

ASX Announcement

28 October 2020

Australian Unity Limited – Chair and Group Managing Director Address

Please find **attached** the Chair and Group Managing Director's addresses for Australian Unity Limited's Annual General meeting, as held today.

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This announcement has been authorised for distribution to the ASX by:

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The listing of Australian Unity Securities on the ASX does not affect Australian Unity Limited's status as a mutual organisation

Australian Unity Annual General Meeting

28 October 2020



Peter Promnitz, Chair

Good afternoon and welcome to the 2020 Annual General Meeting of Australian Unity Limited.

My name is Peter Promnitz. I am the Chair of the Company and of this meeting.

As we gather for this AGM today, physically dispersed but virtually connected, let us reflect the meaning of place and in doing so recognise the various traditional lands on which we meet.

I would like to acknowledge the traditional custodians of the people of the Kulin nations of the lands that I am speaking from today. I also acknowledge the traditional owners of the lands on which each of you are living and working from today. I pay my respects to their Elders, past, present and emerging.

Before I officially declare the 2020 AGM open, I'd like to mention that the webcast of this meeting will be available on our website after the event, so that members can catch up later.

Every year we have a lot of great questions from our members. This year, members and proxyholders can submit questions via the 'Ask a question' link within this online platform. You're welcome to submit multiple questions, however, please submit one question in the box at a time. We will be addressing questions of a general nature and any relating to our resolutions later in the Meeting. I encourage you to send them through as soon as possible. If we do not address your question today, a representative from Australian Unity will respond to you individually in due course.

Voting on the resolutions will be conducted by way of poll. You are welcome to submit your vote at any time up until I announce the poll to be closed, or you can submit your vote before or after I announce each resolution. To do so, use the electronic voting card you received when your online registration was validated or click on the 'Get a voting card' link and follow the instructions. Step-by-step instructions are also available in our online platform guide on the Company performance page of our website.

After the final question time, I will provide five further minutes for voting after which I will formally close the meeting. A red bar with a countdown timer will appear at the top of the slide screen advising the remaining voting time. If you have not yet submitted your vote, you will be required to by the end of that time. Please note, only financial members and proxyholders may vote.

I have several formal matters to attend to.

First, I can confirm that a quorum is present. Therefore, I formally declare the 2020 Annual General Meeting of Australian Unity Limited open.

Second, I would like to introduce my fellow directors who are all present at this virtual meeting today.

We have Melinda Cilento, Chair of the Investment Committee and a member of the People, Culture & Remuneration Committee and the Risk & Compliance Committee.

Lisa Chung, who is Chair of the People, Culture & Remuneration Committee and a member of the Audit Committee, Investment Committee and Risk & Compliance Committee. In accordance with our procedures, both Melinda and Lisa will be standing for re-election at this AGM. They will say a few words later in the meeting.

I would like to personally welcome Julien Playoust to his first AGM as a director. Julien was appointed to the board on the first of February this year and will also be standing for re-election at this AGM. Julien is a member of the Audit Committee and

the Risk & Compliance Committee. He will introduce himself later in the meeting.

Paul Kirk, Chair of the Audit Committee and a member of the People, Culture and Remuneration Committee.

Su McCluskey, Chair of the Risk & Compliance Committee and a member of the Audit Committee, the Investment Committee and the People, Culture & Remuneration Committee.

Greg Willcock, member of the Risk & Compliance Committee and the Audit Committee.

Rohan Mead, our Group Managing Director, is also here today. Rohan will shortly outline the major activities and achievements of the Company during the year.

We are also joined by Melinda Honig, our Company Secretary, General Counsel and Chief Risk Officer.

We also have many of our Group Leadership Team with us today, including Darren Mann, Group Executive—Finance & Strategy and Chief Financial Officer. Darren was appointed to the Group Executive role in July this year.

We have the three CEOs of the various business divisions we call our platforms. Kevin McCoy, CEO of our Independent & Assisted Living platform; and

Esther Kerr-Smith, CEO of Wealth & Capital Markets. Esther was appointed to this role also in July after almost three years as Group Executive, Finance & Strategy.

I would also like to welcome Christine Yates, the new CEO of our Retail platform, who joined Australian Unity in August. Christine brings to us strong experience across investment and institutional banking, private banking, wealth management and insurance.

