

## Corporate Governance Statement

(Pursuant to Listing Rule 4.10.3)

### Overview

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M2 Group Ltd (**M2**) is committed to ensuring that it has effective corporate governance structures, consistent with the principles and recommendations set out in the *Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) (ASX Principles)*.

M2 recognises that sound corporate governance practices create organisational value and provide necessary accountabilities and control systems which are appropriate to the organisational risks affecting M2.

Consistent with the ASX Listing Rules, to the extent that M2 has not followed a recommendation during FY15, M2 explains its departure using an “if not, why not” approach.

Additionally, M2 is pleased to embrace the ASX Corporate Governance Council’s encouragement to listed entities to not take a pedantic or legalistic approach to their governance disclosures. To that end, where M2 follows a recommendation in the ASX Principles, rather than simply stating that fact, M2 provides further information as to its compliance so as to ensure its stakeholders have a holistic understanding of M2’s corporate governance framework.

This Statement is current at, as was approved by the Board of M2 on, 21 August 2015.

## Principle 1: Lay solid foundations for management and oversight

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### Recommendation 1.1

M2 has established a clear delineation between the functions reserved to the Board of M2 and those functions delegated to its executive team. The Board's role is largely to oversee the performance of M2's Executive Team and set the strategic direction of M2.

The role of the Board, its Committees and that of the Executive Team, is detailed in a written Board Charter. Moreover, the individual accountabilities of each director are specified in a letter of appointment provided to each director upon his or her appointment to the Board.

The Board has reserved to it the matters that determine the overall direction of M2, including the stewardship over M2's corporate mission, objectives and strategy, regularly evaluating the performance of the Chief Executive Officer and approving corporate strategies, budgets, plans and policies developed by the Executive Team.

The Board has delegated the responsibility of implementing M2's strategy and carrying on the day to day operations of the business to the Executive Team. Each member of Executive Team is directly accountable to the Chief Executive Officer, who in turn is accountable directly to the Board. Specific authorities delegated to the Chief Executive Officer and the Executive Team are also set out in the *Delegated Authority Policy*, which is approved by the Board.

Similarly to the letter of appointment provided to a director upon their appointment to the Board, the contract of employment for each member of the Executive Team includes a formal job description, which describes the duties, rights, responsibilities and key accountabilities of members of the Executive Team.

The Board Charter is published in the Corporate Governance section of M2's corporate website and is accessible from the following link: [http://http://m2.com.au/board\\_charter](http://http://m2.com.au/board_charter).

## Recommendation 1.2

In FY15, the Board of M2 has demonstrated its ongoing commitment to ensuring that its shareholders receive all material information relevant to whether or not to elect or re-elect a director.

In M2's Annual General Meeting held in October 2014, Mr Vaughan Bowen and Mr Michael Simmons stood for re-election. In the Notice of the Annual General Meeting (and the Explanatory Notes) circulated to shareholders, the term served by each of Mr Bowen and Mr Simmons as directors was disclosed to shareholders, as was the Board's view on the independence of each of them.

Additionally, further information relating to the background, experience and qualifications of each of Mr Bowen and Mr Simmons was set out in M2's Annual Report for the financial year ended 30 June 2014. M2's Annual Report for the financial year ended 30 June 2014 and the Notice of Annual General Meeting were both provided to the ASX on 29 September 2014 and are available for viewing on M2's announcements page on the ASX website.

The Board views the personal background of directors with utmost importance. The Board is determined to ensure that in addition to being appropriately qualified and experienced, each director is a fit and proper person to act as a director of M2. This commitment is in keeping with the Board Charter, which requires each member of the Board to act honestly, fairly and with integrity.

In March 2015, Mrs Rhoda Phillippo joined the Board of M2. Prior to appointing Mrs Phillippo, the Board requisitioned the Company Secretary to undertake extensive searches in respect of Mrs Phillippo's personal background. In that regard, the Company Secretary obtained national police checks in both Australia and New Zealand, undertook bankruptcy checks, reviewed the 'Banned and Disqualified Persons' register maintained by ASIC and completed personal name checks through ASIC to determine whether Mrs Phillippo held any other material office with another company.

