's remuneration review and rewards.

The CEO conducts a review of each member of the Senior Leadership Team to ensure that the interests of the Senior Leadership Team are clearly aligned with those of the organisation as a whole and of shareholders.

The CEO's performance is reviewed via a combination of the above PDR approach and the annual Board performance evaluation process outlined above. CEO performance reviews are managed by the Board Chairman.

The performance evaluation of the Senior Leadership Team, including the CEO, was carried out in accordance with the process outlined above during 2016.

## 4.4 Equity-based remuneration scheme

To provide long term incentives linked to enhancing shareholder value, certain senior employees may be eligible to receive rights to equity in Genworth under the Genworth Share Rights Plan (Rights Plan). These incentives for the Senior Leadership Team will be granted on the basis of certain performance hurdles being met. A summary of the equity based remuneration programs is set out in the Remuneration Report.

The Remuneration & Nominations Committee is responsible for ensuring that any actions taken by participants in the Rights Plan to limit risks do not adversely impact the interests of Genworth or its shareholders in any way. Employees participating in the Rights Plan are required to comply with the Share Rights Plan rules and Genworth's Trading Policy.

# 5. Risk Management – Sustainable business practices

## 5.1 Risk and Capital Management Framework and Strategy

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

The framework is further enhanced by Genworth's obligations under the Shareholder Agreement with Genworth Financial, which requires Genworth to comply with various regulatory requirements including the rules of the US Securities and Exchange Commission.

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

# Corporate Governance Statement (continued)

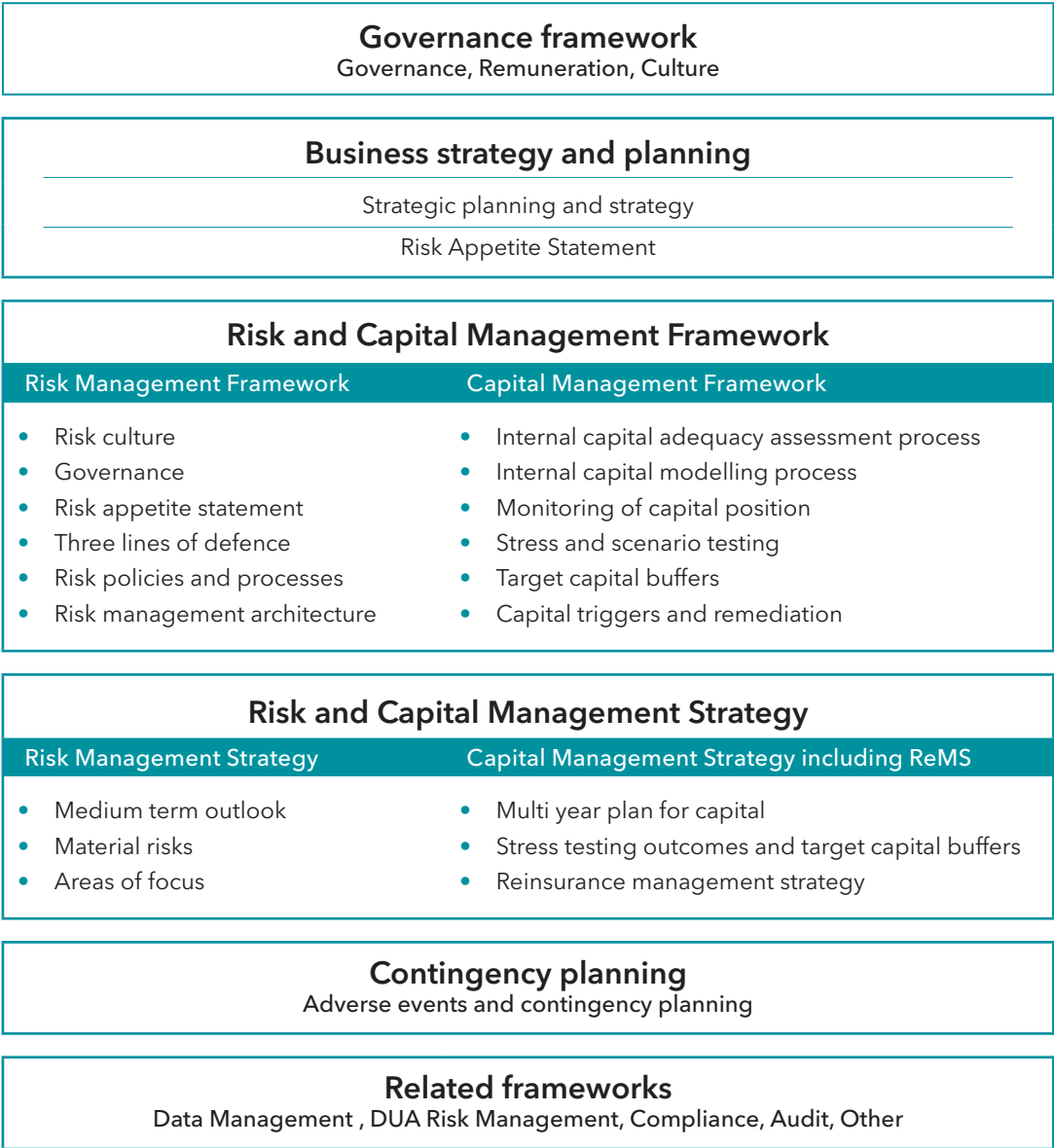
## 5. Risk Management – Sustainable business practices (continued)

