

Quality-led care.

Corporate Governance Statement
2015

Corporate Governance Statement

This Corporate Governance Statement sets out the key features of Healthscope's governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (ASX Principles and Recommendations).

The Board is committed to conducting Healthscope's business in accordance with high standards of corporate governance and with a view to creating and delivering value for Healthscope's shareholders.

To this end, the Board has adopted a system of internal controls, risk management processes and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of Healthscope.

Throughout FY15, Healthscope's governance arrangements were consistent with the ASX Principles and Recommendations, except in relation to the requirement that the Board comprise a majority of independent directors, as explained further below.

In accordance with the ASX Principles and Recommendations, the Healthscope policies and charters referred to in this statement are available in the *Investor Centre* on Healthscope's website.

This Corporate Governance Statement is current as at 21 September 2015 and has been approved by the Board of Healthscope.

The role of the Board

The Board is responsible for the overall governance of Healthscope including overseeing and appraising Healthscope's strategies, policies and performance and reporting to shareholders.

The Board delegates to the CEO and senior management matters involving the implementation of corporate strategy and management of Healthscope's day-to-day activities.

The Board has adopted a Charter which sets out the Board's role, powers and duties and establishes the functions reserved for the Board and those which are delegated to management.

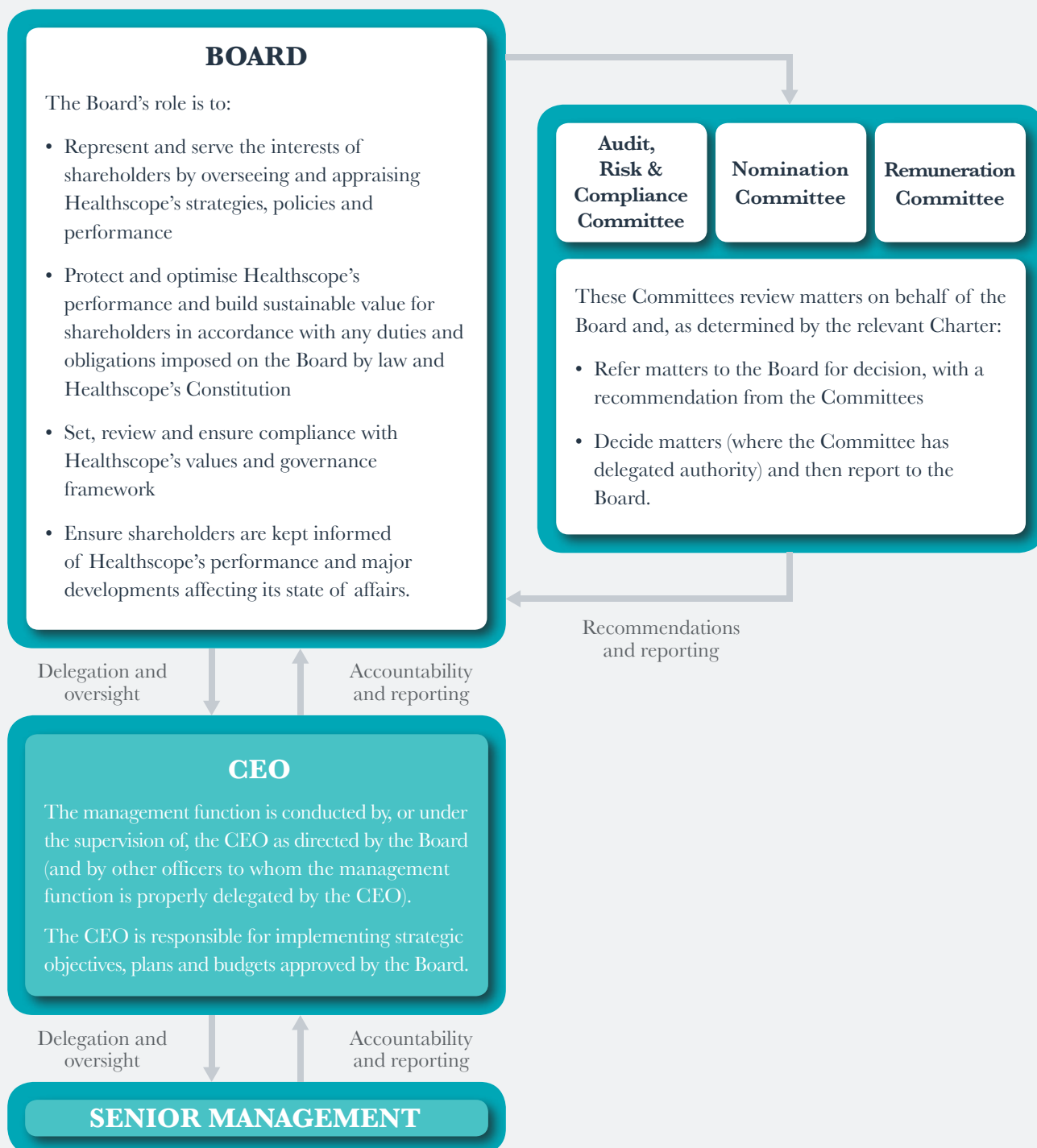
The Board's responsibilities as set out in the Board Charter include:

