

26 February 2020

Companies Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

**Genworth Mortgage Insurance Australia Limited (ASX:GMA)
Corporate Governance Statement**

In accordance with ASX Listing Rule 4.7.4, we attach a copy of Genworth Mortgage Insurance Australia Limited's Corporate Governance Statement dated 26 February 2020.

The release of this announcement was authorised by the Board.

Yours faithfully



Prudence Milne
General Counsel and Company Secretary

For more information, analysts, investors and other interested parties should contact:

Iwona (Evi) Falkiner
Head of Corporate Affairs and Investor Relations
M: +61 428 059 965

Keshvar Seale
Corporate Affairs and Investor Relations Manager
M: +61 499 088 640



CORPORATE GOVERNANCE STATEMENT

February 2020

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

Corporate governance statement

February 2020

1. Genworth's corporate governance framework

1.1 Introduction

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

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

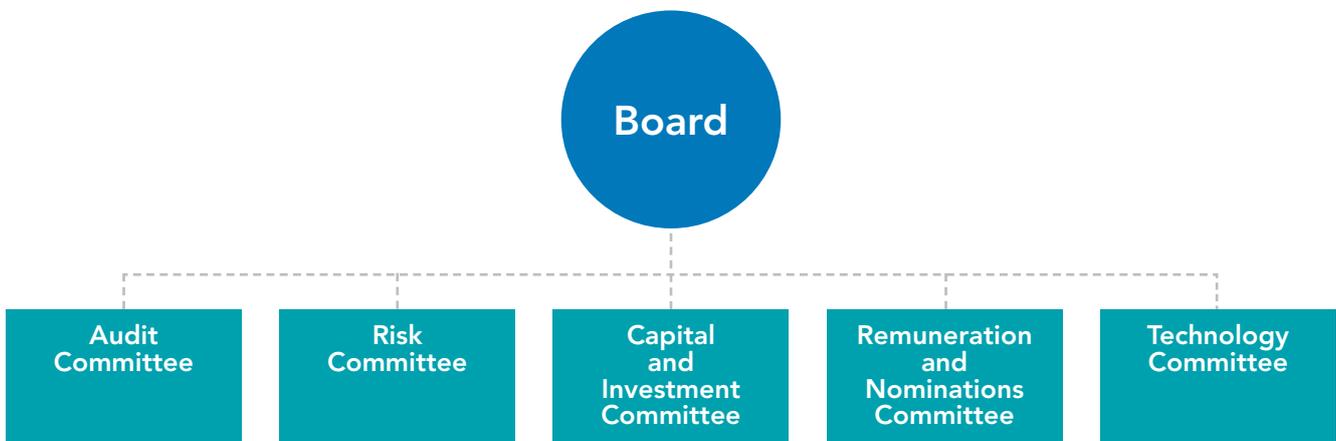
This corporate governance statement has been approved by the Board and is current as of 26 February 2020.

1.2 Overview of corporate governance framework

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

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

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



Corporate governance statement (continued)

2. The Board – Oversight and responsibility

2.1 The Board's key accountabilities

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

The key accountabilities and responsibilities of the Board include:

- demonstrating leadership, defining Genworth's purpose and setting its strategic objectives;
- approving Genworth's statement of values and code of conduct to underpin the desired culture;
- reviewing, monitoring and approving fundamental financial and business strategies;
- overseeing Genworth's corporate governance and risk management frameworks (for both financial and non-financial risks);
- reviewing and approving Genworth's annual budget, financial statements and reports;
- approving the Chief Executive Officer's appointment and remuneration, and the remuneration of senior executives of Genworth;
- challenging management and holding management to account;
- overseeing management's implementation of Genworth's strategic objectives, instilling of Genworth's values and its performance generally; and
- overseeing Genworth's process for making timely and balanced public disclosure of all material information. A copy of the Board Charter is available at investor.genworth.com.au under the corporate governance section.

