



REMUNERATION REPORT

Dear Shareholder,

I am pleased to present M2's remuneration report for 2015 for which we seek your support.

The Nomination and Remuneration Committee ("Committee") is responsible for ensuring that appropriate remuneration principles and structures are established to underpin the company's performance-driven culture. Key principles are to ensure that the remuneration framework is transparent, competitive, and reasonable, with the understanding that it must successfully attract and retain high calibre executives.

The Committee has designed M2's remuneration structure to include a key focus on "at risk" compensation ensuring that there is a direct link between remuneration and performance (Company and individual), and that remuneration is properly aligned with shareholder interests. We regularly review our policies with the aim of ensuring alignment between Executive remuneration and company performance.

Significant progress was made in FY15 to further improve M2's KPI setting, Performance Review, and Salary Review processes, to ensure a high standard of consistency, and a continual focus on meritocracy and performance overall. Through continuous improvement efforts M2's culture has continued to strengthen, with notable improvements in team member satisfaction during the year.

Creating and maintaining an appropriate remuneration structure will assist M2 in creating sustainable shareholder value. I trust that the company's remuneration strategy will receive your support.

We welcome your feedback.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. Rampa'.

DAVID RAMPA
CHAIR - NOMINATION & REMUNERATION COMMITTEE

INTRODUCTION

This remuneration report for FY15, which forms part of the directors' report, outlines the remuneration arrangements of the Company in accordance with the requirements of the Corporations Act. The information in this report has been audited.

The key sections of this report include:

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1. REMUNERATION SNAPSHOT

M2 performed strongly in FY15, with a 6% increase in EBITDA and a 10% increase in NPAT, delivering a 9% increase in EPS, and 23% increase in full year dividends. Remuneration outcomes were reflective of M2's performance.

Significant remuneration outcomes explained further in this report include:

- Total fixed remuneration for Executive KMP increased by 5.8% from FY14 to FY15 whilst total remuneration packages overall increased by 4.9%
- Executive KMP achieved an average of 85.7% of STI awards for FY14 performance, paid in FY15, and 88.2% for FY15 (to be paid in FY16)
- 383,334 options from our legacy option plan and held by Executive KMP vested in FY15
- The Company granted 121,417 performance rights to Executive KMP under the new Long Term Incentive Plan (LTI)
- Non-executive director remuneration increased by 3.1%

2. KEY MANAGEMENT PERSONNEL

This report sets out the remuneration details of key management personnel ('KMP'), which include those persons with authority and responsibility for planning, directing and controlling the activities of the Company.

M2 has defined 'KMP' to include directors (executive and non-executive) ('Director') and those executives who drive and are responsible for the principal business activities of the Company ('Executive KMP').

The KMP for M2 during and since the end of FY15 include:

DIRECTORS:

Craig Farrow	Chairman
Vaughan Bowen	Executive Director
John Hynd	Non-executive Director
Michael Simmons	Non-executive Director
David Rampa	Non-executive Director
Rhoda Phillippo	Non-executive Director

EXECUTIVES:

Geoff Horth	Chief Executive Officer
Darryl Inns	Chief Financial Officer
Scott Carter	Chief Operating Officer
Boris Rozenvasser	Consumer Director

3. REMUNERATION GOVERNANCE

3.1 NOMINATION AND REMUNERATION COMMITTEE ('COMMITTEE')

The role of the Committee is to assist and advise the Board on matters relating to the appointment and remuneration of directors, executives and where appropriate, other employees of M2. It operates under the provisions of a Charter, a copy of which may be found on M2's website.

The Committee consists of three independent non-executive directors; David Rampa (Chair since January 2013), Craig Farrow and John Hynd.

3.2 REMUNERATION CONSULTANTS

Under the provisions of the Committee's Charter, the Committee may engage the assistance and advice from external remuneration consultants. To ensure that any recommendations made by remuneration consultants are provided without undue influence being exerted by Executives, external remuneration consultants deliver their advice directly to members of the Committee.

During FY15, the Committee engaged the services of Aon Hewitt to benchmark executive and board remuneration, and sought the advice of Guerdon Associates in respect of general trends in remuneration and reward models in so far as mix of pay, forms of incentive, and reporting. Aon Hewitt and Guerdon Associates did not make 'remuneration recommendations' in relation to executive remuneration as defined in the Corporations Act. Neither Aon Hewitt nor Guerdon Associates provided any services to Executives or other M2 management.