- Selecting, appointing, removing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the CEO

- Contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets
- Reviewing, ratifying and monitoring systems of risk management and internal control, ethical and legal compliance
- Monitoring corporate performance and implementation of strategy and policy
- Approving major capital expenditure, acquisitions and divestitures, and monitoring capital management
- Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting
- Developing and reviewing corporate governance principles and policies.

The diagram overleaf summarises Healthscope's governance framework and the functions reserved for the Board in accordance with the Board Charter.





Board and Committee Charters and the Company's Constitution are available in the **Investor Centre** on Healthscope's website.

Chairman's appointment and responsibilities

Under Healthscope's Constitution, the Board selects the Chairman from the Directors. The Chairman leads the Board and is responsible for the efficient organisation and effective function of the Board. She ensures that Directors have the opportunity to contribute to Board deliberations.

Board composition

Board composition is determined in accordance with Healthscope's Constitution (which provides that the Board must comprise of a minimum three and a maximum of eight Directors), the Board Charter and the Nomination Committee Charter.

The Board currently comprises three independent Non Executive Directors, two Non Executive Directors who are not independent and one Executive Director (the Managing Director and CEO). Further discussion on the Board's assessment of independence is set out below.

Director	Position	Independent?
Paula Dwyer	Non Executive Chairman	YES
Robert Cooke	Managing Director and CEO	NO
Tony Cipa	Non Executive Director	YES
Aik Meng Eng	Non Executive Director	NO
Simon Moore	Non Executive Director	NO
Rupert Myer AO	Non Executive Director	YES

Director independence

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment.

The Board has adopted guidelines, set out in the Board Charter, which are used to guide independence assessments and are based on the definition of independence listed in Box 2.3 of the ASX Principles and Recommendations.

In accordance with these guidelines, the Board generally considers a Director to be independent if they are not members of management and they:

- Are not employed, or if they have been previously employed in an executive capacity by the Company or another group member, there has been a period of at least three years between ceasing such employment and serving on the Board
- Have not within the last three years been a partner, director or senior employee of a provider of material professional services to the Company or another group member
- Have not within the last three years been in a material business relationship (eg as a supplier or customer) with the Company or other group member or an officer of or otherwise associated directly or indirectly someone with such a relationship
- Are not a substantial shareholder of the Company, or officer of, or otherwise associated directly or indirectly with, a substantial shareholder of the Company
- Have no material contractual relationship with the Company or another group member, other than as a director of the Company
- Do not have close family ties with any person who falls within any of the categories described above
- Have not been a director of the entity for such a period that his or her independence may have been compromised
- Are free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Board considers the materiality of a director's interests, position, association or relationship on a case by case basis.

Having regard to these criteria, the Board considers that three of the six members of the Board, Paula Dwyer, Tony Cipa and Rupert Myer, are independent. The Board considers that Aik Meng Eng and Simon Moore are not independent on the basis that:

- Mr Eng is a senior advisor to TPG, a substantial shareholder of Healthscope, and was nominated as a Director by TPG
- Mr Moore is employed in the role of Managing Director by The Carlyle Group, a substantial shareholder of Healthscope, and was nominated as a Director by The Carlyle Group.

Robert Cooke, being the Managing Director and CEO, is also not independent.

While the Board does not currently comprise a majority of independent directors, the Company is satisfied that the Board operates independently of management and is highly effective in promoting the best interests of shareholders as a whole.

In particular, the Board considers that Aik Meng Eng and Simon Moore add significant value to the Board given their considerable experience and skills and bring objective and independent judgment to the Board's deliberations.

