

# Corporate Governance Statement

Genworth Mortgage Insurance Australia Limited ABN 72 154 890 730 ("Genworth Australia" or the "Company")  
March 2016

## 1. Genworth Australia's Corporate Governance Framework

### 1.1 Introduction

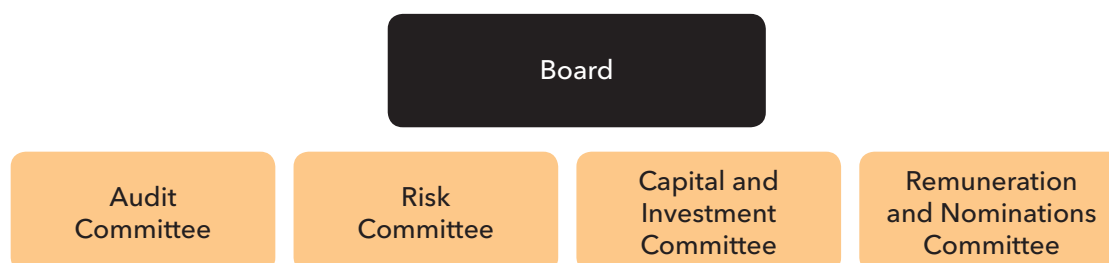
The Company's Board of Directors ("Board") drives an approach to corporate governance which embodies Genworth Australia's core values: heart, integrity and excellence. The approach incorporates a commitment to governance standards, which are viewed as being essential to business performance and sustainability. In this context the Board seeks to improve its governance and risk management frameworks on a continuous basis. This commitment incorporates interactions with the Company's shareholders, customers, employees and regulators.

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

This Corporate Governance Statement has been approved by the Board and is current as of 15 March 2016.

### 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 and 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 and Proper Committee, the Executive Committee and the Disclosure Committee.



## 2. The Board – oversight and responsibility

### 2.1 The Board's key accountabilities

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

The key accountabilities and responsibilities of the Board include:

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

A copy of the Board Charter is available at <http://investor.genworth.com.au> under the Corporate Governance section.

# Corporate Governance Statement

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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 on the Board. As at 15 March 2016, the Board comprised a total of eight directors. Four directors are non-executive directors and four are independent non-executive directors. Biographies of the directors are contained in the Directors' Report which forms part of the Company's 2015 Annual Report ("Directors' Report").

The Shareholder Agreement entered into with Genworth Financial Inc. ("Genworth Financial"), at the time the Company 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

As above, the Company currently has four Independent non-executive directors assessed in accordance with the definition of independence set out in the ASX Recommendations.

As an APRA regulated entity, the Company is required to comply with Prudential Standard CPS 510 Governance with respect to the composition of the Board. CPS 510 provides that where the Company 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 Australia meets those requirements.

It is acknowledged that Recommendation 2.4 of the ASX Recommendations provides guidance relating to the Board having a majority of independent non-executive directors. An important part of Genworth Australia's development has been the extensive experience afforded to it through its Genworth Financial designated directors (see section 2.6 below). The Board is confident it is in a position to effectively discharge its legal obligations and make considered decisions that are in the best interests of the Company 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 Directors' conflicts of interests

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

Directors are required to disclose their personal interests in transactions or arrangements to which Genworth Australia 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. The Company's size, market position, complexity and strategic focus are all factors taken into account. The Company's Fit and 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 the Company's success.

Board skills matrix	
Strategic priorities	Key skills required to achieve strategic priorities
Strengthen market leadership position	<ul style="list-style-type: none"> <li>Financial services</li> <li>Mortgage industry</li> </ul>
Enhance profitability	<ul style="list-style-type: none"> <li>Retail banking</li> <li>Insurance industry</li> </ul>
Optimise capital position and enhance ROE	<ul style="list-style-type: none"> <li>Commercial / Business development</li> <li>Treasury / Capital management / Investment</li> </ul>
Maintain strong risk management discipline	<ul style="list-style-type: none"> <li>Actuarial</li> <li>Financial / accounting</li> </ul>
Continue to work with regulators, rating agencies and other industry participants	<ul style="list-style-type: none"> <li>Technology</li> <li>Operations / process management</li> <li>Human Resources</li> <li>Legal / regulatory</li> <li>Corporations Act / ASX Listing Rules</li> <li>Risk Management</li> <li>Board experience</li> <li>International experience</li> <li>Corporate governance</li> </ul>

## 2.6 Appointment process for Directors

### Electing independent directors

The Board, through the Remuneration and 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 and 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 the Company'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 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 (the Company'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 in the Company'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 the Company'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 the Company'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 the Company'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 the Company.