2.2 Board composition

The Constitution provides that there will be a maximum of nine directors. As at 26 February 2020, the Board comprised a total of eight Directors, and following previously announced Board changes that will become effective on 2 March 2020, there will be a total of nine Directors. From 2 March 2020, two directors will be non-executive directors, six will be independent directors and one will be an executive director being the Chief Executive Officer (CEO) and Managing Director of Genworth. Biographies of the directors are contained in the directors' report which forms part of Genworth's 2019 Annual Report (directors' report), in Genworth's previous announcements and on Genworth's website.

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

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

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

2.3 Director independence

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

2.4 Directors' conflicts of interests

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

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

Corporate governance statement (continued)

2.5 Board experience and skills

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

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

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

Enhance capabilities to add value across the mortgage value chain		Maximise core business performance	Continue to develop capabilities to grow business	
Financial services		Operations/process management	Commercial/business development	
Mortgage industry		Insurance industry		
Retail banking		Treasury/capital management/investment		
		Actuarial, financial/ accounting		
Strategic enablers				
People and Culture	Corporations Act/ASX Listing Rules	International experience	Corporate governance	
Technology	Board experience	Legal/regulatory	Risk management	

2.6 Appointment process for directors

Electing independent directors

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

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

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

Genworth Financial designated directors

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

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

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

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

Corporate governance statement (continued)

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

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

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

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

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

Appointment terms

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

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

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

Tenure

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

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

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

Shareholder information

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

2.7 Director induction and education

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

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

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

Corporate governance statement (continued)

2.8 Committees

Committee governance

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

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

The Charter for each Genworth Board committee and the membership of each Board committee is available at investor.genworth.com.au, under the corporate governance section.

The number of times each Board committee met during 2019 and the individual attendances of the members at those meetings is shown in the directors' report.

Remuneration and Nominations Committee

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

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

- Review and recommend to the Board all remuneration proposals (total fixed remuneration, bonus, equity awards and termination payments (including termination payments made to former directors and key leaders within three years of ceasing to be a director or key leader)) for the CEO and other key leaders of Genworth;
- Review and recommend to the Board remuneration proposals in aggregate for key functional employees to ensure the independence of these employees in carrying out their functions;
- Regularly review Genworth's remuneration framework to ensure it continues to align to business objectives in a manner that is consistent with the long-term sustainability of Genworth;
- Ensure effective implementation of the remuneration framework through regular review of performance metrics to ensure they take account of risk and compliance outcomes and employee behaviour assessed in relation to performance review and their impact on remuneration outcomes, release of deferred remuneration or (if applicable) clawback of variable remuneration previously paid;
- Review and recommend to the Board salary and variable remuneration plans (eg short-term incentive and long-term incentive) including annual goals and objectives and annual funding/budgets;
- Oversee the development of executive succession plans in relation to the CEO and other senior management;
- Review and recommend to the Board the attributes required to discharge competently the Board's duties at both the individual and collective (Board) level; including the size of the Board, specific qualities or skills and the appropriate mix of skills, experience, expertise and diversity, and desired Board composition in respect of the qualities and skills identified;
- Make recommendations to the Board on the terms and conditions of appointment to, and removal and retirement from, the Board;
- Undertake an annual evaluation of the Board, Committees and individual directors with respect to effectiveness and to ensure they are fulfilling their respective responsibilities;
- Annually review and recommend to the Board the remuneration of independent directors and the fee pool to be recommended to shareholders;
- Recommend the annual Remuneration Report to the Board for approval and inclusion in Genworth's Annual Report; and
- Annually review and recommend to the Board Genworth's Diversity and Inclusion Policy, which includes measurable objectives for achieving diversity and progress in achieving such objectives.

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:

- At least annually review Genworth's risk management framework and strategy, and consider whether the RCMFS continues to be sound and that Genworth is operating with due regard to the risk appetite set by the Board;
- Bring to the attention of the Board any circumstances in which Genworth has operated outside the current risk appetite;
- Recommend to the Board any changes to the RCMFS, including changes to Genworth's risk appetite;
- Establish and maintain a Whistleblower Policy and ensure there is a process in place for ensuring employees are aware of the policy and that there is a process for dealing with matters raised by the employee under the policy;
- 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;
- Receive and consider reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks; 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.