The Board ultimately resolved to appoint Mrs Phillippo once it was satisfied of, among other things, no adverse findings in respect of Mrs Phillippo's background from those searches.

Mrs Phillippo's appointment will be put to M2's shareholders for election at M2's Annual General Meeting to be held in October 2015. In order to ensure that M2's shareholders have all material information in their possession prior to voting on the resolution, the Board proposes to confirm that there were no adverse

findings from the searches conducted in respect of Mrs Phillippo in the Explanatory Notes to the Notice of the Annual General Meeting to be circulated to shareholders in September 2015.

### **Recommendation 1.3**

The Board of M2 considers that best practice and sound record keeping requirements dictate the need for the terms of appointment of each director and each member of the Executive Team to be set out in a binding written agreement.

Each current director of M2 is party to a written binding letter of appointment with M2, including Mrs Phillippo, the most recent director to join the Board of M2. The letter of appointment specifies the roles and responsibilities of each director, including M2's expectations of their professional and personal behaviour, as well as the director's remuneration and term of appointment. The letter of appointment for each director (other than Mrs Phillippo who was appointed in FY15) was updated for currency during FY15.

Additionally, in the first half of FY15, the Board oversaw the update of all employment agreements for its Executive Team, including for its Chief Executive Officer. Each such employment agreement deals with the term, remuneration, termination, confidentiality, non-compete and non-solicitation rights and obligations of each member of the Executive Team. The updated terms of employment for M2's Chief Executive Officer were disclosed to the ASX on 8 September 2014.

### **Recommendation 1.4**

The Company Secretary is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Directors have direct access to and communicate directly with the Company Secretary and vice versa on all matters relating to the Board.

The Company Secretary's role is documented in the Board Charter published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.



## Recommendation 1.5

The Board of M2 is pleased to encourage diversity in all areas of M2's business, and diversity is an important and valued aspect of M2's culture. Diversity is not limited to gender, and includes diversity of age, ethnicity, culture, impairment, sexual preference and religion. M2 continues to be committed to providing an environment where people are treated with fairness and respect, and in which they have equal opportunities, and equal access to those opportunities.

The Board has published a Diversity Policy which was updated in 2014. The Diversity Policy includes measurable objectives for achieving gender diversity and the objectives relating to diversity in executive, senior management and other employment roles are required to be reviewed at least annually on or around July each year. Broader diversity objectives will be considered in FY16.

The following table sets out key statistics on gender diversity, measured at 30 June 2015 and compared to the statistics in the previous corresponding period.

| Role                                    | 30 June 2015      |              | 30 June 2014      |             | % Change (FY14 to FY15) |
|---|-------------------|--------------|-------------------|-------------|-------------------------|
|   | Number of Females | (% of total) | Number of Females | (% of role) |                         |
| Board                                   | 1                 | 17%          | 0                 | 0           | +17%                    |
| Executive Team                          | 2                 | 25%          | 2                 | 25%         | -                       |
| Senior Leadership Team                  | 6                 | 23%          | 6                 | 22%         | +1%                     |
| Other Team Members (excluding overseas) | 297               | 31%          | 242               | 29%         | +3%                     |

For the purposes of interpreting the table immediately above, "Senior Leadership Team" refers to the majority of the senior managers who report directly to the Executive Team.

In FY15, another milestone included the appointment of Mrs Phillippo to the Board. Mrs Phillippo brings an enhanced skillset as well as directly helping to meet the Board's commitment to diversity. The Board will

continue to ensure that any further appointments to the Board, when it is next appropriate to expand the Board or fill a vacancy, will be in keeping with the Board's diversity objectives and M2's Diversity Policy.