3.3 2014 ANNUAL GENERAL MEETING ('AGM')

At the Company's AGM in October 2014, 98.74% of votes received were in favour of adopting the remuneration report.

3.4 HEDGING OF REMUNERATION

In accordance with provisions of the Corporations Act, KMP and their closely related parties are prohibited from hedging any element of their remuneration that is unvested (due to time or other conditions) or is vested but subject to restriction on disposal.

4. DIRECTOR REMUNERATION

4.1 REMUNERATION POLICY AND STRUCTURE

M2's non-executive director remuneration policy is to provide fair remuneration that is sufficient to attract and retain non-executive directors with the experience, knowledge, skills and judgment to steward the Company's success.

Non-executive directors are paid fees for their services to the Company. The current aggregate maximum sum is \$850,000, which was approved by shareholders at the 2012 AGM. Non-executive director fees consist of base fees and fees for membership on Board Committees, all of which are inclusive of superannuation contributions. The Chairman of M2 receives an overall fee that is inclusive of Board Committee fees and superannuation contributions.

Actual fees paid to non-executive directors in FY15 totalled \$582,500. The total fees paid are 7.87% more than the prior year, due to an additional non-executive director who joined the Board part way through the year, and increases to Chairman and Non-executive director fees.

To preserve independence and impartiality, non-executive directors do not receive incentive or performance based remuneration (from January 2013), nor are they entitled to retirement or termination benefits.

The level of non-executive director fees is reviewed annually against comparable market data, and in late FY15 was the subject of a specific external benchmarking exercise conducted by Aon Hewitt.

Non-executive directors receive reimbursement of expenses incurred while carrying out their director duties. The Board also provides \$2,000 each financial year for each director to utilise for the purpose of attending training or professional development courses and events. These amounts are not included in the aggregate fee pool.

4.2 NON-EXECUTIVE DIRECTOR FEES

The fees for FY15, as compared with FY14, are outlined below. Actual amounts received by non-executive directors are provided in section 6.2.

	FY15	FY14	% Increase
Chairman	\$247,500	\$240,000	3.1%
Non-executive Director	\$82,500	\$80,000	3.1%
Committee Chair	\$20,000	\$20,000	0%
Committee member	\$10,000	\$10,000	0%

4.3 EXECUTIVE DIRECTOR REMUNERATION

The Executive Director receives a mix of fixed and variable remuneration.

The fixed component consists of a cash salary, superannuation and a non-monetary benefit (car parking). Given that it was considered that the Executive Director's shareholdings in the company ensures alignment with shareholder interests, variable remuneration payments are made in cash.

Identifying and managing mergers and acquisitions is a key mandate for the Executive Director's role, with the structure of his remuneration reflective of this.

The variable component consists of an incentive plan that was put in place in FY13 to reward the Executive Director for M&A transaction outcomes. The incentive plan reflects the results the acquisition delivers over a three year period, and is payable in installments, dependent upon hurdles and performance criteria that are determined by the Board. The maximum amount is determined on a deal by deal basis dependent upon the following criteria:

- The size of the acquisition
- Cost savings associated with acquisition funding and transaction costs
- Potential cost savings achieved post acquisition
- Potential improvement in shareholder earnings
- Potential shareholder value accretion

A summary of the Executive Director's incentive plan is detailed below:

Form of grant	Cash
Performance period	3 year period from 1 July in the year of the grant to 30 June at the end of the period
Maximum grant value over performance period (3 years)	\$2 million
Frequency of grant	The total amount determined in July 2012, which is payable in instalments over the performance period.
Performance measures/ conditions	Payment of the incentive is only made if earnings improvement objectives (in respect of the acquired Primus and Dodo/Eftel businesses) are achieved. FY 2015 hurdles were the achievement of targeted profit from the acquisitions.

This performance condition is considered to be appropriate as it is a direct measure of the performance of the acquired businesses, and earnings improvement drives increases to shareholder returns.