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 the Company that a designated director who is either an independent non-executive director or a member of the Company's senior management team is no longer its designee.

A designee who is appointed as a director of the Company 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 the Company 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 Company 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 the Company's shares, it has the right to appoint or remove the CEO.

## 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 the Company's expense, to assist with discharging their duties efficiently;
- The right of access to management and Genworth Australia records; and
- The requirement to abide by Genworth Australia's Code of Conduct and comply with the Company's Disclosure and Trading Policies.

The Company enters into Deeds of Access and Indemnity with directors as part of the appointment process.

## Tenure

The maximum tenure of directors is 9 years from the date of first election by shareholders. The Board may exercise its discretion to extend the tenure where it considers that this would be in the best interests of the Company. This is subject to the ASX Listing Rules, the ASX Recommendations and the Company's Constitution. 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 all material information in the Company'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 Australia'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 Australia 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)

## 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, authorities, tenure and responsibilities and is reviewed periodically by the Board.

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 and Nominations Committee

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

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

- Review the Committee charter and the remuneration policy at least triennially or more frequently as required and recommend changes, if any, to the Board;
- Review and recommend to the Board all remuneration proposals (e.g. fixed and incentive remuneration) for the CEO, other key leaders of the Company and any other person or groups of people required by APRA;
- Review and recommend to the Board remuneration proposals in aggregate (e.g. fixed and incentive remuneration) for any groups of people required by APRA and for the Company overall;
- Review recruitment, retention and termination policies generally;
- Review and recommend to the Board all payments on termination for all current and former (within the three years prior to termination) directors and key leaders in any of the three years preceding their respective termination;
- Review and recommend to the Board salary increase budgets and incentive 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 non-executive directors and the remuneration pool to be recommended to shareholders;
- Recommend the annual Remuneration Report to the Board for approval and inclusion in the Company's Annual Report; and
- Annually review and make recommendations to the Board on the Company's Diversity Policy, diversity generally within the Company, measurable objectives for achieving diversity and progress in achieving such objectives.

The current members of the Remuneration and Nominations Committee are Mr Ian MacDonald (Committee chairman), Mr Anthony Gill and Mr Leon Roday.

The Remuneration and Nominations Committee met seven times during 2015 and member attendance at each meeting is shown in the Directors' Report.

The Remuneration and Nominations Committee Charter is available at <http://investor.genworth.com.au> under the Corporate Governance section.

## Risk Committee

The role of the Risk Committee is to assist the Board in its review and oversight of the implementation and ongoing operation of Genworth Australia's risk management framework, including recommending the adoption of policies and procedures on risk management to effectively identify, assess, monitor and manage risk. 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 the APRA-regulated institution's overall current and future risk appetite and risk management strategy;
- Establish an institution-wide view of the institution'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 the institution's activities; and
- Review the performance and objectives of the institution's Chief Risk Officer ("CRO"), and ensuring the CRO has unfettered access to the Board and the Committee.

The current members of the Risk Committee are Ms Gayle Tollifson (Committee chairman), Mr Anthony Gill, Mr Ian MacDonald and Mr Samuel Marsico.

The Risk Committee met seven times during 2015 and member attendance at each meeting is shown in the Directors' Report.

The Risk Committee Charter is available at <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 Australia'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 the Company;
- 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, Mr Ian MacDonald and Mr Jerome Upton.

The Audit Committee met seven times during 2015 and member attendance at each meeting is shown in the Directors' Report.

The Audit Committee Charter is available at <http://investor.genworth.com.au> under the Corporate Governance section.

# Corporate Governance Statement (continued)

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

### 2.8. Committees (continued)

#### 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 Company's Internal Capital Adequacy Assessment Process and investment mandates.

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

- Set and review the capital and investment objectives in accordance with Genworth Australia'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 and Investment Committee are Mr Anthony Gill (Committee chairman), Mr Ian MacDonald, Ms Gayle Tollifson and Mr Jerome Upton.