In addition, multiple activities were undertaken during FY15 to further support and promote diversity including:

- The introduction of women's business breakfasts for women across a variety of roles, hosted by Executives.
- International Women's Day activities and promotion including sponsorship by the CEO.
- The inclusion of best practice disability facilities in new fitted out office environments.
- A refreshed commitment to recruiting talent from a wide age range, with team members hired during the year ranging from 18 years to 62 years of age.
- A new commitment to interviewing at least one female candidate for all vacant positions, in 95% or more of role searches.
- Recognition of religious days, providing for team members to swap one public holiday entitlement for another day off to suit their religious needs
- Inclusion of all female leaders in M2's Leadership Development Program

The Diversity Policy is published in the Corporate Governance section of M2's corporate website, accessible at: [http://www.m2.com.au/diversity\\_policy](http://www.m2.com.au/diversity_policy).

### **Recommendation 1.6**

The Board of M2 has a documented policy which establishes the framework for the periodic evaluation and review of the performance of the Board, its Committees and of individual directors. This policy is set out in the Nomination & Remuneration Committee Charter.

In accordance with the Nomination & Remuneration Committee Charter, a formal external evaluation of the Board, its directors and Committees will be conducted every second year commencing in respect of the Financial Year ending 30 June 2016. During each other year, the process for evaluating the performance is

conducted internally. Internal evaluations include:

- self-assessment, where each individual director assesses their own performance and that assessment is then discussed with both the Chairman of the Board and to the extent the assessment relates to the performance on a Committee, the Chair of the Committee;
- director peer-assessment, where each individual director assesses the performance of their colleagues; and
- Chairman peer-assessment, where each director assesses the performance of the Chairman of the Board.

The performance of each of the Board, each of its Committees and of each individual Director was assessed in November 2014 in accordance with the process set out in the Nomination & Remuneration Committee Charter.

The Nomination & Remuneration Committee Charter is published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.

### **Recommendation 1.7**

The performance of each member of the Executive Team is evaluated twice each year. Performance is reviewed against a number of criteria, including against the member's performance description, goals and agreed key performance indicators (**KPIs**) (both financial and non-financial KPIs).

Similarly, the Chief Executive Officer's KPIs are agreed with the Chairman of the Board and approved by Nomination and Remuneration Committee of the Board.

In addition to the reviews above, "360 degree" reviews are undertaken once each year. The 360 degree review is completed by the Chief Executive Officer, direct reports to the member of the Executive Team, as well as certain of their colleagues on the Executive Team. The results of this review are discussed with the Chief Executive Officer or in the case of the Chief Executive Officer's, or Company Secretary's performance, by the Chairman on behalf of the Board.



The performance of each member of the Executive Team was reviewed in FY15 in accordance with the process disclosed above.





## Principle 2: Structure the Board to add value

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### Recommendation 2.1

At all times during FY15, M2 had a functioning Nomination & Remuneration Committee, which discharged their roles and responsibilities set out in the Nomination & Remuneration Committee Charter.

The Board views that the role performed by its Nomination & Remuneration Committee is paramount. The Board appreciates that Board renewal and succession is critical for the proper performance by the Board and to maintain independence.

The members of the Nomination & Remuneration Committee during FY15 were:

- David Rampa (Chair);
- Craig Farrow; and
- John Hynd

M2 considers each member identified above to be an independent director.

During FY15, the Nomination & Remuneration Committee met 6 times and each meeting was attended by all members of the Committee. In addition, the Chief Executive Officer, Company Secretary and HR Director attend all meetings by invitation.

A key achievement of the Nomination & Remuneration Committee in FY15 was the recruitment and endorsement of Mrs Phillippo's candidacy for the Board. Mrs Phillippo was appointed to the Board in March 2015 and the Board considers that her knowledge, experience and independence is a valuable addition to the Board.

The Nomination & Remuneration Committee Charter is published in the Corporate Governance section of M2's corporate website, accessible from [http://www.m2.com.au/NRC\\_Charter](http://www.m2.com.au/NRC_Charter).

### Recommendation 2.2

The process for recommending the selection, appointment and re-appointment of directors to the Board is set out in its Board Selection Policy.