Termination	Upon termination, the Executive Director shall be entitled to a pro-rata amount up until the end of the relevant financial year, subject to satisfying the performance condition.
Change of Control	Upon a change of control, the Executive Director shall be entitled to a pro-rata amount, subject to satisfying the performance condition.
Discretion	The board (excluding the executive director) retains discretion to vary incentive payments from this policy. However, full disclosure will be made in the event that discretion has been applied.

For FY15, the Executive Director is entitled to receive an incentive payment of \$700,000 if 100% of the earnings objectives for the Primus and Dodo/Eftel transactions were achieved. This is to be paid in two instalments.

In FY15, the Executive Director received the following payments:

- \$150,000 in October, 2014 (this amount reflects the final instalment for the FY14 targets)
- \$350,000 in March, 2015 (this amount reflects the first instalment for the FY15 targets)

The Executive Director will be entitled to receive a second installment for the FY15 incentive, which will be an amount of up to \$350,000 for the FY15 targets, depending on the Board's consideration of performance against the pre-determined goals for the Primus, Dodo and Eftel transactions, as recommended by the Nomination and Remuneration Committee, and approved by the full Board. This second installment will be paid in October 2015 (and reflected in the FY16 remuneration report).

5. EXECUTIVE REMUNERATION

5.1 REMUNERATION POLICY AND STRUCTURE

Executive remuneration consists of fixed remuneration and variable remuneration.

Fixed remuneration is comprised of cash salary, superannuation and other non-monetary benefits (including motor vehicles and car parking). The levels are set to attract and retain qualified, skilled and experienced executives and are determined based on comparable market data.

Variable (or 'at risk') remuneration is comprised of a short term incentive (STI), and a long term incentive (LTI). Incentives are set to reward Executives for achievement of financial, operational and strategic objectives, and are designed to align Executive performance with shareholder returns. Furthermore, LTI incentives are set over three years to align with M2's business planning horizon.

From time to time, the Company may also agree to offer other forms of incentive remuneration where the circumstances require this.

The Nomination & Remuneration Committee continuously monitors the remuneration structure to ensure it remains effective in retaining and focussing the team that has to date been very successful in building shareholder value.

During the year the Committee engaged Aon Hewitt to conduct a benchmarking exercise across the Executive team. This exercise focused on role, and M2 business comparators. This provided insight to, and tangible data on relevant remuneration levels and mixes of total remuneration across fixed, STI and LTI. This is the second such formal exercise the Committee has undertaken and will be repeated every two years.

5.2 REMUNERATION MIX

The CEO's variable remuneration is structured broadly on the principle of 45% maximum STI and 45% maximum LTI calculated on fixed remuneration. Variable remuneration for Executive KMP (other than the CEO) is broadly structured on the principle of 30% maximum STI and 30% maximum LTI calculated on fixed remuneration. The mix of fixed and variable remuneration varies between Executive KMP, and is determined based on the extent to which they are in a position to directly influence Company performance.

M2 remuneration philosophy is to allocate a material part of executive remuneration to be derived from an "at risk" element in the form of STI and LTI. Given that M2 executive fixed remuneration is below the median in most instances, when compared to ASX peers, M2 seeks to pay STI in cash to better approximate market levels of cash payment in the remuneration mix.

5.3 FIXED REMUNERATION

The review by the Nomination & Remuneration Committee resulted in the FY15 fixed remuneration for the CEO being increased by 3.7%, for the CFO by 1.3%, for the Business Director by 9.0%, and for the Consumer Director by 15.7%. These adjustments were necessary to improve fixed remuneration relativity to the market median, and reduce the risk of voluntary executive turnover due to pay considerations.



5.4 SHORT TERM INCENTIVE PLAN ('STI PLAN')

The key features of M2's STI Plan are outlined below.