We also welcome representatives from the Company's auditors, regulators, advisers and other consultants.

Third, I advise that the Notice of Meeting has been given in accordance with the Company's Constitution and copies are available both on our website and at our head office reception, in Spring Street, Melbourne.

I will accordingly take the Notice of Meeting as read.

The minutes of the 2019 Annual General Meeting of Australian Unity Limited have been reviewed by the Board and recorded as a true and correct proceeding, in accordance with the Corporations Act.

The minutes are tabled and available to download on this AGM platform with the

2020 Notice of Meeting and Annual report.

Today we have a number of formal items of business to cover. These are set out in the Notice of Meeting.

Before we move to these items, I'd like to offer you some thoughts about the Group as we progress into the 2021 financial year.

Following this, Rohan will report to you on the operations of the Group.



2020 in review

Ladies and gentlemen, those of you who attended last year's annual general meeting may recall that I was unable to be with you at our new corporate offices in Spring St.

Instead, I joined the 2019 AGM via video link, which from my perspective at least, felt a little unusual.

Fast forward 12 months and virtual meetings are the norm as we've had to adapt quickly to new ways of conducting our business activities... this AGM is the first in our 180-year history to be held as a virtual meeting.

However, new ways of working are just the tip of the iceberg in terms of the seismic shifts we've seen in the 12 months since your board member Melinda Cilento stood before you to deliver the chair's address on my behalf.

Indeed, as the Group prepared to enter its 180th year, there was little indication of what we faced in the months ahead.

The emergence of COVID-19 in the second half of FY2020 required quick and decisive actions across the Group's businesses to support our members and customers, notably:

- the implementation of extraordinary measures to seek to protect our aged care residents and home care customers;

and

- hardship relief for our health insurance policyholders and banking customers.

The health, safety and wellbeing of the Group's 7,000 employees during the pandemic was also a priority.

To this end, we quickly introduced specific health and safety measures to protect our home and residential care workers... and since March this year we have supported most of our office-based employees to work from home.

Recognising that COVID-19 has affected the way we work and created new and sometimes challenging issues for our people, we have adjusted leave management guidelines and strengthened measures to support employee mental health and wellbeing.

In addition to the other responses to the pandemic, the board considered its own position and that of senior staff.

The board determined it would forgo 10 percent of director fees from 1 July through to December 2020—at which time we will review the situation.

In relation to senior staff, we determined there would be no payments of variable remuneration for FY2020.

The emergence of COVID-19 in the second half of the year caused substantial financial and operational shocks, including various revenue and cost impacts across the Group.

These included delays to initiatives planned for the second half of the year, which needed to be paused or stopped to allow management to respond to immediate business continuity requirements.

The Group's financial performance reflected a commitment to maintaining and where possible improving levels of service and responsiveness to the needs of our members and customers.... while at the same time pursuing efficiency measures to mitigate risks and curtail expenditures.

A priority for the Group in FY2020 was the maintenance of a solid balance sheet

position in support of operational resilience and agility.

This was progressed with a bond issue in October 2019 that spread the maturity of borrowings.

You may recall that another option for raising funds—the issuing of Mutual Capital Instruments, known as MCIs—was provided to the Group through a vote of members at the 2019 AGM.

While the Group did not exercise this option in FY2020, we see good potential in this capital-raising instrument for supporting our strategic agenda.

Seeking to deliver value to members, customers, employees and the broader community has been a hallmark of the Group since its origins in 1840.

Some 180 years later, that commitment is demonstrated not only in our products and services, but also through our efforts in helping address Australia's social infrastructure challenge.

To this end, significant progress was made in FY2020 with our headline social infrastructure project—the \$1.1 billion Herston Quarter redevelopment in Brisbane.

The first Herston building delivered through a partnership with the Queensland Government—the \$390 million Surgical, Treatment and Rehabilitation Service, known as STARS—is scheduled for completion in the first half of the current financial year.

Our Healthcare Property Trust, which is funding STARS, conducted a successful capital raising of approximately \$275 million during FY 2020... while about \$40 million in equity was raised for the Group's new Specialist Disability Accommodation Fund to provide accessible accommodation for Australians with disability.