### 5.1 Risk and Capital Management Framework and Strategy (continued)

Annual reviews consider matters such as the framework’s effectiveness in managing risk, the risk appetite’s alignment to Genworth’s strategy, the risk culture of the organisation, the appropriateness of policies that identify risks and controls, risk related reporting and how remediation recommendations are actioned. Each of these components were covered as part of the 2016 review process.

### 5.2 Key components of the Risk and Capital Management Framework

The key components of the Risk and Capital Management Framework and Strategy are set out in the diagram and related text below.



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## Risk Management Framework

- **Risk culture**

Risk Culture forms the cornerstone of the way Genworth conducts business. Genworth's Risk Culture Statement and related Code of Ethics identify behaviours which facilitate decision making based on transparency, detailed knowledge and analysis, and collaboration.

- **Governance**

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

- **Risk appetite statement**

Genworth's risk appetite is articulated in a Risk Appetite Statement reflective of Genworth's appetite for risk. The Risk Appetite Statement defines the principles under which risk is assessed and managed, defines the outcomes Genworth is prepared to accept over the medium term, and is aligned to the strategic objectives of the business.

- **The three lines of defence**

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

First Line	The first line of defence comprises the business management who assume ownership of risks. Accountability and responsibility for risk management starts with the area where the risk originates, and each business unit is responsible for the effective design and implementation of controls to manage their risk.
Second Line	Independent Risk and Compliance functions establish frameworks, policies, delegated authority limits and processes for the management, monitoring and reporting of risk. The second line evaluates the adequacy and effectiveness of business unit controls and the application of frameworks and policies. The risk profile of Genworth is monitored including any emerging trends or weaknesses.
Third Line	The third line of defence comprises both internal and external audit functions which provide assurance with regard to the totality of the organisation's risk management systems, controls and governance processes. Genworth's internal audit function is responsible for developing a risk based annual audit plan, reporting the results of its work to management and the Audit Committee, and for ensuring required remediation actions are executed properly and in a timely manner.

- **Risk policies and processes**

Policies and processes are implemented to ensure that risks are identified and assessed, and are effectively mitigated through the implementation of appropriate controls. Risk control and assessments are utilised to facilitate the development and prioritisation of any necessary action plans.

# Corporate Governance Statement (continued)

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## 5. Risk Management – Sustainable business practices (continued)

### 5.2 Key components of the Risk and Capital Management Framework (continued)

#### Capital Management Framework

- **Internal capital adequacy assessment process**

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

- **Internal capital modelling process**

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

- **Monitoring of capital position**

Genworth undertakes three formal planning processes throughout the year:

- Multi year planning;
- Business plan; and
- Short range forecast (Estimate).

