

McMillan
Shakespeare
Limited

**Corporate
Governance
Statement
2019**



Introduction

This statement outlines the corporate governance policies and practices formally adopted by the Company. These policies and practices are in accordance with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (ASX Principles), unless otherwise stated.

The Company's ASX Appendix 4G (a checklist cross-referencing the 3rd Edition Recommendations to the relevant disclosures in this statement) and the 2019 Annual Report are provided at www.mmsg.com.au

This statement, together with our ASX Appendix 4G, have been lodged with the ASX on 21 August 2019.

Additional information on the Company's governance arrangements, including our Board and Board Committee Charters, key policies and other relevant information referred to in this Statement can also be found at the corporate governance section of the Company's website, www.mmsg.com.au

Role of the Board

The role of the Board is to define the Company's purpose, set strategic direction and provide effective oversight of management while safeguarding the Company's interest and fostering sustainable value creation. The Board is responsible for the overall governance of the Company and exercises its powers and discharges its duties in good faith and in the best interests of the Group.

The Board delegates responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO). The CEO must, however, consult the Board on matters that are sensitive, extraordinary or strategic in nature or matters requiring Board notification and approval (as noted in the Board approved Delegations).

The Board operates in accordance with the Company's Constitution, Board Charter and Delegated Authority Matrix, which describe the Board's composition, functions and responsibilities.

Key matters reserved for the Board or Board Committees include the following:

(a) Strategy

- reviewing and approving the Company's strategy development, business plan and significant initiatives and innovation;
- reviewing and approving the Group's annual budget as recommended by the CEO;
- ensuring that appropriate resources are available for the implementation of that strategy; and
- monitoring the implementation of the strategy approved by the Board.

(b) Governance including management oversight

- overseeing and monitoring the Group's performance and the achievement of the Group's strategic goals and objectives;
- appointing and removing the CEO;
- monitoring and appraising the performance of the CEO;
- approving material market announcements;
- approving a Continuous Disclosure and Shareholder Engagement Policy which is compliant with the continuous disclosure obligations under the Listing Rules, including a process for new and substantive investor or analyst presentation materials to be released on the ASX Market Announcements Platform ahead of the presentation;
- ratifying the appointment and, where appropriate, the removal of senior executives, the Chief Financial Officer and the Company Secretary;
- reviewing and approving the authority and limits of such authority delegated to the CEO and other executives; and
- ensuring appropriate succession planning of senior management and Board members.

Role of the Board

(c) Risk management, audit and compliance

- having management design and implement risk management and internal control and compliance program to manage the Company's material business risks;
- overseeing effectiveness of the risk management and compliance program;
- annually reviewing and approving the Company's risk appetite statement, risk management policy and framework and compliance framework;
- reviewing and approving other relevant codes, frameworks and policies;
- overseeing the Group's compliance with laws and regulations; and
- overseeing the Group's progress in implementing audit recommendations.

(d) Auditors

- ensuring that external auditors attend the AGM and are available to answer questions from security holders relevant to the audit;
- recommending appointment / removal of external auditors to shareholders; and
- discussing and approving internal and external audit plans with internal and external auditors respectively.

(e) Board membership

- determining the appropriateness of the size and composition of the Board;
- determining criteria for non-executive Board membership;
- selecting the Chairperson;
- selecting candidates for directorship;
- evaluating the Board's and individual Director's overall performance;
- assessing whether the Board has an appropriate mix of experience, skills, knowledge, diversity and expertise; and
- determining remuneration payable to non-executive Directors taking into account time spent including membership of sub-committees.

(f) Ethics

- setting the standards of behavior to strengthen the Group's reputation in the marketplace and the community;
- overseeing and monitoring compliance with the Employee Code of Conduct;
- monitoring the Group's reputation;
- approving the Code of Conduct applicable to Directors and employees;
- considering the social, environmental, and economic impact of the Group's operations;
- overseeing the Fraud & Corruption Policy and consideration of matters that are deemed to be of substance;
- overseeing compliance by MMS Directors and employees with the Company's Securities Trading Policy; and
- overseeing the Whistleblower program and consideration of matters that are deemed to be of substance.