Corporate governance statement (continued)

Audit Committee

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

The key responsibilities of the Audit Committee include to:

- Review and make recommendations to the Board in relation to the adequacy of the Genworth's corporate reporting processes and internal control framework, including Genworth's processes to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor;
- Review financial statements and reports, to determine whether the financial statements and reports reflect the understanding of the members of the committee, and otherwise provide a true and fair view of, the financial position and performance of Genworth, and recommend them for adoption by the Board;
- Oversee the effectiveness of accounting policies and adherence to relevant regulatory reporting requirements;
- Oversee APRA statutory reporting requirements as relevant to financial reporting;
- Ensure material financial risks are managed appropriately and recommend remediation steps where control weaknesses are identified;
- Review and recommend to the Board the appointment and removal of the external auditor, the head of internal audit and the appointed actuary;
- Monitor and evaluate the independence of the external auditor and the internal audit function;
- Review and approve the annual internal and external audit plans;
- Recommend to the Board the adoption of insurance liabilities recommended by the appointed actuary; and
- Oversee the operation of Genworth's actuarial advice framework.

Capital and Investment Committee

The role of the Capital and Investment Committee is to assist the Board to set and review capital and investment strategies and objectives, supervise the execution of the strategy and monitor compliance with the RCMFS as it relates to Genworth's Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement, Risk Management Statement and Risk Management Framework.

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

- Set and review the capital and investment objectives in accordance with Genworth's strategies, business plan and the RCMFS;
- Oversee and recommend to the Board the ICAAP;
- Review and recommend to the Board any amendments to the target capital range and total capital position, including proposed changes to capital;
- 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;
- Assist the Board in the effective oversight of market and liquidity risk practices within the context of the RCMFS; and
- Oversee the management of the liquidity buffer and any change to the buffer.

Technology Committee

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

The key responsibilities of the Technology Committee include to:

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

Other Board-designated Committees

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

Corporate governance statement (continued)

3. SLT – Management and leadership

3.1 Linking Board strategy and organisational functions

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

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

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

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

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

Within the SLT, four current roles (CEO, Chief Financial Officer (CFO), CRO, Chief Commercial Officer) and two former roles (the Chief Operations Officer (who ceased employment on 31 January 2019) and Acting CFO (who ceased acting in the role on 3 February 2019)) have been deemed to be responsible for planning, directing and controlling the activities of Genworth. These roles were designated as executive KMP and accordingly the remuneration report sets out details of their individual remuneration. The remuneration report is included in Genworth's Annual Report.

3.3 Appointment of SLT

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

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

3.4 Company Secretary

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

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

3.5 Senior leadership attestations – reporting and risk management

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

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

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

4. Remuneration – Performance and shareholder value

4.1 Remuneration practices

Genworth's Remuneration Policy outlines the way in which the Company's remuneration framework rewards and motivates our people to achieve business objectives and encourages behaviours that:

- Align to Genworth's values;
- support the long-term sustainability of the organisation;
- deliver value to our customers; and
- align with the Company's risk management framework.

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

Remuneration practices for directors and executive KMP are set out in Genworth's remuneration report. Genworth's remuneration practices are consistent between executive KMP and other SLT members. The remuneration report for the 2019 financial year will be put to shareholders for a non-binding, advisory vote at the 2020 AGM.

Corporate governance statement (continued)

4.2 Performance evaluation of directors

Overview

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

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

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

The Remuneration and Nominations Committee facilitates the Board's review of each director's performance. The Chairman of the Remuneration and Nominations Committee manages the process and the Chairman of the Board shares the results with each director. In respect of the Chairman's performance, the Chairman of the Remuneration and Nominations Committee provides feedback to the Chairman. External independent advisers are engaged as deemed appropriate (at least once every three years) by the Remuneration and Nominations Committee.