In FY2020, the Group progressed its work on delivering greater recognition and shared value for you, the members of Australian Unity Limited... and you can expect to hear more about this in the coming months.

It also continued developing a Community & Social Value framework to provide a meaningful and reportable measurement of the value that the Group's activities deliver to the community.

Despite the emergence of a global pandemic, the Australian Unity Group continues to progress its strategic agenda as an organisation providing products and services to meet the wellbeing needs of its members and customers, while delivering

community and social value.

In the year ahead, the board plans to revise the 10-year strategic plan that underpins this work.

We do not expect a marked departure from the current approach... however, the new plan will identify how we should improve and expand upon the actions we have taken over the past decade.

Your board looks to updating you on this work as it progresses.

On behalf of the board I want to thank Group Managing Director Rohan Mead and his executive team for their hard work in an extremely challenging year.

We also note the departure at the end of FY2020 of two long-serving executives, David Bryant and Matt Walsh... their contribution over many years was important in establishing the Group in its current form.

And of course, we pay tribute to the efforts of all our employees and thank them for their resilience, agility and determination in the face of extraordinary circumstances.

I will now take this opportunity to address a couple of questions which were raised by members in response to our invitation to submit questions prior to the meeting.

Most questions received related specifically to products, statements and reports of individual members. These have been directed to our relevant customer service representatives and handled appropriately.

There were a couple of questions of a more general nature that I thought members present may be interested in.

One such question, was how Australian Unity is ensuring the safety of residents and staff in its aged care homes during the COVID-19 pandemic?

There are 6,000 employees across our Remedy Healthcare, Dental, Home & Disability Services, Residential Communities and Aboriginal Home Care businesses are at the frontline of the fight against COVID-19.

They support 50,000-plus customers who are among the most vulnerable people in our communities. Whether its people living in our residential communities, or those receiving home care services, Australian Unity is doing everything we can to support and protect them.

We have policies and systems in place to best prevent, and if required respond, to

outbreaks. Our employees have been trained on infection control and how to identify early symptoms of COVID-19 infection.

We've been very fortunate that we've been able to address outbreaks at our Campbell Place and Rathdowne Aged Care Homes relatively quickly and minimise the impact to our residents and employees, and, thankfully, had a good outcome.

We've learned a lot from these experiences and have adjusted our operations in response. In areas with higher risks, we've stepped up our safety approach.

The commitment of our employees to protecting the thousands of vulnerable people who receive care and services from Australian Unity reflects our company's proud 180-year history of supporting the wellbeing of its members, customers and community.

If this great work is to continue, the company's leadership knows it must do everything it can to support and protect its workforce. We must make sure our employees remain safe and well—and feel informed and supported.

Our people leaders are communicating the most up-to-date advice on how we are managing the COVID 19 situation directly to their teams—and we've set up an advice line for any specific questions employees may have.

To protect our customers and employees, we have reviewed and updated all key policies, including our infection prevention and control policy; introduced specific COVID-19 policies; and updated our employee leave guidelines.

We recognise that COVID-19 is affecting the way we work and creating new and sometimes challenging issues for our people.

Leave management guidelines have been structured to support exposure scenarios, self-isolation for underlying health conditions and situations outside employee control that may affect balancing caring and work responsibilities.

We understand that our people may be feeling concerned, anxious or overwhelmed by the situation we find ourselves in with COVID-19.

While it's important to stay informed, we also need to take care of ourselves, including our mental health.

Through our Employee Assistance Program, all employees and members of their families can access free-of-charge, short-term confidential counselling provided by an experienced, independent provider. The counselling discussion is friendly, informal and focused on individual needs.

We were also asked what we're doing to help private health insurance members who may be experiencing financial hardship created by COVID-19.

With the onset of the COVID-19 pandemic in March this year, Australian Unity deferred all premium increases scheduled for 1 April 2020 for a period of six months.

This measure saved our policyholders more than \$8 million.

While the freeze was lifted on 1 October, we continue to provide financial hardship assistance to customers affected by the pandemic.

Policyholders who received financial hardship assistance from the company before 1 October have had their scheduled premium increase automatically deferred for a further six months until 1 April 2021.

We also offered any policyholders receiving the government's JobSeeker or JobKeeper allowance the opportunity to apply to have the premium increase deferred for a further six months.