In proposing the selection, appointment and re-appointment of directors to the Board, the Nomination & Remuneration Committee aims to achieve a mix of diversity (gender and otherwise) and skills which is appropriate for M2's size and industry. The Board & Nomination Committee pay high regard to business skills which enable an appropriate understanding of M2's current telecommunications, and energy businesses. All Board members are expected to have sufficient financial literacy to effectively perform their roles.

The skills matrix set out below sets out the mix of skills and diversity that the Board currently has:



### Recommendation 2.3

At the date of this Corporate Governance Statement, the Board consists of six (6) directors.

After careful consideration by M2 of factors which could compromise the independence of its directors (including the factors set out in Box 2.3 set out in the ASX Principles), M2 considers that directors identified in the table below were independent during FY15 (as well as earlier and later times). The term served by each director is also noted in the table below.

| Director             | Appointment Date | Anniversary (FY15) |
|----------------------|------------------|--------------------|
| Craig Farrow (Chair) | 18 February 2000 | 15 years           |
| John Hynd            | 18 February 2000 | 15 years           |



| Director        | Appointment Date | Anniversary (FY15) |
|-----------------|------------------|--------------------|
| Michael Simmons | 26 November 2009 | 5 years            |
| David Rampa     | 21 December 2012 | 2 years            |
| Rhoda Phillippo | 2 March 2015     | N/A*               |

\* Mrs Phillippo was appointed part way through FY15

The Board regularly assesses the independence of each non-executive director. In doing so, the Board considers the non-executive director's interests, positions, associations and relationships generally, as well as the particular factors which are listed in Box 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3<sup>rd</sup> edition). The Board has, in particular, considered the tenure of each of the non-executive directors and believes that the interests of M2 and its shareholders are best served by having an appropriate mix of directors with length of tenure, to maintain a balance between a deep understanding of the business and new and fresh ideas for continued growth. The Board intends to expand its Board in the near future, and this will further enhance the diversity of experience and knowledge of the business.

Vaughan Bowen serves as an Executive Director.

#### Recommendation 2.4

The Board considers that the majority of the Board were independent at all times in FY15.

With the exception of Vaughan Bowen, who serves as an Executive Director, the Board views the remainder of the Board to be sufficiently independent. Reasons for this view are outlined in M2's commentary on Recommendation 2.3.

### Recommendation 2.5

At all times during FY15, Craig Farrow served as Chairman of the Board and held no other role in M2. For the reasons identified in M2's commentary on Recommendation 2.3, the Board considers Mr Farrow to be an independent director.

M2's Chief Executive Officer during the corresponding period was Geoff Horth. Mr Horth has not been appointed to the Board of M2.

### Recommendation 2.6

A structured induction was undertaken to onboard Mrs Phillippo, and to assist Mrs Phillippo in understanding the M2 business specifically. This included providing Mrs Phillippo with background on matters which had been put to the Board over the previous 12 months through the Board's online portal as well as briefings with the Chairman and Company Secretary on M2's corporate policies and governance framework, and the communication protocols adopted by M2. Mrs Phillippo spent dedicated time with the Executive Director, the CEO and the Business and Consumer Directors respectively, to understand M2's business and its strategy. Detailed one-on-one briefings with individual executive team members were also provided covering Finance, HR, IT & Technology, Legal and Risk Management to enable Mrs Phillippo to obtain a full picture of M2's operations.

External specialists from industry groups and professional advice firms regularly present to members of the Board and Executive Team on matters relevant to the various industries M2 is involved in as well as accounting, corporate governance and risk management matters, to assist the Board and Executive Team to develop and maintain their skills and knowledge in these areas. Board members are also provided with an allowance for professional development expenses.

## Principle 3: Act ethically and responsibly

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### Recommendation 3.1

The Board of M2 has formulated a Code of Conduct which applies to all M2 Team Members, including M2's directors, members of the Executive Team and all employees.

The Code of Conduct adopts a number of the suggestions set out in Box 3.1 of the ASX Principles.