(g) Oversight of financial management

- monitoring financial performance against agreed objectives;
- approving the annual and half-year financial reports and liaison with external auditors;
- approving and monitoring the progress of major capital expenditure, acquisitions and divestments;
- overseeing the Company's capital management and funding; and
- determining the Company's dividend policy.

The Board charter can be accessed on the Company's website.

Composition of the Board

The Board currently comprises five Non-Executive Directors and one Executive Director, being the CEO. The Chairman is an independent Director. The role of Chairman and CEO are not fulfilled by the same person. The Directors are as follows:

Name	Position	Appointment & Tenure	Last elected at an AGM
Mr T. Poole	Independent Chairman	17 December 2013 (5 years)	2017
Mr M. Salisbury	Managing Director and CEO	1 October 2014 (CEO) 5 February 2015 (MD)	N/A
Mr J. Bennetts	Non-Executive Director	1 December 2003 (15 years)	2018
Mr R. Chessari	Non-Executive Director	1 December 2003 (15 years)	2017
Mr I. Elliot	Independent Non-Executive Director	27 May 2014 (5 years)	2018
Ms Helen Kurincic	Independent Non-Executive Director	15 September 2018	2018

Each Director has the skills and experience necessary for the proper supervision and leadership of the Company. As a team, the Board brings together a broad range of qualifications and experience. A summary of the key skills and experience of the members of the Board is set out in the table below.

Skills and experience	Total Skills	Skills and experience	Total Skills
Remuneration services	5	Experience in international markets, including UK or NZ	6
Financial services	5	IT management and oversight	2
Finance and capital markets	5	Risk management including cyber-security	4
Accounting	2	Human resources	4
Law	3	Mergers, acquisitions and divestments	6
Sales and marketing	4	Regulatory, government or public policy	4
Governance of ASX listed entities	6	Turnaround experience and adapting to structural change	4
Senior executive experience	6	Establishing new businesses using digital platforms	5
Experience as a non-executive director	6	Insurance industry experience	3
CEO/CFO experience	5	Car industry experience	3

Composition of the Board

Details of the Directors, their experience and their special responsibilities with respect to the Company are set in the Directors Report section of the Company's 2019 Annual Report.

The Board considers that collectively the Directors have the range of skills, knowledge and experience necessary to direct the Company. The Directors consider the level of skills on the Board is strong in respect of all of the above categories where two or more Directors are represented. The Board is recruiting an independent Non-Executive Director who will also fill the role of Audit, Risk and Compliance Committee Chair.

Any new Director appointed by the Board during the course of a year is required to stand for election at the next AGM. All material information known to the Company that is relevant to a decision on whether or not to elect or re-elect a Director is provided to shareholders in the AGM Notice of Meeting.

The Company has formal letters of appointment in place with all Directors setting out the terms of their appointment. On appointment, all Directors undertake a formal induction program to familiarise themselves with the Company, strategy and any current issues before the Board and undertake briefings with all key executives.

The Directors are responsible for maintaining their own professional accreditations and continuing professional development.

The Board considers a Director to be independent if that person is free of management and other business relationships that could materially interfere, or could reasonably be perceived to materially interfere, with the exercise of objective and independent judgement. More information can be obtained from the Group's Policy on the Independence of Directors, which can be accessed on the Company's website. The Chairman determines the relevant materiality thresholds on a case by case basis with reference to both quantitative and qualitative basis.

The ASX Guidelines recommend that a listed company should have a majority of Directors who are independent. The Board, as currently composed, does not comply with this recommendation. At the date of this report, the Board comprises an equal number of independent Non-Executive directors and non-independent directors. Mr Chessari and Mr Bennetts currently hold, through their controlled entities, approximately 7.27% and 4.02% respectively of the shares in the Company. Mr Chessari and Mr Bennetts have also been directors of the Board for over ten years. These Directors have participated in the growth and development of MMS and have a significant interest in the Company's continued success. Given their history, corporate memory and skills, the Board believes that it is appropriate for each of these Directors to be members of the Board.

Once a new independent Non-Executive Director is appointed we will have a majority of Directors who are independent, rendering the Company compliant with the ASX Guidelines.

Details of the experience of the Directors is contained in the Directors' Report section of the Company's 2019 Annual Report.