This targeted assistance, along with our standard hardship support procedures, will help people who have been hit hard by COVID-19 to maintain their health insurance while they get their lives back on track.

Thank you again for taking the time to submit some of your questions in advance.

As mentioned earlier, we will be addressing live questions with the relevant resolutions later in the Meeting.

I will now ask Rohan to present his report on the performance of the Group, and I will be back later to continue with the formal business of the meeting.

Thank you, and I'll now hand over to Rohan.

Rohan Mead, Group Managing Director

Thank you, Peter.

I would like to also extend a special welcome to everyone who has joined us for the first virtual AGM in our 180-year history.

I too would like to acknowledge the traditional owners of the land on which I'm speaking from today, the people of the Kulin nations. I also acknowledge the traditional owners of the lands on which each of you are working and living

today. I pay my respects to their Elders, past, present and emerging, and acknowledge any other Elders from other Nations who may be present.

Members, I am pleased to report to you on the Australian Unity Group's performance in FY20... and I note we have members here from across the Group's operations.

In sporting parlance, commentators would describe the last financial year as 'a year of two halves'.

In the first half we progressed our strategic priorities in a strong market.

However, in the second half we were tested operationally and financially by a pandemic that brought substantial community and economic disruption.

To conclude the sporting analogy, the match review would report that despite the challenges presented by COVID-19, the Group maintained positive momentum with its strategic agenda.

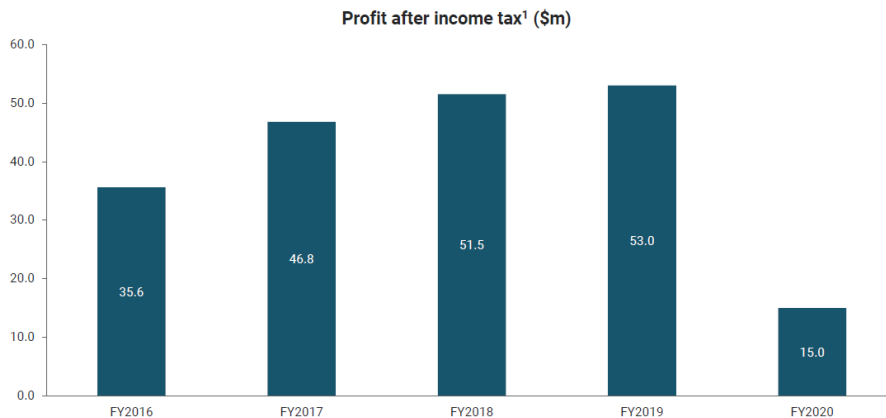
As the Chair mentioned, facing into the emerging pandemic, we took decisive action to protect our members, customers and employees.

We announced and then deferred a below-industry average health insurance premium increase... and followed up with a material set of hardship support provisions for our health insurance, banking and other services.

And we continued to grow our human services and social infrastructure activities, while protecting the customers and staff of these activities from COVID-19.

While the financial performance of our underlying business portfolio was resilient in many regards, there were nonetheless significant revenue and cost impacts on the financial results.

FY20 key metrics



¹ Included in the FY2018 result was a profit from discontinued operations of \$66.9m from the divestment of the Group's corporate health insurance subsidiary, Grand United Corporate Health Limited (GUCH) completed 31 October 2017.

Despite the turbulence, the Group delivered a profit after income tax of \$15.0 million for the financial year, compared to \$53.0 million in the prior year.

Overall, we estimate that direct and indirect COVID-19 impacts reduced the year's net profit before income tax by approximately \$26.0 million.

In addition, the result was affected by costs associated with the relocation of the Group's corporate offices, as well as some \$5.4 million in additional timing-related costs due to the inception of the new accounting standard on leases.

Also, in terms of year-on-year assessments, there was no equivalent in the year under review to the legal settlements received in the Life & Super business in the financial year 2019.

Despite the unprecedented challenges that emerged as the year under review unfolded, we continued to progress our strategic ambition of developing a portfolio of valued health, wealth and care services for members and customers.