The Code of Conduct, together with a number of other policies formulated by the Board, have been designed to maintain integrity and confidence in M2 and appropriately safeguard the reasonable expectations of M2's stakeholders. Examples of such policies include M2's:

- Code of Conduct;
- Securities Trading Policy;
- Conflict of Interest Policy;
- Continuous Disclosure Policy;
- Investor Relations Communications Policy; and
- Whistleblower Policy.

The Code of Conduct sets out the Board's expectations of each Team Member. These expectations include the obligation to deal fairly at all times, to accept a zero tolerance approach to discrimination, victimisation and harassment, to comply with all applicable laws and to preserve the privacy of individuals.

The Code of Conduct, together with each other policy identified above in the commentary to this Recommendation, are published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.

## Principle 4: Safeguard integrity in corporate reporting

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The Board is committed to safeguarding the integrity of its corporate reporting. To achieve that commitment, M2 must establish a structure of review and authorisation to ensure that reports on M2's position (whether financial, operational or otherwise) are balanced and presented factually and accurately.

The Board views maintaining the integrity in its reporting as essential and non-delegable. Safeguarding the integrity of M2's corporate reporting is a matter which is reserved to the Board and noted as such in the Board Charter.

### Recommendation 4.1

At all times during FY15, M2 had a functional Audit & Risk Committee. The primary objectives of the Audit & Risk Committee include safeguarding the truth and factual presentation of M2's financial position and facilitating the timely and appropriate identification, assessment, monitoring and management of risk and change. These objectives are specified in the Audit & Risk Committee Charter.

Additionally the Board has established a Wholesale Energy Risk Management Committee to function as a sub-committee of the Audit & Risk Committee. The Wholesale Energy Risk Management Committee has a specific focus on risks arising in respect of M2's energy business.

The members of the Audit & Risk Committee during FY15 were Craig Farrow, Michael Simmons and John Hynd. All of those directors are non-executive and considered independent by M2 for the reasons identified in M2's commentary in respect of Recommendation 2.3.

The chair of the Audit & Risk Committee is Mr Simmons. Mr Simmons holds a Bachelor of Commerce and is a Fellow of CPA Australia and has extensive experience in financial roles, including as Chief Financial Officer of SP Telemedia Limited (now known as TPG Telecom Limited).

The relevant qualifications and experience of each member of the Audit & Risk Management Committee is set out on pages 19-20 of M2's Annual Report for 2015, provided to the ASX on 24 August 2015.

During FY15, the Audit & Risk Committee met 7 times and at each meeting, was attended by all members of the Committee. In addition, the Chief Executive Officer, Company Secretary, Chief Financial Officer, General

Manager (Risk) and Internal Audit Manager attended all Committee meetings by invitation, with the Technology Director attending selected meetings.

The Audit & Risk Committee Charter, is published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.

#### **Recommendation 4.2**

The Board notes that prior to it approving M2's financial statements for the half-year ended 31 December 2014 and for the full year ended 30 June 2015, it received declarations from both the Chief Executive Officer and the Chief Financial Officer.

In the declarations, M2's Chief Executive Officer, Geoff Horth, and Chief Financial Officer, Darryl Inns, declared respectively that, in their opinions:

- the financial records of M2 have been properly maintained;
- the financial statements of M2 comply with appropriate accounting standards; and
- the financial statements of M2 give a true and fair view of the performance of M2.

Further, both Mr Horth and Mr Inns declared that their opinions in respect of the matters set out above were formed on the basis of a sound system of risk management and internal controls, which were operating effectively.

The declarations made in respect of the financial year ended 30 June 2015 satisfied the requirements of section 295A of the *Corporations Act 2001* (Cth).

#### **Recommendation 4.3**

During M2's Annual General Meeting held in October 2014, the lead audit partner of M2's external auditor firm, Ernst & Young, was in attendance.

Shareholders were afforded the opportunity to ask questions in respect of the audit, in accordance with sections 250RA and 250T of the *Corporations Act 2001* (Cth).

Shareholders were notified of this opportunity on page 13 of the Notice of Annual General Meeting for 2014.