Composition of the Board

Board practices

The Board meets regularly to evaluate, control, review and implement the Company's operations and objectives. The Directors receive monthly reports from the CEO, the CFO and operational managers. A Director, subject to prior approval of the Chairman (or, in the absence of that approval, the Board) may seek independent professional advice, including legal advice, at the Company's expense to assist them in carrying out their duties and responsibilities.

Performance review

During the financial year ended 30 June 2019, the Company concluded a review of the Board, its Board Committees and individual Directors (including the CEO) in respect of the financial year ended 30 June 2018. The Company has commenced its annual review of the performance of the Board, its Board Committees and individual Directors for the 2019 financial year.

This review process is led by the Chairman of the Board and involves discussions with each Director, the CEO and the Company Secretary. The performance evaluation focusses on the following areas:

- Board Composition;
- The Board's Role/Key Processes;
- Working with Management;
- People, Succession Planning and Remuneration;
- Strategy;
- Performance;
- Risk; and
- Reporting to Shareholders/Stakeholder Management

The performance evaluation of the Chairman of the Board for the financial year ended 30 June 2019 is undertaken by the Chair of the Remuneration and Nomination Committee (excluding the Chairman of the Board) after canvassing the views of the other Directors.

The Board regularly assess the performance of senior executive management in conjunction with the CEO.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (RNC) is chaired by an independent director (who is not the chair of the Board) and consists of at least three members, all of whom are Non-Executive Directors and the majority of which are independent.

Details of names and relevant qualifications of the Directors appointed to the RNC, the number of meetings of the Committee held during the year ended 30 June 2019 and the attendance record for each relevant member can be found in the Directors' Report section of the Company's 2019 Annual Report.

The RNC assists and advises the Board by making recommendations to the Board in relation to its composition and recruitment, retention, remuneration and succession planning for Directors, the CEO and Senior Executives and the Director Performance evaluation process. The RNC makes recommendations to the Board on the capabilities and skills required to execute its strategic and business objectives.

In the process of the selection, nomination and the appointment of Directors, the RNC establishes criteria regarding general and specific qualifications and experience required of candidates. The RNC regularly assesses the skills, experience and diversity which the Board collectively requires to fulfil its role effectively, and incorporates that into succession planning.

The RNC will usually engage an executive search firm to assist in the process. Appropriate checks are undertaken on the candidate before they are appointed to the Board or put forward to shareholders as a candidate for election as a Director, including character, experience, criminal record and bankruptcy history.

The RNC has a charter approved by the Board which establishes the Committee's terms of reference and operating procedures. A copy of the Charter is available on the Company's website.

The RNC is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent expert and adviser as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

The Company has formal letters of appointment in place with all senior executives setting out the terms of their appointment. The CEO carries out annual performance reviews with each member of the senior executive team, comparing the individual's performance against their agreed performance targets. This process was completed in accordance with a formal and rigorous process for the year ended 30 June 2019 with the CEO's report made to the Board in August 2019. The RNC has evaluated the performance of the CEO for the year ended 30 June 2019, taking into account the performance of the Group and other non-financial outcomes and made recommendations to the Board accordingly.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (ARCC) is chaired by an independent director and consists of at least three members, all of whom are Non-Executive Directors and the majority of which are independent.

The role of the ARCC is to assist the Board in carrying out its corporate governance responsibilities and safeguard the interests of the Group. The ARCC reviews and has oversight of accounting, auditing, financial reporting, risk management and compliance responsibilities.

The ASX Guidelines recommend that an audit committee be structured so that it is chaired by an independent director who is not chair of the board of directors. For the period 1 July 2018 to 30 September 2018 the ARCC met this condition however, due to the resignation of Ms Sue Dahn, during the period 1 October 2018 to 30 June 2019, Mr Poole served as both Chair of the Board and Chair of the ARCC and will continue to do so until an appropriate replacement chair of the ARCC can be appointed,

Details of the names and relevant qualifications of the Directors appointed to the ARCC, the number of meetings of the Committee held during the year ended 30 June 2019 and the attendance record for each relevant member can be found in the Directors' Report section of the Company's 2019 Annual Report.