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

- **Stress testing and scenario testing**

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

- **Target capital buffers**

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

- **Capital triggers and remediation**

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

### 5.3 Economic, environmental and social sustainability risk

Social sustainability risk and environmental risk are considered by Genworth as part of its overall risk management practices. Whilst Genworth does not have material exposures to these risks as part of its business model, the Board and Senior Leadership Team are committed to undertaking and evaluating Genworth's impact on the communities in which it operates and the environment. Regular consideration of potential risks enables risk mitigation activities to be devised where required.

Genworth believes that a responsible approach to helping preserve the environment is critical to building trust and creating long term value for all of our stakeholders, including consumers, distribution partners, employees and investors. Further, Genworth is committed to making a difference in the communities in which it operates and has in place a community plan that addresses a number of key foundation areas, including education, homelessness and basic needs.

For further details in relation to Genworth's approach to economic sustainability please refer to Genworth's Operating and Financial Review contained in the Directors Report.



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## 6. Communication with shareholders - transparency and accountability

### 6.1 Genworth's website

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

### 6.2 Investor Relations program

#### Open communications

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

Genworth has set standards in respect of its approach to media and public relations, which are set out in Genworth's Media & Public Relations Policy. The policy includes the management and presentation of public information disclosed via the ASX and other public outlets and in respect of employee responsibilities in communicating Company information. A summary of the Media & Public Relations Policy is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.

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

#### Electronic interactions with shareholders

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

### 6.3 Continuous disclosure

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

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

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

ASX announcements and the Disclosure Policy are available at [investor.genworth.com.au](http://investor.genworth.com.au), under the Announcement / News Releases and Corporate Governance sections respectively.

### 6.4 Participation at shareholder meetings

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

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



# Corporate Governance Statement (continued)

## 7. Working environment - Ethics and diversity

### 7.1 Code of Conduct - 'Integrity First'

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

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

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

A copy of the Code of Conduct is available at [investor.genworth.com.au](http://investor.genworth.com.au) under the Corporate Governance section.

### 7.2 Diversity

Genworth recognises and values the contribution that people with different backgrounds, experiences and perspectives bring to our organisation. Diversity enhances team effectiveness and drives value for our shareholders, customers and employees.

Genworth's Diversity Council promotes a diverse and inclusive workplace. The Diversity Council has an oversight, advisory and advocacy role for achieving Genworth's diversity goals and is chaired by a member of the Senior Leadership Team.

Genworth's commitment to diversity and inclusion is reflected in its employment practices including recruitment, training and development, talent identification, succession planning and flexible work arrangements. Pay equity testing also now forms an integral part of Genworth's annual remuneration review. The CEO has affirmed her commitment to gender pay equity by becoming a WGEA Pay Equity Ambassador.

In 2016, Genworth was again recognised by the Workplace Gender Equality Agency (WGEA) as an Employer of Choice for Gender Equality. Genworth is proud of this achievement and will continue to build on it in the coming year.

Each year, the Board commits to measurable diversity objectives against which progress is reviewed. In 2017, our focus will be to build achievement against the following objectives:

- Achieve and sustain gender diversity within Genworth's Senior Leadership Team and other Management roles
- Create a culture and work environment where differences are valued, respected and effectively leveraged
- Provide visible leadership around diversity both internally and externally
- Mainstream flexible working arrangements to increase business agility and facilitate a diverse range of lifestyles.

The targets established to support these objectives include:

- Maintain 30% female representation on the Board (2018 target achieved in 2016)
- Continued strong female representation (minimum 30%) on the Senior Leadership Team
- Minimum 40% female representation in other management roles
- Gender diverse candidate slates for all leadership roles.

The following table summarises the proportion of men and women on the Board, in senior executive positions and across the whole organisation as at 31 December 2016:

	Female	Male
Board	3 (33%)	6 (67%)
Senior Leadership Team (CEO and direct reports)	4 (57%)	3 (43%)
Other management roles (excluding the Senior Leadership Team)	17 (30%)	39 (70%)
Overall	109 (44%)	139 (56%)