Form of grant	Cash payment
Grant timing	Following a determination of the Company and Executive performance after audited results for the relevant financial year
Frequency of grant	Annual
Vesting and performance period	12 months
Maximum award	<ul style="list-style-type: none"> Each Executive may earn up to a pre-determined maximum amount. The Board may choose to pay more than the maximum, depending upon the circumstances. The maximum award varies between Executives and is dependent upon role and responsibilities
Profit gateway for maximum STI	<ul style="list-style-type: none"> A pre-determined NPAT objective must be achieved before the full STI awards are paid to Executives. If the NPAT objective is not achieved, Executives are only entitled to a maximum of 50% of their STI award. M2 must meet market guidance for the STI plan payment to be considered
Performance condition and measures	<ul style="list-style-type: none"> The STI award paid depends on the extent to which Executives meet pre-determined targets, which are expressed as key performance indicators ('KPIs') The KPIs are set following finalisation of the Company's budget and strategic objectives for the new financial year Individual KPIs cover both financial and non-financial performance measures, the mix of which varies between the Executives depending upon their role and responsibilities. <p>KPIs are set within four key areas being:</p> <ul style="list-style-type: none"> Financial Performance Customer Satisfaction Business Improvement Leadership, Values & Behaviours <ul style="list-style-type: none"> Each KPI operates independently and is expressed as a percentage of the total available maximum STI The CEO's STI award is in part determined according to the overall KPI achievement of the Executives, recognising that the CEO's primary task is to provide leadership and direction to the Executives to maximise their performance. <p>KPIs have been chosen by the Board as they are representative of the Company's strategy elements that drive shareholder value.</p>
Performance Assessment	<ul style="list-style-type: none"> Executive performance is assessed following the determination of Company annual results for the preceding financial year Performance assessment takes the form of a traditional performance review, whereby the Executive is provided with a 'rating' based on the achievement of their objectives. This rating is determined by the CEO and Chairman, considered by the Nomination & Remuneration Committee and approved by the Board. This traditional method of assessing Executive performance ensures that an STI award is based upon the actual achievement of objectives.
Termination	Executives who cease employment prior to the end of a financial year are not usually entitled to an STI award, however payment may be made at the discretion of the CEO and Board.

The STI outcomes for FY15 are detailed in section 6.3 of this report.

Overall, executives achieved an average of 88.6% for performance during FY15 based on performance against KPIs. This was a strong performance and in line with M2's business results and success over that period.

The STI plan as outlined above will apply in FY16.

5.5 LONG TERM INCENTIVE PLANS ('LTI PLAN')

The Board introduced the LTI Plan from 1 July 2013, as outlined in our 2013 Annual Report. The first grant of performance rights under the LTI Plan was made in September 2013. The LTI plan continues to operate, with a second grant of performance rights made to executives in 2014, and a third to be made in 2015.

The key driver for the LTI Plan was to provide a variable remuneration component that was competitive, aligned to shareholder returns over a longer period, and also on terms that were acceptable to Australian investors, based on market standards. It has also been structured to appropriately incentivise Executives and promote retention. As stated previously, three years was selected as the LTI performance period to align with M2 Group's business planning cycle.

The key features of the LTI Plan are outlined below:

Form of grant	<ul style="list-style-type: none"> • Performance rights that can be settled in M2 shares or cash at the Board's discretion • Executives are not required to pay for the performance rights
Grant timing	September
Frequency of grant	Annual
Vesting date	Upon expiry of the Performance Period
Performance period	3 year period from 1 July in the year of grant to 30 June at the end of the period
Performance measures and weighting	<ul style="list-style-type: none"> • 50% Relative Total Shareholder Return ("RTSR") • 50% EPS Growth
Performance hurdles	<ul style="list-style-type: none"> • RTSR growth threshold: Index + 3% • RTSR growth target: Index + 5% • RTSR growth maximum: Index + 7% • EPS Growth with a defined threshold and maximum performance requirement (full disclosure in the year of vesting in accordance with the company's policy not to provide EPS guidance)
Vesting scale	Zero at threshold, 100% at maximum, straight line pro rata between threshold and maximum
Terminating Executives	If a good leaver, vesting will be on pro-rata basis at the discretion of the Board
Change of control	Vesting on pro-rata basis at discretion of the Board.

The RTSR test applying to half of the performance rights granted to Executives measures M2's total shareholder return performance (share price growth plus dividends) relative to movements in the S&P/ASX 200 and S&P/ASX 200 Telecommunications Services indices over the three year performance period, with 50% of the RTSR-tested performance rights (i.e. 25% of the total number of performance rights in the grant) assessed against each index. We adopt these benchmarks, as we believe it appropriate that Executive reward is aligned to shareholder outcomes relative to sector peers and the ASX200 overall performance.

The Board believes this RTSR test is an appropriate performance measure because it provides a reward when the Company's shareholder return exceeds investment returns for the market as a whole and/or for peers in its industry.