Skills and diversity of the Board

Together, Healthscope's Directors have a broad range of financial and other skills, extensive experience and knowledge.

The following table sets out the skills, experience and diversity of the Directors in office as at the date of this statement.

Category	Number of Directors
Skills and experience	
Leadership in CEO or senior executive capacity	4
Strategy and development	6
Financial acumen	6
Governance, risk and compliance	6
Information technology	1
People	5
Remuneration	5
Corporate sustainability	3
Public policy	4
Healthcare industry experience	4
International experience	6
Capital Projects	6
Gender	
Female	1
Male	5

*The skills, experience and expertise of each Director, including current and former directorships and length of service, are set out in more detail in the biographies on pages 14 and 15 of the **Annual Report**.*

Tenure

Under Healthscope's Constitution, and as required by the ASX Listing Rules, a Director must not hold office (without re-election) past the third Annual General Meeting following the meeting at which the Director was last elected or re-elected. Directors who retire in accordance with this requirement are eligible for re-election. When a vacancy is filled by the Board during a year, the new Director must stand for election at the next Annual General Meeting. The requirements relating to retirement from office do not apply to the CEO.

Each Director's suitability for re-election will be considered on a case-by-case basis, having regard to individual performance.

Director selection and succession planning

Board succession planning is based on the objective that the Board comprise directors with a broad range of skills, expertise and experience from a range of backgrounds, including gender.

A brief overview of the process for the selection and appointment of new Directors is set out overleaf.



Process	Explanation
Policy in relation to selection and appointment of new directors	- Factors to be considered when reviewing a potential Director candidate include the skills, experience, expertise and personal qualities that will best complement Board effectiveness, the existing composition of the Board, the capability of the candidate to devote the necessary time and commitment to the role and potential conflicts of interest. - The identification of potential director candidates may be assisted by the use of external search organisations as appropriate. Appropriate background checks are conducted before appointing a Director or putting a candidate forward to shareholders.
Nomination Committee recommendation	The Nomination Committee has responsibility for making recommendations to the Board on matters such as succession plans for the Board and suitable candidates for appointment to the Board.
Appointment	- An offer of a Board appointment must be made by the Chairman only after having consulted all Directors, with any recommendations from the Nomination Committee having been circulated to all Directors. - At the time of appointment of a new Non Executive Director, the key terms and conditions relevant to that person's appointment are set out in a letter of appointment. All current Non Executive Directors have been provided with a letter setting out the terms of their appointment.
Shareholder communications	When candidates are submitted to shareholders for election or re-election, Healthscope includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate.



Induction and ongoing professional development opportunities

The Nomination Committee is responsible for ensuring that an effective director induction process is in place, and for regularly reviewing its effectiveness.

The induction process includes meetings with executives and management, the provision of materials such as strategic plans and core corporate governance policies, site visits to some of Healthscope's key facilities and meetings with other Directors.

In FY15, each of the Non Executive Directors undertook an induction process.

The Company also offers appropriate professional development opportunities for Directors to ensure that they are kept up to date with developments in the industry both locally and at an international level.

Management, together with external industry experts, brief the Board on relevant industry, regulatory and legal developments.

Conflicts of interest

In accordance with Healthscope's Constitution and the Corporations Act 2001 (*Cth*), Directors are required to declare the nature of any material personal interest they have in relation to matters that are before the Board. Except as permitted by the Corporations Act, Directors with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

Access to information and independent advice

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chairman, at Healthscope's expense.