The Capital and Investment Committee met seven times during 2015 and member attendance at each meeting is shown in the Directors' Report.

The Capital and Investment Committee Charter is available at <http://investor.genworth.com.au> under the Corporate Governance section.

Additionally, the Company has a Fit and Proper Committee and a Disclosure Committee. The Fit and 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 the Company 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 Australia'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 the Company. 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 the Company's 2015 Annual Report ("Remuneration Report").



### 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 Executive KMP employment agreements is contained in the Remuneration Report.

All members of the Senior Leadership Team are required to comply with the Company's Fit and Proper Policy with respect to their skills, experience and integrity. Each member of the Senior Leadership Team is assessed in accordance with the Company's Fit and 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 the Company'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

The Company'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 period have been properly maintained in accordance with the Corporations Act, that the notes for the financial period comply with the accounting standards and give a true and fair view of the financial position and performance of the entity. Opinions are formed on the basis of a sound system of risk management and internal control. Management reporting is provided to the CEO and CFO to help inform them of this opinion, and the directors approve the financial statements on that basis.

## 4. Remuneration - performance and shareholder value

### 4.1 Remuneration practices

Genworth Australia's Remuneration Policy incentivises behaviour consistent with the Company'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 the Company is subject. Remuneration practices for Directors and the Senior Leadership Team are overseen by the Board, through the Remuneration and Nominations Committee.

Remuneration practices for directors and Executive KMP are set out in the Company's Remuneration Report. Genworth Australia's remuneration practices are consistent between Executive KMP and other Senior Leadership Team members. The Remuneration Report for the 2015 financial year will be put to shareholders at the 2016 Annual General Meeting.

### 4.2 Performance evaluation of Directors

#### Overview

Board performance and skills are assessed annually in accordance with the Company'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.

# Corporate Governance Statement (continued)

## 4. Remuneration - performance and shareholder value (continued)

### 4.2 Performance evaluation of Directors (continued)

The Remuneration and Nominations Committee facilitates the Board's review of each director's performance. The Chair 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 Chair of the Remuneration and Nominations Committee provide feedback. External independent advisers are engaged as deemed appropriate by the Remuneration and Nominations Committee. The involvement of an independent third party has assisted in ensuring the evaluation process is rigorous, fair, and facilitates continuous improvement.

A performance evaluation of the Board, its Committees and individual directors was carried out in 2015 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 Company 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 the Company's core competencies 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 the Company's Business Plan, reflect the individual's overall accountabilities and are consistent with Genworth Australia's corporate culture.

Performance measures are 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 2015.

### 4.4 Equity based remuneration scheme

To provide long term incentives linked to enhancing shareholder value, certain senior employees may be eligible to attain rights to equity in the Company under the Genworth Australia 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 and 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 the Company or its shareholders in any way. Employees participating in the Rights Plan are required to comply with the Share Rights Plan rules and the Company's Trading Policy.

## 5. Risk Management – sustainable business practices

### 5.1 Risk and Capital Management Framework

Genworth Australia's Risk and Capital Management Framework comprises the totality of the systems, processes, policies, and people utilised to identify, measure, monitor, 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 the Company 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 the Company's obligations under the Shareholder Agreement with Genworth Financial, which requires the Company 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 the Company'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 Australia's corporate reporting and overall risk management framework.

Annual reviews consider matters such as the framework's effectiveness in managing risk, the risk appetite's alignment to the Company'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 2015 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.



# Corporate Governance Statement (continued)

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

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

#### Risk Management Framework

##### Risk culture

Risk Culture forms the cornerstone of the way Genworth Australia conducts business. Genworth Australia’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 the Company and its current and forecast capital position, with clearly defined and articulated roles and responsibilities.

##### Risk appetite statement

The Company’s risk appetite is articulated in a risk appetite statement reflective of the Company’s appetite for risk. The risk appetite statement defines the principles under which risk is assessed and managed, defines the outcomes the Company is willing to accept over the medium term, and is aligned to the strategic objectives of the business.

##### The three lines of defence

Genworth Australia operates a ‘three lines of defence’ approach to risk management that drives 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, 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 the Company 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. The Company’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 effectively 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.