The lead audit partner of Ernst & Young has been invited by M2's Chief Financial Officer to attend M2's Annual General Meeting for 2015. The Board expects that the lead audit partner will attend and be present to answer any questions about the audit for FY15.

The Notice of Annual General Meeting for 2014 was disclosed to the ASX on 29 September 2014 and is available from the ASX announcement page maintained in respect of M2.



## Principle 5: Make timely and balanced disclosure

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The Board is committed to ensuring that M2 makes timely and balanced disclosures to the market to ensure the integrity of the market. The Board treats M2's disclosure obligations under the Listing Rules and the *Corporations Act 2001* (Cth) seriously.

### Recommendation 5.1

M2 has established a Continuous Disclosure Policy and an Investor Relations Communications Policy.

These policies address a number of key disclosure issues, including those relating to acceptable conduct in respect of analyst and media briefings, circumstances in which trading halts must be requested and the processes for communicating announcements to the ASX.

All employees of M2 have responsibilities under the Policy, with specific responsibilities identified for the Board of Directors, Disclosure Committee (constituted by the Chairman of the Board, Chief Executive Officer, Chief Financial Officer and the Company Secretary), the Chief Executive Officer and Company Secretary independently, the Corporate Communications Manager and for all Executives.

The Continuous Disclosure Policy, is published in the Corporate Governance section of M2's corporate website, accessible from [http://www.m2.com.au/Continuous\\_Disclosure\\_Policy](http://www.m2.com.au/Continuous_Disclosure_Policy).

## Principle 6: Respect the rights of security holders

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### Recommendation 6.1

The Board of M2 recognises the importance for all shareholder to easily access relevant information about M2 and their shareholder in a timely manner. This view is embodied in the Continuous Disclosure and Communications Policies.

To facilitate this access, the Board has embraced the use of technology to reach all of its shareholders, wherever they may be located. The importance of M2's corporate website is central.

During FY15, M2 has undertaken a significant refreshment of its website, in particular, its Corporate Governance webpage. The Corporate Governance webpage is easily accessible, available to be accessed from an intuitively located link on M2's landing page at <http://www.m2.com.au>.

M2's website contains a variety of documents and other information which is, or may be, relevant to shareholders, including the following information suggested in the Commentary to Principle 6:

| Information   | Link  |
|---|---|
| Names, photographs and brief biographical information of each director and member of the Executive Team | <a href="http://m2.com.au/investor-centre/board-of-directors-executive-team/">http://m2.com.au/investor-centre/board-of-directors-executive-team/</a>                                 |
| Board and Committee Charters  | <a href="http://m2.com.au/investor-centre/corporate-governance/">http://m2.com.au/investor-centre/corporate-governance/</a>   |
| Corporate Governance policies   | <a href="http://m2.com.au/investor-centre/corporate-governance/">http://m2.com.au/investor-centre/corporate-governance/</a>   |
| Annual reports and financial statements   | <a href="http://m2.com.au/media/9435/constitution.pdf">http://m2.com.au/media/9435/constitution.pdf</a>   |
| ASX announcements (including copies of notices of meetings and accompanying documents)                  | <a href="http://m2.com.au/investor-centre/asx-announcements/">http://m2.com.au/investor-centre/asx-announcements/</a>   |
| Webcasts and transcripts of investor and analyst presentations  | <a href="http://m2.com.au/investor-centre/reports-presentations-and-resources/presentations/">http://m2.com.au/investor-centre/reports-presentations-and-resources/presentations/</a> |