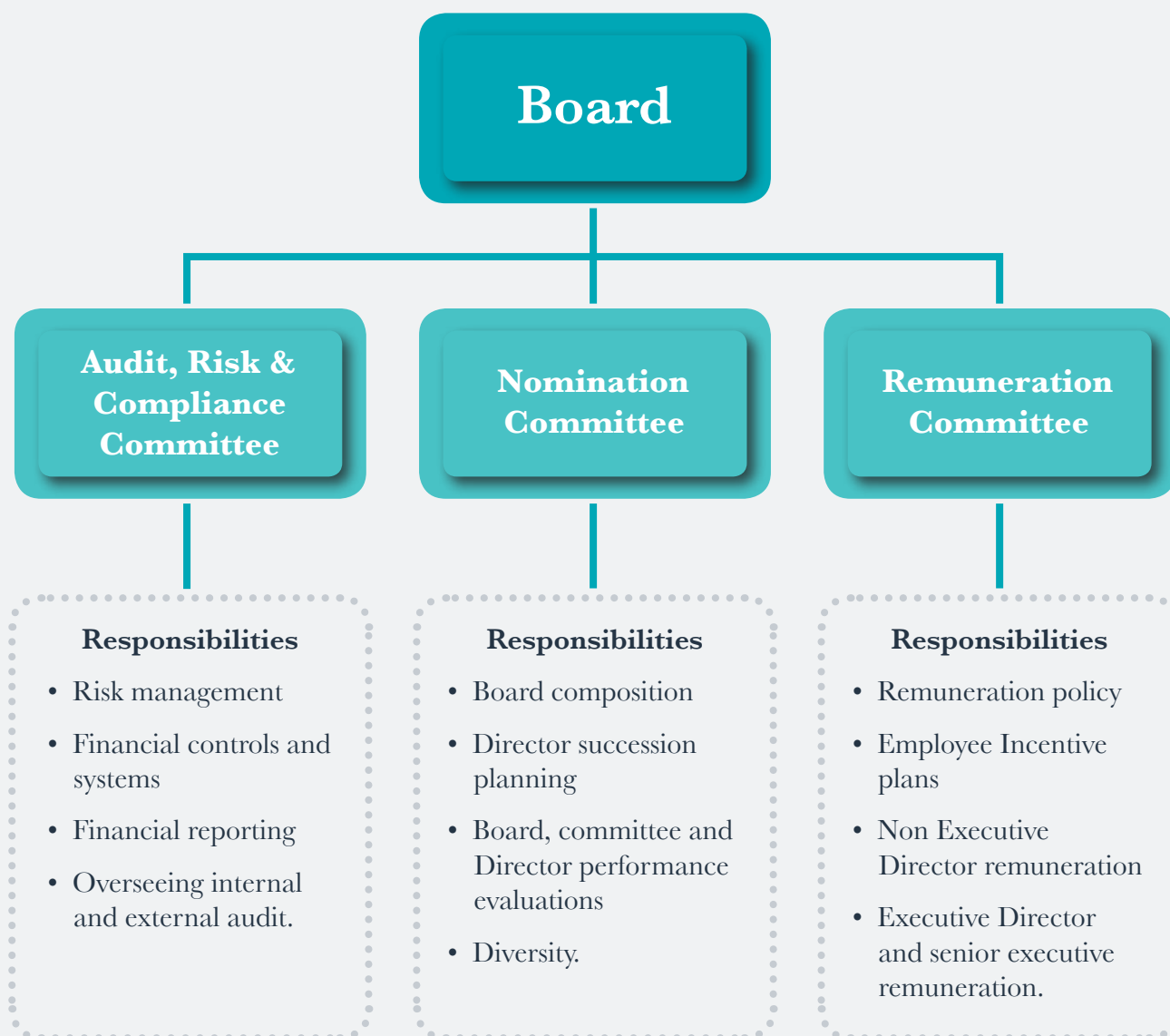
The Company Secretary, who is accountable to the Board through the Chairman, provides advice and support to the Board and is responsible for all matters to do with the proper functioning of the Board.

Board Committees

The Board from time to time establishes Committees to streamline the discharge of its responsibilities.

The permanent standing Committees of the Board, and their key responsibilities, are set out in the diagram overleaf. All standing Committees have a formal Charter which sets out their role and responsibilities, membership requirements and administrative matters.





*The qualifications and experience of each Committee member are set out on pages 14 and 15 of the **Annual Report**. Details of the number of Committee meetings Directors attended during the reporting period are set out on page 22 of the **Annual Report**.*

Audit, Risk & Compliance Committee

Composition and role

Under the Audit, Risk & Compliance Committee Charter, the Committee must consist of:

- Only Non Executive Directors
- A majority of independent directors
- An independent Chair, who is not Chair of the Board
- A minimum of three members of the Board.

The current members of the Audit, Risk & Compliance Committee are:

Director	Position
Tony Cipa	Chair
Simon Moore	Member
Rupert Myer AO	Member

The Committee met twice during FY15.

The Committee's key responsibilities include oversight of:

- The Company's relationship with the external auditor and the external audit function generally
- The Company's relationship with the internal auditor and the internal audit function generally
- The preparation of financial statements and reports
- The process for identification and management of financial risk.