Progressed strategic ambition

- Launch of Ramsay Connect
- Ongoing development of Brisbane's Herston Quarter health precinct
- Launch of the Australian Unity Green Bond Fund
- Specialist Disability Accommodation fund
- Issue of Series C and D Australian Unity Bonds

AUL 2020 Annual General Meeting

4

We delivered or progressed several initiatives aligned to this agenda. These included:

- The launch of Ramsay Connect—a joint venture through our subsidiary company Remedy Healthcare to deliver a seamless integrated pathway for patients, during and post hospitalisation
- The ongoing development of Brisbane's Herston Quarter health precinct with the Queensland Government
- The launch of the Australian Unity Green Bond Fund to invest in green, social and sustainable fixed interest securities

and

- A Specialist Disability Accommodation fund to invest in a portfolio of assets that will provide accessible accommodation for Australians with disability.

A priority for the Group in the last financial year was the maintenance of a solid balance sheet position.

To this end, in October 2019 the Group took advantage of capital market and investor support, along with attractive market settings, and acted to spread the maturity of its borrowings through the issue of \$322.0 million of Series C and Series D Australian Unity Bonds.

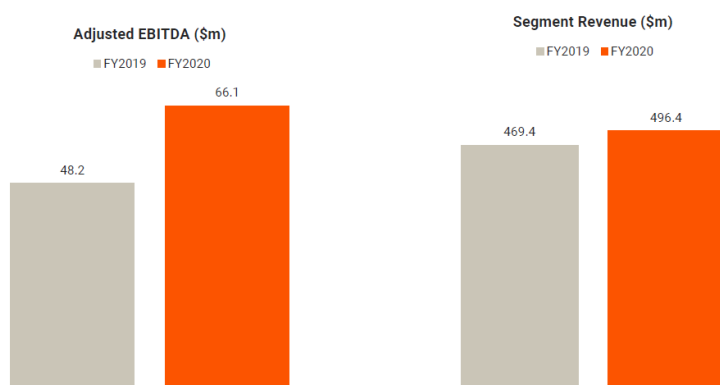
Of this amount, \$178.7 million was used to refinance previously issued Series B

Australian Unity Bonds.

This refinancing allowed the Group to continue to operate confidently and effectively despite the emergence of COVID-19.

I will now address the performance of our three operating platforms—each of which made a positive contribution to the financial result in the year under review.

Independent & Assisted Living



AUL 2020 Annual General Meeting

Figures at 30 June 2020, unless otherwise noted

5

The Independent & Assisted Living platform operates retirement communities and provides aged care, allied health and disability services.

It offers preventative health and chronic disease management services through the wholly-owned subsidiary Remedy Healthcare, and direct healthcare services through dental clinics.

In FY20, the IAL platform continued to progress its operating model, which is driving a consumer-centred continuum of care across home care, residential care and with the benefit of Remedy Healthcare, allied health services.

Despite the disruption of last summer's bushfires and COVID-19, IAL'S total segment revenue increased by 5.8 percent to \$496.4 million.

IAL ended the financial year with an adjusted EBITDA of \$66.1 million, which was an increase of 37.2 percent on the prior year—or 64.8 percent excluding the Development portfolio.

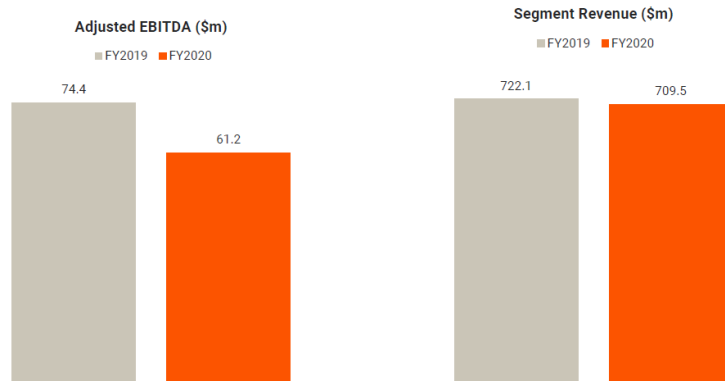
This increase reflected a continued focus on improving the sustainability of IAL's

Home Care Services business.

In FY20, IAL continued to focus on its development pipeline of aged care and retirement communities while acquiring The Heritage retirement village in Hunters Hill, NSW, in February 2020.

At 30 June 2020, IAL owned and operated 21 retirement communities across Victoria and NSW, comprising 2,496 independent living units—compared to 2,469 at 30 June in the prior year.