The EPS Growth test applying to the second half of the performance rights granted to Executives assesses the growth in M2's earnings per share over the three-year performance period. Full disclosure of the performance requirements will be provided in the year of vesting in accordance with company policy not to provide EPS guidance.

The Board believes this is an appropriate performance measure as EPS is directly related to shareholder returns and is consistent with the performance objectives set for Executives.

6. REMUNERATION OUTCOMES FOR FY14

This section provides a summary of the key financial results for M2 over the last five financial years, and also how those results have been reflected in KMP remuneration for FY15.

6.1 M2 FINANCIAL PERFORMANCE

The table below sets out M2's earnings and movements in shareholder wealth over the last five years:

	FY15	FY14	FY13	FY12	FY11
Revenue	\$1,115.7 million	\$1024.4 million	\$681.0 million	\$393.5 million	\$426.8 million
EBITDA	\$170.5	\$160.1 million	\$108.1 million	\$60.1 million	\$48.3 million
NPAT	\$73.7 million	\$67.1 million	\$43.8 million	\$33.0 million	\$27.6 million
NPAT Growth	10%	53%	33%	20%	72%
Share price	\$10.70	\$5.78	\$6.02	\$3.36	\$3.28
EPS	40.5 cents	37.4 cents	27.4 cents	25.9 cents	22.6 cents
EPS Growth	9%	36%	6%	15%	56%
Interim dividend	15.0 cents	11.5 cents	10 cents	9 cents	7 cents
Final dividend	17.0 cents	14.5 cents	10 cents	9 cents	9 cents

6.2 FY15 REMUNERATION DETAILS

The tables in this section detail the remuneration received by KMP during FY15. This information is disclosed in accordance with the Corporations Act and the Australian Accounting Standards.

DIRECTORS

The fees and remuneration received by non-executive directors in FY15 are set out below, including a comparison with FY14. This table also includes the amounts received by the Executive Director.

	Year	Salary & Fees	Cash STI ^{(1), (2)}	Performance related ⁽³⁾	Non-monetary benefits	Post Employment Benefit ⁽²⁾	Other long term benefits Accrued Long Service Leave ⁽²⁾	Total Remuneration
		\$	\$	%	\$	\$	\$	\$
Craig Farrow	2015	247,500	-	-	-	-	-	247,500
Chairman	2014	240,000	-	-	-	-	-	240,000
Vaughan Bowen	2015	250,000	500,000	59.9	8,820	30,000	45,304	834,124
Executive Director	2014	250,000	800,000	71.3	8,165	25,000	39,054	1,122,219
John Hynd	2015	102,500	-	-	-	-	-	102,500
Non-executive Director	2014	100,000	-	-	-	-	-	100,000
Michael Simmons	2015	102,500	-	-	-	-	-	102,500
Non-executive Director	2014	100,000	-	-	-	-	-	100,000
David Rampa	2015	102,500	-	-	-	-	-	102,500
Non-executive Director	2014	100,000	-	-	-	-	-	100,000
Rhoda Phillippo⁽⁴⁾	2015	27,500	-	-	-	-	-	27,500
Non-executive Director	2014	0	-	-	-	-	-	0
Total	2015	832,500	500,000	-	8,820	30,000	45,304	1,416,624
	2014	790,000	800,000	-	8,165	25,000	39,054	1,662,219

(1) Calculated based upon the value of the cash STI against total remuneration received

(2) No additional short term, long term or post-employment benefits were provided other than those set out above

(3) From 1 July 2014, no share or performance based remuneration is payable to any non-executive director

(4) Rhoda Phillippo was appointed in March 2015

The remuneration received by Executives in FY15 is set out below, including a comparison with FY14.