The Committee has rights of access to management and auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

Minutes of meetings of the Committee are kept by the Company Secretary and, after approval by the Committee chair, are presented at the next Board meeting.

Responsibilities in relation to the external audit

Healthscope's external auditor is Deloitte. The Audit, Risk & Compliance Committee provides a link between the external auditors, the Board and management.

It also has the responsibility (subject to Corporations Act requirements) for the appointment and remuneration of the external auditor, as well as for evaluating its effectiveness and independence.

The Board has approved a policy on non-audit services provided by the external auditor which clearly sets out the type of non-audit services which are prohibited because they would create a real or perceived threat to the independence of the external auditor.

The Independence Declaration by the external auditor is set out on page 49 of the Annual Report. The Committee's role in relation to the internal audit function is discussed on page 11.

Nomination Committee

Composition and role

Under the Nomination Committee Charter, the Committee must consist of:

- A minimum of three members
- A majority of independent directors
- An independent director as chair.

The current members of the Nomination Committee are:

Director	Position
Paula Dwyer	Chair
Tony Cipa	Member
Simon Moore	Member
Aik Meng Eng	Member
Rupert Myer AO	Member

The Committee met on one occasion during FY15.

The Nomination Committee has a formal Charter which sets out its role and responsibilities, composition, structure and membership requirements.

The Committee makes recommendations to the full Board on the size and composition of the Board and the criteria for Board membership, assists the Board as required in relation to the performance evaluation of the Board, its committees and individual directors and is responsible for oversight of the Diversity Policy and reviewing diversity metrics.

Remuneration Committee

Composition and role

Under the Remuneration Committee Charter, the Remuneration Committee must consist of:

- Only Non Executive Directors
- A minimum of three members
- A majority of independent directors
- An independent director as Chair.

The current members of the Remuneration Committee are:

Director	Position
Rupert Myer AO	Chair
Tony Cipa	Member
Aik Meng Eng	Member

The Committee met on four occasions during FY15.

The role of the Remuneration Committee is to review key aspects of Healthscope's remuneration structure and arrangements and make recommendations to the Board. For example, the Remuneration Committee reviews and recommends:

- Remuneration arrangements for the executive directors and the executives reporting to the CEO (including annual remuneration and participation in incentive plans)
- Major changes and developments to employee incentive plans
- Remuneration arrangements for Non Executive Directors.

Performance evaluation and remuneration

Performance evaluation process

The Company has established performance evaluation processes for the Board, Committees, individual Directors and senior executives. These are summarised below.

- **Board, Committees and Directors:** On an annual basis, Directors provide written feedback in relation to the performance of the Board, its Committees and individual Directors. The CEO will also provide feedback from senior management in connection with any relevant issues. Feedback will be discussed by the Board, and consideration given as to whether any

steps should be taken to improve performance. Where appropriate, assistance may be obtained from third party advisers.

- **CEO and senior executives:** The CEO undertakes annual performance reviews with the senior leadership team, with specific focus on performance against set objectives. At this time, performance objectives for the coming year are also established. The terms of the employment of Healthscope's senior executives are set out in an employment contract. The performance evaluation process is conducted having regard the expectations and responsibilities associated with the executive's role, as well as any relevant contractual provisions.

Performance evaluations took place in FY15 in accordance with the processes described above.

Remuneration

Remuneration of Non Executive Directors

Other than Mr Eng and Mr Moore, who have waived their right to fees, the Non Executive Directors receive a fixed amount of fees for their services, determined having regard to:

- The level of fees paid to Non Executive Directors of other major Australian companies
- The size and complexity of Healthscope's operations
- The responsibilities and work requirements of Board members.

They do not receive any variable or "at-risk" remuneration or other performance related incentives.

Remuneration of Senior Executives

The principles that guide Healthscope's executive remuneration policy are that:

- Remuneration structures are equitable and aligned with the long-term interests of Healthscope and its shareholders
- Remuneration structures are designed to attract and retain skilled senior executives
- Short and long term incentives are challenging and linked to the creation of sustainable shareholder returns
- Any termination benefits are justified and appropriate.

These principles ensure that the level and composition of remuneration is appropriate, and also that there is a clear link between pay and performance.

In addition, under Healthscope's Policy for Dealing in Securities (discussed in further detail below), senior executives are not permitted to hedge their exposure in respect of vested or unvested equity-based awards they receive as part of their remuneration.