An internal performance evaluation of the Board, its committees and individual directors was carried out in 2019 in accordance with the prescribed process.

4.3 Performance evaluation of SLT

The performance of members of the SLT is assessed through Genworth's performance and development review (PDR) process. Genworth's approach to performance evaluations for all employees is to encourage regular, constructive performance feedback as well as conduct an overall assessment of performance against business goals and behaviours aligned to the Company values. In addition, multi-rater reviewers are undertaken for all SLT members of their behaviour against Company values and their impact on organisational culture. This provides a balanced assessment both of what was achieved and how it was achieved. This annual assessment of performance is directly linked to the individual's remuneration outcomes.

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

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

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

A performance evaluation of the CEO and each member of the SLT was undertaken in 2019 in accordance with the process described above.

4.4 Equity based remuneration scheme

To ensure remuneration is aligned to the creation and enhancement of long term shareholder value, certain Genworth employees may be eligible to receive rights to equity under the Genworth Share Rights Plan (Share Rights Plan). Incentives for the SLT will be granted on the basis of certain performance hurdles being met. Equity grants to the CEO require shareholder approval. Genworth's employee equity plans have been disclosed in the remuneration report, (in the 2019 Annual Report), which is subject to a non-binding shareholder vote at the AGM.

The Remuneration and Nominations Committee is responsible for ensuring that any actions taken by participants in the Rights Plan do not adversely impact the interests of Genworth or its shareholders in any way. Any vesting of awards is subject to board assessment of risk culture outcomes and conduct based on evaluation of a number of data sources, including risk health assessments for each function as well as the entire business, and an independent assessment by the Chief Risk Officer. The Committee and the Board may, at their discretion, adjust any deferred equity-based payments (to zero if appropriate), or exercise claw back of equity-based payments previously made, in order to: protect the financial soundness of the Company; respond to misconduct, inappropriate risk taking behaviour; and / or other unforeseen or unintended consequences.

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

Corporate governance statement (continued)

5. Risk management – Sustainable business practices

5.1 Risk and capital management framework and strategy

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

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

The Risk Committee and Capital and Investment Committee, on behalf of the Board, are collectively responsible for overseeing the implementation of Genworth's risk and capital management framework and for ensuring strategic objectives are pursued within the limits set by the Board approved risk appetite. The Audit Committee provides further assurance through an objective review of the effectiveness of Genworth's corporate reporting and overall risk management framework. These Board Committees are chaired by independent non-executive directors who have the necessary technical and industry knowledge to ensure they operate in accordance with their respective charters.

Annual reviews consider various matters such as the framework's effectiveness in managing risk, the alignment of Genworth's strategy and risk appetite, the risk culture of the organisation, the appropriateness of policies that identify risks and controls, risk related reporting and how remediation recommendations are actioned. Each of these components were covered as part of the 2019 review process.