The Board believes that during the financial year ended 30 June 2019, the ARCC had appropriate financial expertise with all members being financially literate and having a deep understanding of the industry in which the Company operates.

The ARCC is empowered to investigate any matter brought to its attention and has direct access to any employee, the independent auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be performed effectively. The ARCC has a documented charter approved by the Board. The charter can be accessed on the Company's website.

The external auditor (Grant Thornton) and the internal auditor (Deloitte) together with the CEO and the CFO are invited to attend the meetings. The ARCC also meets with the external auditor and the internal auditor twice a year without management to provide the auditor the opportunity to provide feedback on the conduct of the audit and management.

The Company has adopted procedures for the selection and appointment of the external auditor, and the rotation of external audit engagement partners in line with the *Corporations Act 2001* (Cth).

Financial reporting and risk management

The Board has ultimate responsibility for the integrity of the Company's financial reporting and for risk management.

The ARCC's risk management responsibilities include oversight of the risk management framework, the system of risk management and the internal control framework and that company operations are conducted within the scope of those frameworks. The ARCC will review the risk management framework annually to satisfy itself that it continues to be sound.

As part of the Group's risk management processes, senior management attend a monthly Risk and Compliance Committee (RCC), which is supported by internal control processes for identifying, evaluating and managing significant financial, operational and compliance risks to achieve the Company's objectives, and which are subject to ARCC and Board oversight from time to time. As previously mentioned, Deloitte has been appointed to service the internal audit function, providing independent assurance over the effectiveness of the Company's risk management, internal control and governance processes.

The Board reviewed the formal Risk Management Policy and Framework for the year ended 30 June 2019 including the Board's Risk Appetite Statement. The Risk Management Policy and Framework are accessible to all staff on the Group's intranet and identify the material risks affecting the Company and the manner in which each of those risks will be managed. No material environmental or social sustainability risks were identified. The economic risks identified, and how those risks are managed, are detailed in Note 4 of the Notes to the Financial Statements contained in the Company's 2019 Annual Report. A copy of the Company's Risk Management Policy and Framework Statement can be accessed on the Company's website.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clear lines of accountability and delegation of authority. Adherence to the Director and Employee Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Before approving the Company's financial statements for the financial period, the ARCC received and considered a declaration from the CEO and the CFO in accordance with ASX Principles — the declaration that:

- in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and its controlled entities; and
- the above statement is founded on a sound system of risk management and internal control which is operating effectively.

The Company's external auditor has been invited to attend the Annual General Meeting and will be available to answer questions from the members of the Company relevant to the audit and the preparation and content of the Independent Audit Report.

Remuneration policy

Information about the Company's remuneration framework, policies and practices can be found in the Directors' Report under the heading 'Remuneration Report' in the Company's 2019 Annual Report.

Communication with shareholders and the market

Shareholders can obtain information about the Company and our governance practices via the Company website.

The Company's commitment to communicating with its shareholders is embodied in its Continuous Disclosure and Shareholder Engagement Policy, which contain policies and procedures on information and disclosure to facilitate continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. The Company's Continuous Disclosure and Shareholder Engagement Policy can be accessed on the Company's website.

The Company values effective two-way communication with shareholders and investors as a way of providing information quickly and efficiently to shareholders and to provide a forum for shareholders and investors to express their views on matters that are of concern or of interest to them.

The Company is committed to giving investors comprehensive, timely and equal access to information about the Company and its activities so that investors can make informed investment decisions and gain a deeper understanding of the Company's business, operations and performance. In addition to meeting the Company's ongoing disclosure obligations, the Company employs a wide variety of methods to communicate with its shareholders. All relevant company information is published on MMS' website www.mmsg.com.au. In addition to providing shareholders with access to company announcements and corporate governance materials (including Company policies and Board and Committee charters), the website gives shareholders access to certain company information via telephone conference facilities. Shareholders also have the option to receive communications from, and to send communications to, the Company and to the security registry (Computershare) electronically.

Shareholders are encouraged to attend the Annual General Meeting. Prior to the Annual General Meeting, shareholders are given the opportunity to submit questions to the Chairman or the CEO so that they can assess and respond to common queries and topics.