*Further information relating to the remuneration of Healthscope's Non Executive Directors and Key Management Personnel is set out in the Remuneration Report on pages 36-47 of the **Annual Report**.*

Risk framework

Risk identification and management

The Audit, Risk & Compliance Committee assists the Board with regard to oversight of Healthscope's risk management practices by reviewing and reporting to the Board that:

- Healthscope's ongoing risk management program effectively identifies all areas of potential risk
- Adequate policies and procedures have been designed and implemented to manage identified risks
- A regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies
- Proper remedial action is undertaken to redress areas of weakness.

In line with the ASX Principles and Recommendations, Healthscope's risk management framework is reviewed annually in accordance with the Audit, Risk & Compliance Committee Charter. The review undertaken during the year by the Audit, Risk & Compliance Committee confirmed that the Healthscope's framework is consistent with the Standard AS/NZS ISO 31000:2009 Principles and Guidelines for Risk Management.

To further strengthen Healthscope's risk management process, a Head of Assurance has been recently appointed who is responsible for standardising the approach to financial, strategic, emerging, clinical, operational, safety, environmental and legal risks.

Internal audit

Healthscope has an internal audit function that assists the Board by undertaking an objective evaluation of Healthscope's internal control framework.

The internal audit function has a direct reporting line to the Audit, Risk & Compliance Committee which is responsible for the review, appointment and dismissal of the senior internal audit executive.

This Committee approves and reviews the results and effectiveness of the internal audit program and has the opportunity to meet with the internal auditor without

management being present.

Business and sustainability risks

Healthscope is committed to the long term sustainability of its operations. As Healthscope strives to deliver strong healthcare and business outcomes, the Board understands that Healthscope's strategy must be executed in a responsible, ethical and sustainable way. Healthscope's sustainability framework focuses on four key areas:

- Patient safety and quality
- People
- Giving back to the communities within which it operates
- Environmental sustainability.

More information about Healthscope's sustainability framework and performance is provided in Healthscope's 2015 Sustainability Report which is available in the Sustainability section of Healthscope's website. Information about Healthscope's material exposure to economic, environmental and social sustainability risks, and how it manages those risks, is disclosed on pages 30 and 31 of the Operating and Financial Review in the Annual Report (see the 'Material Business Risks' section).

Chief Executive Officer and Chief Financial Officer declaration

The CEO and the CFO give a declaration to the Board that, in their opinion, Healthscope's financial records have been properly maintained and the financial reports comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Healthscope, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO and the CFO gave this declaration to the Directors for the half year ended 31 December 2014, and the full year ended 30 June 2015.

Governance policies

Diversity at Healthscope

Healthscope recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity - diversity drives Healthscope's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality services to its patients and continue to grow the business.

The Board has formally approved a Diversity Policy in order to address the representation of women in senior management positions and on the Board, and to actively

facilitate a more diverse and representative management and leadership structure.

The Policy specifically provides that each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior management level.

Measurable objectives in FY16

The Board adopted the following measurable objectives in FY15 that will apply throughout FY16 and will report its performance against these objectives in next year's Corporate Governance Statement:

- Achieve 30% female directors appointed to the Board by 31 December 2018.
- Maintain the female participation rates in Healthscope's key leadership development programs at no less than 50% in FY16.
- Achieve at least 50% female representation amongst short listed candidates for senior management recruitment in FY16, with a long term goal to achieve 50% female representation at the senior management level.

Significant achievements during FY15 include the approval of Healthscope's Diversity Policy that sets the vision for diversity across the organisation including gender diversity and specifically, the representation of women at a Board and senior management level.

Diversity data

The following table shows the representation of men and women at Healthscope as at May 2015:

Level	Proportion of	
	Men	Women
Board	85%	15%
Senior Management	55%	45%

For the purpose of this analysis, Healthscope has defined "senior management" as Healthscope's National Executive (including all direct reports to the CEO), as well as all Australian-based direct reports to members of the National Executive (which includes Hospital General Managers, regional pathology and medical centre division managers and senior corporate managers.)

More information on Healthscope's gender diversity is available in Healthscope's most recent *Workplace Gender Equality Report* which can be accessed in the **Sustainability section** of Healthscope's website.

Healthscope's **Diversity Policy** is available in the Investor Centre on Healthscope's website.