| Information   | Link   |
|---|--|
| An overview of M2's business  | <a href="http://m2.com.au/about-us/">http://m2.com.au/about-us/</a>  |
| A description of M2's business segments / structures  | <a href="http://m2.com.au/about-us/">http://m2.com.au/about-us/</a>  |
| A summary of M2's history   | <a href="http://m2.com.au/about-us/">http://m2.com.au/about-us/</a>  |
| Calendar of Events for the forthcoming year, including the time, venue and other relevant details for result presentations and the Annual General Meeting | <a href="http://m2.com.au/investor-centre/calendar-of-events/">http://m2.com.au/investor-centre/calendar-of-events/</a>  |
| Share price information and dividend information (including historical information)   | <a href="http://m2.com.au/">http://m2.com.au/</a> ; <a href="http://m2.com.au/investor-centre/dividend-reinvestment-plan/">http://m2.com.au/investor-centre/dividend-reinvestment-plan/</a>                |
| Contact details for enquiries and Registry  | <a href="http://m2.com.au/contact-us/">http://m2.com.au/contact-us/</a> ;<br><a href="http://m2.com.au/investor-centre/shareholder-services/">http://m2.com.au/investor-centre/shareholder-services/</a> ; |
| Key security holder forms (e.g. DRP)  | <a href="http://m2.com.au/investor-centre/shareholder-services">http://m2.com.au/investor-centre/shareholder-services</a>  |

The Continuous Disclosure policy is published in the Corporate Governance section of M2's corporate website, accessible from [http://www.m2.com.au/continuous\\_disclosure](http://www.m2.com.au/continuous_disclosure).

### Recommendation 6.2

M2 has developed an Investor Relations Communications Policy and a corresponding investor relations program to enable effective two-way communication with investors. The program includes engaging with investors at the Annual General Meeting each year as well as at various scheduled and ad-hoc investor meetings. Scheduled sessions are also held for institutional investors, analysts and the financial media, in particular following the release of both the half year and full year financial results.

The Investor Relations Communications policy is published in the Corporate Governance section of M2's corporate website, accessible from [http://www.m2.com.au/IRC\\_policy](http://www.m2.com.au/IRC_policy).

### Recommendation 6.3

M2 complies with its obligations under the *Corporations Act 2001* (Cth), including those which have the effect of improving and facilitating participation by shareholders at M2's meetings. Consistent with those obligations, M2 has adopted process and practices which include:

- providing proper prior advance notice of general meetings, including publishing key dates (including meeting dates) on the Corporate Governance section of M2's corporate website;
- inviting shareholders to submit written questions to the auditor prior to the Annual General Meeting;
- permitting direct voting in addition to voting via a proxy (or via a body corporate representative) or in person;
- affording shareholders a reasonable opportunity to ask questions or make comments on the management of M2 at each Annual General Meeting;
- affording shareholders a reasonable opportunity to ask questions or make comments on M2's Remuneration Report at each Annual General Meeting; and
- affording shareholders a reasonable opportunity to ask questions of M2's auditor in respect of the audit, the audit report, accounting policies and auditor independence at each Annual General Meeting.

### Recommendation 6.4

The Board is pleased to provide M2's shareholders with the option to receive and send electronic communications to M2 and its share registry, Link Market Services, in connection with their shareholding.

To encourage shareholders to communicate electronically with M2, M2's share registry has been instructed to enclose forms with each hardcopy communication dispatched to shareholders, offering shareholders the opportunity to receive communications from M2 electronically, if they have not already elected to do so.

Information on how shareholders may communicate electronically with M2 and its share registry is also available on M2's website at: <http://m2.com.au/investor-centre/shareholder-services/>

## Principle 7: Recognise and manage risk

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The Board of M2 considers that the development of a risk mature culture is integral for the proper identification and management of M2's strategic and operational risks.

### Recommendation 7.1

At all times during FY15, M2 had a functional Audit & Risk Committee. The primary objectives of the Audit & Risk Committee, in respect of its risk management role, includes the appropriate identification, assessment, monitoring and management of risk and change. This objective is specified in the Audit & Risk Committee Charter.

As part of the discharge of this objective, the Audit & Risk Committee is tasked with reviewing and reporting to the Board on the adequacy of actions taken to identify risks, the 'risk register' maintained and the sufficiency and outcome of audits undertaken to test the adequacy of and compliance with prescribed policies.

M2 refers to its commentary on Recommendation 4.1 in respect of:

- the members and Chair of the Audit & Risk Committee during FY15;
- the independence of those members;
- the relevant qualifications and experiences of each member of the Audit & Risk Committee; and
- the number of meetings held by the Audit & Risk Committee in FY15 and individual attendances at those meetings.