EXECUTIVES

	Year	Short-Term			Post	Other	Share based	Total
		Base Salary	STI ^{(1), (2)}	Non-monetary benefits	Employment Benefit	long term benefits	payment	
					Super-annuation	Accrued Long Service Leave	Value ascribed to options & performance rights ⁽³⁾	
		\$	\$	\$	\$	\$	\$	\$
Geoff Horth	2015	800,000	198,000	33,116	30,000	82,554	175,724	1,319,394
CEO	2014	775,000	175,000	32,461	25,000	67,345	171,659	1,246,465
Darryl Inns	2015	400,000	80,000	17,820	30,000	16,964	48,678	593,462
CFO	2014	400,000	90,000	17,165	25,000	6,964	33,863	572,992
Scott Carter	2015	435,000	165,500	28,820	30,000	29,196	53,489	742,005
Chief Operating Officer	2014	400,000	117,000	28,165	25,000	21,499	51,996	643,660
Boris Rozenvasser	2015	370,000	105,600	8,820	30,000	67,870	110,889	693,179
Consumer Director	2014	320,000	100,000	8,165	25,000	53,354	107,269	548,294
Totals	2015	2,005,000	549,100	88,576	120,000	196,584	388,780	3,348,040
	2014	1,895,000	482,000	85,956	100,000	149,162	364,787	3,076,904

(1) STI paid during FY15 for FY14 performance

(2) STI paid for Mr Rozenvasser in 2014 was a retention bonus agreed on the acquisition of Dodo.

(3) Calculation is the amortisation expense for options and performance rights

PERFORMANCE RIGHTS HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2015	Balance at 1 July 2014	Granted as remuneration	Rights exercised	Rights Forfeited / Expired	Balance at 30 June 2015
Directors					
Craig Farrow	-	-	-	-	-
Vaughan Bowen	-	-	-	-	-
John Hynd	-	-	-	-	-
Michael Simmons	-	-	-	-	-
David Rampa	-	-	-	-	-
Rhoda Phillippo	-	-	-	-	-
Executives					
Geoff Horth	50,645	50,591	-	-	101,236
Darryl Inns	22,099	23,609	-	-	45,708
Scott Carter	22,099	23,609	-	-	45,708
Boris Rozenvasser	22,099	23,609	-	-	45,708
Total	116,942	121,418	-	-	238,360

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2015	Balance at 1 July 2014	Granted as remuneration	Options exercised	Options Forfeited / Expired	Balance at 30 June 2015
Directors					
Craig Farrow	-	-	-	-	-
Vaughan Bowen	-	-	-	-	-
John Hynd	-	-	-	-	-
Michael Simmons	-	-	-	-	-
David Rampa	-	-	-	-	-
Rhoda Phillippo	-	-	-	-	-
Executives					
Geoff Horth	550,000	-	(200,000)	-	350,000
Darryl Inns	33,334	-	(33,334)	-	-
Scott Carter	166,667	-	(166,667)	-	-
Boris Rozenvasser	250,000	-	(83,333)	-	166,667
Total	1,000,001	-	(483,334)	-	516,667

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2015	Balance at 1 July 2014	Granted as remuneration	On exercise of options	Net change	Balance at 30 June 2015
Directors					
Craig Farrow	485,444	-	-	(80,444)	405,000
Vaughan Bowen	5,542,420	-	-	(500,000)	5,042,420
John Hynd	1,533,000	-	-	(100,000)	1,433,000
Michael Simmons	11,988	-	-	-	11,988
David Rampa	350,000	-	-	(346,500)	3,500
Rhoda Phillippo	-	-	-	-	-
Executives					
Geoff Horth	70,625	-	200,000	100,000	170,625
Darryl Inns	241,666	-	33,334	(13,332)	228,334
Scott Carter	83,333	-	166,667	96,667	180,000
Boris Rozenvasser	-	-	-	83,333	83,333
Total	7,971,976	-	400,001	(760,276)	7,558,200

6.3 STI OUTCOMES

Key Performance Indicators are set at the commencement of each Financial Year, and are objective and measurable. A robust KPI setting and review process is in place, which aligns team member's contribution to business plan objectives.

Following a review of performance for FY15, the below outcomes were achieved by the Company, and each Executive KMP:

ACHIEVEMENT OF KPIS

As stated in section 5.4, M2 must meet market guidance for the STI Plan payment to be considered. Once that is reached, M2 must achieve its NPAT objective in order for full STI awards to be available to be paid to executives. Otherwise executives will only be entitled to earn up to 50% of their individual STI award, depending upon achievement of their individual KPIs.

Guidance was set with regard to ongoing operations, and should not take into account any transaction costs related to any M&A opportunities that arise. This is considered appropriate also for STI payments, as M&A transactions are assessed and undertaken on the basis of their medium and longer-term impacts, rather than short-term considerations.