Conduct and ethics

Healthscope is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct which outlines how Healthscope expects its representatives to behave and conduct business in the workplace.

The Code is designed to:

- Promote a high level of professionalism and provide a benchmark for ethical and professional behaviour throughout Healthscope
- Promote a healthy, respectful and positive workplace and environment for all employees
- Support Healthscope's business reputation and corporate image within the wider community
- Make employees aware of the consequences of breach.

Healthscope's **Code of Conduct** is available in the Investor Centre on Healthscope's website.

Policy for dealing in securities

Healthscope has adopted a Policy for Dealing in Securities which is intended to explain the types of dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects Healthscope, its Directors and employees against the misuse of unpublished information which could materially affect the value of securities.

The Policy applies to all Directors, officers, senior executives and employees of Healthscope and its related bodies corporate and their connected persons.

The Policy provides that relevant persons must not deal in Healthscope's securities:

- When they are in possession of price-sensitive information
- On a short-term trading basis
- During trading blackout periods (except in exceptional circumstances).

Otherwise trading will only be permitted in trading windows or in all other periods by:

- Directors with prior written approval from the Chairman
- The Chairman of the Board with prior written approval from the Chairman of the Audit, Risk & Compliance Committee

- Senior executives with prior written approval from the CEO.

The trading windows under the Policy are:

- The four week period commencing at 10.00am on the next trading day after the announcement to ASX of half yearly results
- The four week period commencing at 10.00am on the next trading day after the announcement to ASX of the preliminary final statement or full year results
- The four week period commencing at 10.00am on the next trading day after the holding of the Annual General Meeting
- Any period that the Company has a current prospectus or other form of disclosure document on issue under which persons may subscribe for securities
- Any other period the Board determines.

Breaches of the Policy are treated seriously and may lead to disciplinary action being taken against the executive, including forfeiture of securities and/or suspension or termination of employment.

*Healthscope's **Policy for dealing in securities** is available in the Investor Centre on Healthscope's website.*

Continuous disclosure

Healthscope is committed to complying with its disclosure obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of Healthscope's securities.

Recognising the importance of these obligations, Healthscope has taken a number of steps to ensure compliance, including:

- The adoption of a Continuous Disclosure Policy by the Board
- The establishment of a Disclosure Committee which has primary responsibility for compliance with the continuous disclosure obligations. The Disclosure Committee is constituted by the CEO, CFO, and the Company Secretary (or their delegates)
- The provision of training on continuous disclosure obligations to Directors and senior executives.

*Healthscope's **Continuous Disclosure Policy** is available in the Investor Centre on Healthscope's website.*

Communications with shareholders

Healthscope's policy is to promote effective two-way communication with shareholders so that they are kept informed of all major developments affecting the state of affairs of Healthscope.

Healthscope also has in place an investor relations program to facilitate communication with investors (see overleaf).



Website	One of Healthscope's key communication tools is its website located at www.healthscope.com.au. Important information about Healthscope can be found under the Investor Centre on its website. The website also contains a facility for shareholders to direct inquiries to Healthscope.
Annual reporting	Healthscope's Annual Report is available on its website and contains important information about the Company's activities and results for the previous financial year. Shareholders can elect to receive the Company's Annual Report as an electronic copy or in hard copy through the mail.
Company announcements	All ASX announcements, including annual and half year financial results, are posted on the Company's website as soon as they have been released by the ASX.
Annual General Meeting	Healthscope places the full text of all notices of meetings and explanatory material on its website. Healthscope encourages shareholders to provide email addresses so that notices of meeting and explanatory material can be sent to shareholders electronically. Healthscope encourages full participation of shareholders at its AGM each year. For those shareholders who are unable to attend in person, Healthscope webcasts on its website its AGMs and provides a full transcript of the Chairman's and the CEO's speeches on its website. Shareholders are encouraged to lodge direct votes or proxies electronically, subject to the adoption of satisfactory authentication procedures. Deloitte, Healthscope's external auditor, attends the AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Deloitte also has a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.
Investor relations	To encourage two-way communication, Healthscope provides a telephone helpline facility and an online email inquiry service to assist shareholders with any queries. Information is also communicated to shareholders via periodic mail outs, or by email to shareholders who have provided their email address.

*Healthscope's **Communications Strategy** is available in the Investor Centre on Healthscope's website.*