Ethics and codes of conduct

The Company has adopted a Director Code of Conduct that applies to the Directors of the Company. The Director Code of Conduct reflects the commitment of the Company to ethical standards and practices. The Director Code of Conduct can be reviewed on the Company's website.

The Company has also adopted an extensive Employee Code of Conduct that applies to all employees of the Company, which acknowledges the need for, and continued maintenance of, the highest standard of ethics and seeks to ensure that employees act honestly, transparently, diligently and with integrity. A summary of the Employee Code of Conduct can be accessed on the Company's website.

The Company has a policy on securities trading that binds all of the Group's officers and employees. In addition to ensuring that all officers and employees are aware of the legal restrictions on trading in the Company's securities whilst in possession of unpublished price-sensitive information, the policy also:

- places restrictions on when Directors and employees can deal in the Company's securities;
- prohibits staff from entering into transactions designed or intended to hedge that employee's exposure to Company's securities that are subject to retention arrangements or on unvested MMS options; and
- requires that the Directors and certain employees seek approval of the Chairman prior to dealing in the Company's securities.

The MMS Group Securities Trading Policy can be accessed on the Company's website.

The Company has adopted a Whistleblower Policy, which is designed to ensure that employees of the Group can raise concerns on the basis of having reasonable grounds regarding actual or suspected improper conduct or malpractice in the Group, without fear of reprisal or feeling threatened by doing so. The policy can be accessed on the Company's website.

The Company has an Equal Opportunity & Diversity Policy which assists in confirming the Company's commitment to a diverse workforce, ensuring there is ongoing development and implementation of relevant plans, programs and initiatives to recognise and promote diversity, and in establishing the process for appropriate reporting. The policy includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in achieving them. The policy can be accessed on the Company's website.

The Board encourages and supports the Company's commitment to ensuring a work environment that provides equal opportunity for all. Equal opportunity protects the principle that every person has the right to be treated fairly. The Company fosters an environment which encourages and values diversity in the workplace. The Company applies merit based policies and practices, and believes that the application of these achieves diversity outcomes.

A number of targeted measurable objectives have been approved by the Board in order to assist monitoring and application of the Company's approved policies. The details of the measurable objectives selected for the financial year ended 30 June 2019 and the report against them is contained on the following page.

Ethics and codes of conduct

<p>1. Retain and continue to grow the number of women in leadership roles, subject to merit against role requirements</p>	<p>MMSG continues to reflect gender diversity across leadership and specialist roles</p> <ul style="list-style-type: none"> – Board (including MD/CEO) 17% – Other Executives / GMs¹ 26% – Senior managers² 22% – Other managers 45% – Professionals 54% – Other 52%
<p>2. Provide development and promotion opportunities regardless of gender</p>	<ul style="list-style-type: none"> – Attendance at leadership development programs by women 51% – Promotions secured by women 47% – Talent / Succession management (women) 43%
<p>3. Ensure at least one woman on interview short-list for Senior and Executive level leadership / specialist roles, subject to merit against role requirements</p>	<ul style="list-style-type: none"> – Number of vacancies / opportunities 3 – Women applicants 82% – Women on short list 80% – Women as successful candidates 67%
<p>4. Ensure an annual review by the Board of the EEO & Diversity Policy and the gender diversity measurable objectives</p>	<ul style="list-style-type: none"> – The Board confirms it has undertaken an annual review of the EEO and Diversity Policy and has approved updates – Having reviewed the gender diversity measurable objectives for the financial year ended 30 June 2019, the Board has determined the following gender targets against Objective 1, to be achieved by the financial year ending 30 June 2022: 30% female, 30% male and 40% either gender at: <ul style="list-style-type: none"> > Board (inclusive of MD/CEO) – subject to merit against Board skills matrix > Other Executives/GMs – subject to vacancy and merit against required skill set > Senior Managers – subject to vacancy and merit against required skill set

¹ All other MMS Executives and General Managers, excluding the CEO

² Positions include Group Managers, National Managers and State Managers

The new Workplace Gender Equity Agency (WGEA) reporting framework document for 2018–2019 (the Company's Gender Equality Indicators) can be accessed on the Company's website www.mmsg.com.au/investor/#reports

Approved by the Board of McMillan Shakespeare Limited on 21 August 2019

McMillanShakespeareGroup



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