5.2 Governance, culture and accountability

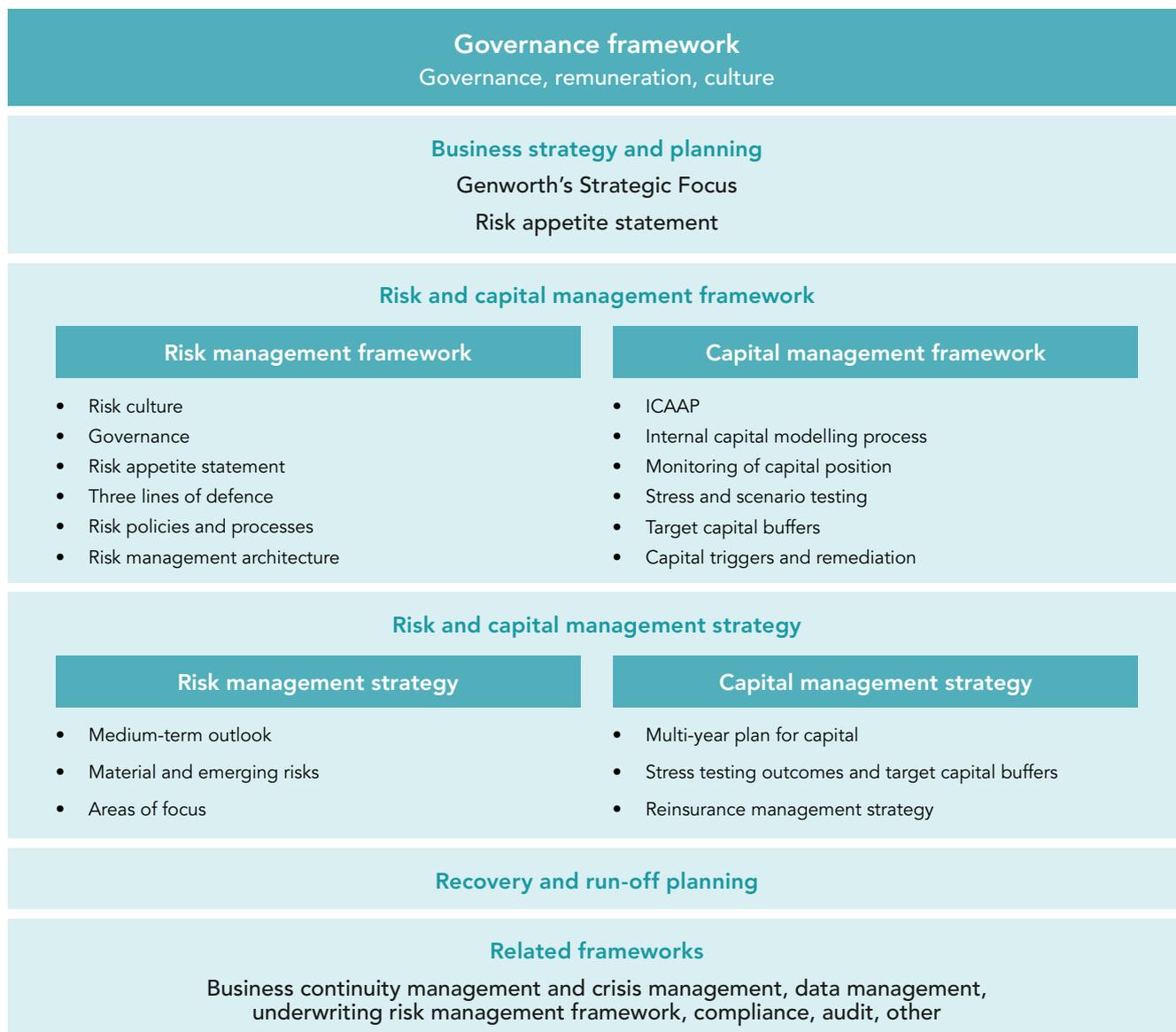
2019 saw a continuation of governance, culture and accountability being the issues facing financial institutions in Australia. In 2018, the Board conducted a culture and risk governance self-assessment which included a review of Genworth's governance, culture, leadership, accountability and remuneration practices as well as the Company's issues management, risk and compliance practices. The Board's assessment concluded that, following significant investment in Genworth's values, culture and leadership over the past two years, the Company has made substantial progress in maturing its governance, culture and accountability practices and also included areas for focused improvement by the Company going forward.

In 2019, Genworth's Board and SLT monitored the progress of action taken to address the insights which arose out of the 2018 culture and risk governance self-assessment and identified new improvement areas. One new initiative included the integration of a Risk Health Dashboard into the remuneration practices (refer to section 4 for further detail). Ongoing governance, culture and accountability initiatives are owned by the Board and management and implemented via a working group with stakeholders from Risk, Human Resources and Legal and Compliance.

Corporate governance statement (continued)

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

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



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, accountability and constructive challenge.