In FY15, M2 performance met both market guidance and its NPAT objective. As such, the maximum STI was available to Executives.

The table below illustrates the growth in NPAT in FY15, adjusted by costs associated with acquiring the CallPlus group of companies.

Measure	NPAT ^(B) (\$M)	% growth on pcp
Guidance	\$77.2M to \$80.5M	15-20%
Reported	73.7	10%
Add back-one off transaction costs	8.8	
Reported, ex transaction costs	82.5	23%

The performance of Executives against Key Performance Indicators is set out below:

Executive	KPI	% of STI	% Achieved
Darryl Inns	Financial Results	40	35
	Customer Satisfaction	10	7
	Business Improvement	30	28
	Leadership, Values & Behaviours	20	17
	Total	100	87
Scott Carter	Financial Results	45	40
	Customer Satisfaction	10	8
	Business Improvement	25	25
	Leadership, Values & Behaviours	20	19
	Total	100	92
Boris Rozenvasser	Financial Results	45	35
	Customer Satisfaction	10	10
	Business Improvement	25	23
	Leadership, Values & Behaviours	20	17
	Total	100	85

CEO KPIS

GEOFF HORTH

KPI	% of KPI	KPI Achieved
Financial Results Inclusive of development of the Annual Operating Plan, the 5 year strategy, and achievement of Executive team KPI's (paid on the basis of average achievement across the executive team)	50	47
Customer Satisfaction	10	6
Business Improvement	20	17
Leadership, Values & Behaviours	20	19
Total	100%	89%

The above measures were chosen for the CEO's KPIs as they represent goals across the four key areas of performance focussed on by M2. Significant importance is placed on the delivery of financial results and therefore weighted at 50% of overall performance to ensure shareholder return. The remaining 50% is split across three areas of competencies that underpin the achievement of financial results, these being Customer Satisfaction, Business Improvement, and Leadership, Values and Behaviours.

KPIs are based on the aggressive Business Plan that is developed by the CEO and Executive team, and signed off by the Board, and the subsequent achievement of these hurdles. The CEO is awarded a part of his STI at the average Executive Team KPI achievement.

The CEO's KPIs are cascaded throughout the company, and captured within an online goal setting and performance management system. M2's KPIs are aligned across the four core focus areas of Financial Results, Customer Satisfaction, Business Improvement, and Leadership, Values and Behaviours. Risk identification and management is a subset of Business Improvement, and is a measure included in the CEO's and all Executive KMP's KPIs.

STI AWARDS

The table below summarises the percentage that was earned by Executives for FY15 performance and the percentage that was forfeited, in addition to the actual STI which will be paid:

Executive	STI FY15 Award %	STI FY15 Forfeited %	Actual STI to be paid \$
Geoff Horth	89	11	267,000
Darryl Inns	87	13	104,400
Scott Carter	92	8	138,000
Boris Rozenvasser	85	15	110,500
Average	88.25	11.75	

LTI PLAN

The table below sets out a summary of the performance rights that were granted to Executives during FY15, including the vesting dates. Details of the performance hurdles for vesting are set out in item 5.5 above.

Executive	Number of Performance Rights granted FY 15	Performance Period	Vesting Date	Number of Performance Rights in total held as at 30 June 2015
Geoff Horth	50,590	1 July 2014 to 30 June 2017	1 July 2017	101,235
Darryl Inns	23,609	1 July 2014 to 30 June 2017	1 July 2017	45,708
Scott Carter	23,609	1 July 2014 to 30 June 2017	1 July 2017	45,708
Boris Rozenvasser	23,609	1 July 2014 to 30 June 2017	1 July 2017	45,708

No performance rights vested in FY15, and therefore no performance rights were either forfeited or exercised in FY15. No directors (executive or non-executives) hold any performance rights.

6.4 PRIOR YEAR LEGACY EXECUTIVE MANAGEMENT TEAM SHARE OPTION PLAN IN OPERATION

M2 operated an Executive Management Team Share Option Plan ('ESOP') between 2006 and 2012, whereby options for M2 shares were granted to individuals at a pre-determined exercise price.

The purpose of the ESOP was to reward Executives for individual and Company performance and provide a further avenue for the alignment of Executive objectives with those of shareholders.