As noted in M2's commentary on Recommendation 4.1, the Audit & Risk Committee Charter is published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.

### Recommendation 7.2

In FY 15, the role of Group Risk Manager was created to provide management oversight of risk management at an enterprise level for the Group. An experienced risk management professional was appointed to that dedicated role.

During the course of FY15, the Group Risk Manager undertook a review of M2's risk management framework. The results of the review were shared with the Audit & Risk Committee and the Board and resulted in the update of M2's documented 'Risk Management Policy'. This policy, and the Group's risk register, is reviewed by the Audit & Risk Committee quarterly and by the Board on a half-yearly basis, in accordance with the policy.

A *summary* of the Risk Management Policy is published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.

### Recommendation 7.3

At all times during FY15, M2 had an internal auditor in its employ.

The internal auditor's role and responsibilities, and the manner in which the internal audit function is structured, is set out in M2's Audit & Risk Committee Charter.

M2's internal auditor routinely prepares reports for the Audit & Risk Committee based on the auditor's analysis of the effectiveness and appropriateness of M2's systems and controls for identifying and managing risk.

The Audit & Risk Committee is specifically tasked with evaluating the performance of the internal auditor function, ensuring that the function is adequately discharged, reviewing the internal auditor's findings as to the sufficiency of M2's risk management and internal and compliance control systems and providing the link between the internal audit function and the full Board.

#### Recommendation 7.4

M2's Group Risk Manager has completed an assessment of M2's exposure to economic, environmental and social sustainability risks, among other risks.

The details of those risks, their materiality and M2's strategies for managing those risks, is set out in M2's Sustainability Report, set out on page 16 of M2's Annual Report for 2015, provided to the ASX on 24 August 2015.



## Principle 8: Remunerate fairly and responsibly

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### Recommendation 8.1

At all times during FY15, M2 had a functional Nomination & Remuneration Committee.

M2 refers to its commentary on Recommendation 2.1 in respect of:

- the members of the Nomination & Remuneration Committee during FY15;
- the independence of those members; and
- the number of meetings held by the Nomination & Remuneration Committee in FY15 and the individual attendances at those meetings.

As noted in M2's commentary on Recommendation 2.1, the Nomination & Remuneration Committee Charter is published in the Corporate Governance section of M2's corporate website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.

### Recommendation 8.2

Remuneration arrangements for non-executive directors are distinct from those for executive directors and members of the Executive Team. In particular, non-executive directors receive fees for their director services and will not receive equity or bonus compensation. Non-executive directors are also not entitled to receive benefits in connection with their retirement from office.

Full details of remuneration arrangements for key members of the Executive Team, including the Chief Executive Officer, and for executive and non-executive directors is set out in the Remuneration Report, commencing on page 24 of M2's Annual Report for 2015. M2's Annual Report for 2015 was provided to the ASX on 24 August 2015.

### Recommendation 8.3

M2 has adopted a Securities Trading Policy, which applies to trading in M2 securities by all employees. A copy of the Securities Trading Policy has been disclosed to the ASX under ASX Listing Rules 12.9 to 12.12.

M2's Securities Trading Policy was revised in FY15 to formalise M2's policy on preventing the key management personnel (or their closely related parties) from hedging their exposure to unvested or 'locked' remuneration. The restriction extends to acquiring put options on incentive remuneration, adopting a short position on shares that form part of incentive remuneration and taking out an income protection insurance contract where the insurable risk relates to unvested or locked remuneration.

Additionally, the Securities Trading Policy prevents all employees from entering into forward contracts to deal with securities in M2.

The provisions of the Securities Trading Policy are consistent with section 206J of the *Corporations Act 2001* (Cth) and regulation 2D.7.01 of the *Corporations Regulations 2001* (Cth).

The Securities Trading Policy is published in the 'Corporate Governance' section of M2's website, accessible from the link specified in M2's commentary on Recommendation 1.1 above.