Governance

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

Risk appetite statement

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

Corporate governance statement (continued)

The three lines of defence

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

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

Risk policies and processes

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

Capital management framework

ICAAP

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

Internal capital modelling process

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

Monitoring of capital position

Genworth undertakes four formal planning processes throughout the year:

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

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

Stress testing and scenario testing

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

Target capital buffers

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

Capital triggers and remediation

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

Corporate governance statement (continued)

5.4 Economic, environmental and social sustainability risk

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

Genworth recognises that environmental, social and governance matters such as climate change, governance, culture and accountability are critical to the achievement of Genworth's business objectives and to achieve long term value for its stakeholders. Genworth publishes an annual Sustainability report which is aligned with the Global Reporting Initiative Sustainability Reporting Standards.

Genworth adopts a forward-looking approach to identifying and assessing its macroeconomic risks including the economic risks associated with climate change.

Genworth has identified climate change risk as an emerging risk in its risk management framework. Emerging risks are typically characterised by having a high degree of uncertainty and where even basic information, which would help adequately assess the frequency and severity of a given risk, is often lacking. A specific subgroup was created in 2018 to identify, measure and monitor the implications of climate change risk across all aspects of Genworth's business which has identified three areas of focus for Genworth:

1. **Corporate Footprint.** Ongoing development of Genworth's organisational position with respect to climate change risk;
2. **Insurance Portfolio.** The risk measurement of the indirect economic impacts on Genworth's in-force insurance portfolio, whilst developing further understanding of how we can plan for future strategic initiatives;
3. **Investment Portfolio.** Progressively investigating our investment approach which is mindful of and informative to the potential future organisational position as well the potential impacts to organisational financial and capital forecasts.

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

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

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

6. Communication with shareholders – transparency and accountability

6.1 Genworth's website

Genworth's website (genworth.com.au) provides shareholders with a variety of information resources. This includes information about Genworth's operations, biographies of Directors and the SLT, an investor section with links to annual, half-year and quarterly earnings releases and presentations, public announcements and a share price chart and investment calculator. A Sustainability section provides information on key corporate governance principles and links to Genworth's annual Sustainability report.

6.2 Investor relations program

Open communications

Genworth is committed to accurate and timely communication with its shareholders. We communicate with all shareholders at least five times a year – first and third quarter earnings releases, half-year and full year results announcements including any accompanying dividend payment and notice of our annual general meeting (AGM). Communication methods include information and disclosures on the Genworth website, public releases on the ASX and through media outlets, direct shareholder communications in written form and shareholder meetings and briefings.

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

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

Electronic interactions with shareholders

Genworth seeks to continually improve its online and electronic communications and the functionality of its website. Shareholders have the option to receive and send communications with Genworth and its share registry electronically. As at December 2019, approximately 58% of shareholders had elected to receive all communications electronically including notification of the Annual Report.

Corporate governance statement (continued)

6.3 Continuous disclosure

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

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

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

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

6.4 Participation at shareholder meetings

Genworth has implemented policies and procedures, including the Media and Public Relations Policy and the Disclosure Policy, to assist in facilitating an effective flow of information to shareholders. This approach involves actively encouraging interaction with shareholders and inviting participation at shareholder meetings. The Notice of AGM provides details in relation to items of business, voting rights and explanatory notes. Genworth provides webcast facilities for those shareholders unable to attend the AGM. The appointed auditor for Genworth attends the AGM to respond to any shareholder questions relevant to the audit and corporate reporting for the prior financial year. These may include questions relevant to the conduct of the audit, the preparation of the appointed auditor's report, the accounting policies adopted by Genworth and the independence of the appointed auditor.