No options have been granted under this plan since May 2013.

The following table outlines the major features of the ESOP:

Form of Grant	Options to buy M2 shares
Grant frequency	At the discretion of the Board
Vesting periods	Options have been granted in 3 equal tranches, vesting 1 to 4 years from date of grant
Performance conditions	<ul style="list-style-type: none"> The options have been 'premium priced options', i.e the exercise price has been higher than the M2 share price at grant date. The exercise price has been set higher for each successive tranche. For options granted post 2011, options may only be exercised subject to the minimum achievement (60%) of the Executive's STI KPIs in the financial year immediately prior to the relevant vesting date for each tranche. The Executive must remain in employment with M2 at the vesting date to be able to exercise the options, subject to the terms of the ESOP, and at the Company's discretion.
Termination	Under the terms of the ESOP, cessation of employment affects the Executives' rights to exercise options. The effect depends on the manner in which the employment was terminated, and is at the Company's discretion.
Change of control	Under the terms of the ESOP, in a change of control situation, the Company has the discretion to determine the time or event upon which all outstanding options will become exercisable, and the time or event which all outstanding options will lapse

LEGACY SHARE OPTION PLAN OUTCOMES

The table below sets out a summary of the options that were held, vested and exercised by Executive KMP during FY15, including those which have not yet vested at the date of this report. No options were granted in FY15.

Executive	Total Options under ESOP held as at 30 June 2015	Exercise Price(s) range	Expiry Date range	Number of options vested FY15	Number of Options Exercised FY15	Amount Paid	Value of options exercised ⁽¹⁾ \$
Granted Dec 2011							
Geoff Horth	100,000	\$3.29	01/01/2017	100,000	200,000	\$613,000	\$1,786,000
Darryl Inns	-	-	-	33,334	33,334	\$109,669	\$333,673
Scott Carter	-	-	-	83,334	166,667	\$535,834	\$1,760,837
Granted May 2013							
Geoff Horth	250,000	\$6.19-\$6.75	1/01/2017 to 1/01/2019	83,333	-	-	-
Boris Rozenvasser	166,667	\$6.19-\$6.75	1/01/2017 to 1/01/2019	83,333	83,333	\$515,831	\$829,997

(1) Calculated using the closing price at the date of exercise

No directors (executive or non-executive) hold any options in M2 shares.

6.5 EMPLOYMENT AGREEMENTS

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 was disclosed to the ASX on 8 September 2014.

The following key terms are contained in employment agreements for the Executive Director, CEO and other Executives:

Duration of agreement:	All	No fixed term
Period of notice required to terminate agreement (by the relevant KMP):	All	Six months
Potential Termination benefits (as approved by the Shareholders at the 2014 AGM):	Executive Director	Upon termination for convenience by the Company, the Executive Director shall be entitled to an amount equal to what he would be entitled to as per relevant legislation
	Chief Executive Officer	Upon termination by the Company for convenience, or by the CEO within 60 days of a fundamental change in the contract occurring, the CEO shall be entitled to 12 months fixed remuneration (inclusive of a notice period not exceeding 3 months)
	Other Executives	Upon termination for convenience by the Company, the Executive shall be entitled to six months base salary (inclusive of notice period)
	LTI and STI	Depending on the circumstances surrounding the termination of employment of the Executive, the Board may, at its discretion, determine that the Executive will be entitled to payment of an amount of his or her STI, or that the Executive is entitled to have a portion of his or her LTI not lapse or be vested, in accordance with the principles outlined in Explanatory Notes to the Notice of Meeting for the 2014 AGM

7. RELATED PARTY TRANSACTIONS

The following table summarises the total amount of transactions that were entered during 2015.

Directors	Related party transactions
Craig Farrow	Telecommunications services totalling \$7,000 were provided to Brentnalls SA. Mr Farrow is a director of Brentnalls SA.
John Hynd	Telecommunications services totalling \$1,000 were provided to Hynd & Co Pty Ltd. Mr Hynd is a director of the firm Hynd & Co Pty Ltd.
Michael Simmons	Telecommunications services totalling \$2,000 were provided to Luab Pty Ltd. Mr Simmons is a director of Luab Pty Ltd. Telecommunications and Insurances services were also provided for Michael Simmons's personal use.