## Capital Management Framework

### Internal Capital Adequacy Assessment Process

The overarching goal of Genworth Australia's approach to capital adequacy and management is to ensure there is sufficient capital to support Genworth Australia'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 the Company's specified risk appetite.

### Internal capital modelling process

As part of its Internal Capital Adequacy Assessment Process, Genworth Australia uses a risk-based approach to estimating the level of capital required to support the risks being taken in delivering its strategic objectives, in other words 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 the Company's business plan, multi-year plan and insurance liability projections. The Company'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 Australia's stress testing program is to estimate the extent of losses and the resultant capital impact that could emerge from the Genworth Australia portfolio in various economic scenarios.

### Target capital buffers

As the quantum of the capital requirements and capital bases are dynamic, the Company 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 problems 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 the Company as part of its overall risk management practices. Whilst the Company 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 the Company's impact on society and the environment. Regular consideration of potential risks enables risk mitigation activities to be devised where required.

The Company 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, the Company 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 the Company's approach to economic sustainability please see the Company's Operating and Financial Review contained in the Directors' Report.

## Corporate Governance Statement (continued)

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### 6. Communication with shareholders - transparency and accountability

#### 6.1 Genworth Australia's website

Genworth Australia's website ([genworth.com.au](http://genworth.com.au)) provides shareholders with a variety of information resources. This includes information about the Company'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 Australia is committed to accurate and timely communication with its shareholders. Communication methods include information and disclosures on the Company website, public releases on ASX and through media outlets, direct shareholder communications in written form and shareholder meetings and briefings.

The Company has set standards in respect of its approach to media and public relations, which are set out in the Company'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 <http://investor.genworth.com.au> under the Corporate Governance section.

Shareholders and investors can directly raise any queries on the Company's investor relations program by contacting the Company 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 the Company and its share registry electronically.

#### 6.3 Continuous disclosure

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

Genworth Australia has a Disclosure Policy to ensure that the Company complies with its continuous disclosure obligations and manages other communications with the media and financial markets. The Disclosure Policy recognises the Company'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.

The Company's Disclosure Committee is responsible for overseeing the Company's disclosure controls, procedures and practices.

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

#### 6.4 Participation at shareholder meetings

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

The Notice of 2016 Annual General Meeting provides details in relation to items of business, voting rights and explanatory notes. The Company's appointed auditor will attend the 2016 Annual General Meeting to respond to any shareholder questions relevant to the audit and corporate reporting for the 2015 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 the Company and the independence of the appointed auditor.

## 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 Australia.

The Board has adopted 'Integrity First' (GFI's Code of Ethics) as the Company's Code of Conduct. It sets out the Company's commitment to preserving high levels of integrity and ethical standards in its business practices. The Code of Conduct sets out the standards of behaviour expected of directors, employees and contractors (as well as various other stakeholders). Issues addressed by the Code 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 Australia requires all directors, employees and contractors to ensure their behaviours, decisions and choices are conducted in accordance with all applicable laws and regulations. Genworth Australia's commitment to ensuring an effective culture exists is reflected in the annual training completed by all stakeholders.

A copy of the Code of Conduct is available at <http://investor.genworth.com.au> under the Corporate Governance section.

### 7.2 Diversity

Genworth Australia 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.

In 2015, the Company established a Diversity Council to promote a diverse and inclusive workplace. The Diversity Council has an oversight, advisory and advocacy role for achieving the company's diversity goals and is chaired by a member of the Senior Leadership Team.

Genworth Australia's commitment to diversity 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 2015, Genworth Australia was recognised by the Workplace Gender Equality Agency (WGEA) as an Employer of Choice for Gender Equality. Genworth Australia 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 2016, there will be a focus on 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; and
- Implement mainstream flexible working arrangements to increase business agility and facilitate a diverse range of lifestyles.

The targets established to support these objectives include:

- 30% female representation on the Board by 2018
- Continued strong female representation (minimum 30%) on the Senior Leadership Team
- 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 15 March 2015:

	Female	Male
Board	1 (13%)	7 (87%)
Senior Leadership Team (CEO and direct reports)	3 (43%)	4 (57%)
Other management roles (excluding the Senior Leadership Team)	21 (30%)	48 (70%)
Overall	126 (46%)	148 (54%)