Corporate governance statement (continued)

7. Working environment

7.1 Code of conduct – “Integrity First”

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

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

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

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

7.2 A diverse and inclusive workplace

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



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



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



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



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



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

Progress in 2019

In 2019, Genworth made measurable progress against our diversity and inclusion objectives. Key achievements include:

- 44% female representation on the Board as at 31 December 2019 (40% target met);
- 44% female representation on the SLT as at 31 December 2019 (40% target met);
- Gender diverse shortlist of candidates provided for all roles (target of minimum 25% female representation met);
- 79% of people indicated they access flexible work arrangements on a regular basis (17% increase from 2017);
- Primary Carer’s Parental Leave adjusted so can be accessed flexibly;
- Increased Secondary Carer’s Parental Leave from two weeks to three weeks;
- Strong external advocacy and engagement by Senior Leadership Team members on diversity and inclusion matters;
- Australian Insurance Industry Award finalist for excellence in Workplace Diversity and Inclusion;
- Named as an inclusive employer by the Diversity Council of Australia; and
- Awarded Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency for 2019/2020, the fifth consecutive year.

Corporate governance statement (continued)

The following table summarises the proportion of men and women on the Board, in senior executive positions and across the Company as at 31 December 2019 compared to 31 December 2018.

	Board		Senior Leadership Team (CEO and direct reports):		Other management roles (excl. the Senior Leadership Team):		Overall	
	2019	2018	2019	2018	2019	2018	2019	2018
Female	44%	44%	44%	43%	34%	38%	45%	44%
Male	56%	56%	56%	57%	66%	62%	55%	56%



An inclusive and flexible work environment

In 2019, Genworth participated in the Diversity Council of Australia's second Inclusion@YourWork survey. The aim of the survey is to provide participating organisations with the opportunity to measure the experience of their people around workplace inclusion and compare their results with national benchmarks. Creating a diverse and inclusive culture at Genworth is a priority for our business and Genworth is proud to again have been named by the Diversity Council of Australia as an inclusive employer for 2019-2020. Inclusion means feeling respected at work, having a sense of belonging and acceptance, being able to make a contribution that is valued and having equitable access to opportunities in the workplace. An inclusive workplace is consistent with our company value of working as 'one team' whereby everyone feels valued and are able to make their own unique contribution.

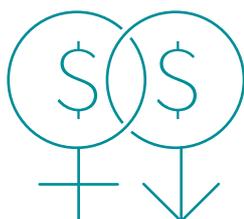
Flexible working is strongly embedded at Genworth with 79% of our people reporting they access flexible working arrangements on a regular basis (17% increase from 2017). Our Senior Leadership Team also role model flexible working. For the past two years Genworth has held a "Flex Work Week" in which we address a number of myths that exist around flexible working and in which everyone is encouraged to trial a flexible work arrangement. Our continued focus on mainstreaming flexible working supports our business to be more agile and enables our people to balance their work/life commitments.

Corporate governance statement (continued)

Pay equity

Every year Genworth undertakes a pay equity analysis. In 2019, Genworth's gender pay gap calculations showed on average a 5% pay gap between men and women (unchanged from 2018). While this difference reflects an opportunity for continuing to progress women's representation at higher levels of the Company (and therefore higher pay levels), these figures compare favourably to Australian averages of a 21.3% total pay gap across all industries; and a 30.3% total pay gap in Financial and Insurance Services. The analysis further showed that when examining pay competitiveness by career band/seniority, women's performing roles of "equal value" to men were not systemically disadvantaged.

On a like-for-like basis comparing remuneration competitiveness of men and women, women and men were paid slightly above the market median for their role.



0%

GENDER PAY GAP ON
LIKE-FOR-LIKE ROLES

Each year, the Board commits to measurable diversity and inclusion objectives against which progress is reviewed. In 2020, Genworth's diversity and inclusion objectives are supported by a number of targets including:

- Continued 40% female representation on the Board (31 December 2021);
- Continued 40% female representation on the SLT (31 December 2021);
- Minimum 40% female representation in other management roles (31 December 2021);
- Minimum 25% female representation on shortlists for all roles;
- Gender balance (50% female representation) on shortlists for all management roles; and
- Reduce our overall gender pay gap to 3% (31 March 2022).

Genworth 