Retail

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Real Wellbeing

AUL 2020 Annual General Meeting

Figures at 30 June 2020, unless otherwise noted

6

The Retail platform brings together our private health insurance, banking, broking and general insurance businesses.

Retail had a challenging year in mixed operating conditions, with adjusted EBITDA of \$61.2 million representing a 17.7 percent decrease on the prior year.

This result was driven principally by the growth in private health insurance claims expenses exceeding revenue growth for the year.

Revenue was impacted by a decrease in health insurance policies and postponement of the April 2020 premium increase.

The PHI business also experienced higher than expected claims, which was partly due to under-estimation of prior year claims across the sector.

Unusually lower claims volumes during March to June 2020 due to restrictions on elective surgery and access to ancillary benefits occurred. We expect a catch-up

period and have recorded a specific deferred claims liability of \$37.6m as at 30 June.

In the financial year, the health insurance business supported the wellbeing of our members, paying for:

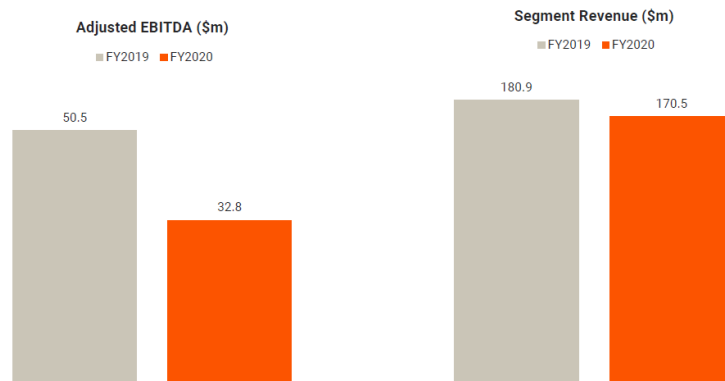
- 1.8 million ancillary services
- 155,000 hospital treatments
- and
- 25,000 out-of-hospital care episodes provided through Remedy Healthcare.

However, a five percent decrease in policyholders reflected ongoing affordability challenges, the COVID-19 effects on the health insurance and its value proposition, emerging economic uncertainty and closure of international borders, which affected the number of international visitors taking out a policy.

As I remarked at last year's AGM, this operating environment, which is impacting all providers, underscores the need for effective health care sector-wide reform.

Regarding the platform's banking business, Australian Unity Bank, we were pleased in the year under review with the strong lending growth, which enabled it to offset the impact of lower interest rates on its revenue.

Wealth & Capital Markets



Our Wealth & Capital Markets platform comprises advice, investments, life & super, property and trustee services.

Wealth & Capital Markets recorded an adjusted EBITDA of \$32.8 million for the financial year, which was a 35.0 percent decrease on the prior year.

The platform recorded a 5.8 percent decrease in total segment revenues compared to the previous period... however, adjusting for one-off legal settlements in the Life & Super business in the prior period, the platform delivered revenue growth across most of its business segments.

The decrease in adjusted EBITDA was also relatively affected by the legal settlements in the 2019 financial year.

Notable highlights for Wealth & Capital Markets during the financial year FY20 included the continued progress of the Herston Quarter development, as well as the launch of the Green Bond Fund and Specialist Disability Accommodation Fund I mentioned earlier.

These are all initiatives that contribute to the Group's long-term sustainability, while delivering community and social value outcomes for members, customers and the broader Australian community.



2020 in review

AUL 2020 Annual General Meeting

8

Members, as you have seen... and no doubt experienced in your own lives... the last financial year was a year like no other.

Indeed, the disruption caused by COVID-19 has continued into the current year, as evidenced by the fact we are holding this AGM as an online event because we cannot access our corporate offices in Melbourne.

While the Group has not been immune to the industry and broader market volatility driven by the COVID-19 pandemic, our strategic position over many years has

continued to make positive forward progress, if muted, during the year under review.

And we remain well positioned for long-term sustainability and for growing our increasingly needed and valued services for burgeoning community needs.

This positive forward momentum is in no small part due to the extraordinary efforts of our staff and management colleagues, who I thank and commend for their wonderful commitment, under the guidance of our leadership team and board.

End of Group Managing Director address

