



Corporate Governance Statement

**This Statement was approved by the Board of Melbourne IT Limited
on 23 April 2018.**

The Melbourne IT Board of Directors recognizes the need for the highest standards of corporate behavior and accountability. The Board is committed to optimizing shareholder returns within a framework of ethical business practices.

Melbourne IT's corporate governance practices and policies comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. This statement reflects a summary of Melbourne IT's corporate governance framework, policies and procedures that are in place and operating as at 23 April 2018.

Further information on Melbourne IT's corporate governance policies, including Board and Committee charters, are available in the Corporate Governance page of our website:
<http://www.melbourneit.info/investor-centre/corporate-governance>.

Principle 1 – Lay Solid Foundations for Management and Oversight by Board

Board and Management

The Board of Directors of Melbourne IT Limited (the Company) is responsible for the corporate governance of the Melbourne IT Group. The corporate governance regime ensures the strategic guidance of the Company, the effective monitoring of Management by the Board, and the Board's accountability to the Company and to the shareholders.

The role of the Board is to provide oversight and advice to Management. In its oversight role, the Board monitors management and ensures it is acting diligently in the interests of shareholders. In its advisory role, the Board consults with Management regarding the strategic and operational direction of the Company, paying attention to decisions that balance risk and reward.

In carrying out its responsibilities and exercising its powers, the Board at all times recognizes its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the shareholders and other stakeholders of the Company, protecting the interests of the Company and fulfilling the Board's duties and obligations under the Company's Constitution and the Corporations Act 2001 (*Cth*).

The Board's responsibilities are set out in a formal charter. The charter is available from the Corporate Governance page of the Company's website.

The Board may delegate certain authorities to Board Committees and/or to Management.

The Board has established the following standing Committees:

- Audit and Risk Management Committee (“**ARMC**”) (see Principle 4); and
- Human Resources, Remuneration and Nomination Committee (“**HRRNC**”) (see Principle 2).

The role and responsibilities of each Committee are outlined in their respective charters.

The Board has delegated to Management the responsibility for the day to day management and operation of the Company. Amongst other things, Management has the responsibility for the overall management and performance of the Company and charting the strategic direction of the Company, taking advice from, and for approval by, the Board. Specific authorities delegated to the Chief Executive Officer (“CEO”) and the Executive Leadership Team are also set out in the *Delegation of Authority Policy*, which is approved by the Board.

Directors

All material information about a director standing for election or re-election is included in the explanatory memorandum to the Notice of Annual General Meeting. The Directors’ biographies provide information about their relevant qualifications, experience and skills that they bring to the Board, as well as details of their current commitments including any other material directorships they hold.

Potential candidates are identified by the Human Resources, Remuneration and Nomination Committee, usually with the assistance of an Executive Search firm, which will recommend one or more candidates to the Board for further review and final appointment. In evaluating a candidate for appointment as director, the Board considers criteria which include the particular skill sets identified by the Board as being required at the time as well as the individual’s experience and professional qualifications, ability to exercise sound business judgment, leadership ability and/or prominence in a specified field, integrity and moral reputation, any potential conflicts of interest or legal impediments to serving as a director, and willingness and availability to commit the time required to serve as an effective director.

It is the Company’s policy that background checks, including ASIC Banned & Disqualified Persons Register and bankruptcy search, are conducted on new directors as part of the standard requirements of the Company’s recruitment process.

Newly appointed directors must stand for election at the next Annual General Meeting, in accordance with the Company’s Constitution.

New directors provide the Company with a written consent to act as a director and receive a formal Letter of Appointment that sets out the Terms & Conditions of Appointment and Remuneration Schedule. It also sets out the expectations of the Company, the Director’s duties and powers, insurance and indemnity arrangements, and rights of access to information.

Company Secretary

The Company Secretary is appointed by the Board. The Company Secretary reports directly to the Board, through the Chairman, on matters relating to the proper functioning of the Board. All Directors have access to the Company Secretary.

Diversity Policy

Melbourne IT’s *Diversity Policy* outlines its commitment to diversity. The Company believes that commitment to this Policy contributes to the achievement of corporate objectives and embeds the importance and value of diversity within the culture of Melbourne IT.

The Policy addresses all forms of diversity and sets out how the Company will maintain diversity. It also outlines the Board’s and Executive Leadership Team’s roles in promoting the Company’s commitment to gender diversity. A copy of the Policy is available from the Corporate Governance page of our website.

Melbourne IT is compliant with equal opportunity legislation administered by the Australian Government’s Equal Opportunity for Women in the Workplace Agency (EOWA) and reports under the Workplace Gender Equality Act 2012. A copy of Melbourne IT’s most recent report can be found in the Corporate Governance page of the Company’s website.

As stated in the Diversity Policy, the Board and Executive Leadership Team have committed to achieving a year on year improvement in gender diversity and representation. The HRRNC reviews the Group's gender diversity status on a regular basis and ensures that the Company has appropriate strategies and that initiatives and programs are in place to deliver on the Group's commitment.

As at 31 December 2017, the female participation rates across the Company are as follows:

- overall, 28% of employees were female;
- 33% of the executive roles were held by females;
- 29% of all people management/leadership positions were held by females; and
- there were two female board members (29%).

Board, Committee and Director Evaluation

In accordance with the Board and Committee Charters, the Board is required to annually review its performance, policies and practices and review the performance of its Committees and the Board and Committee Chairs. The performance of the Board and each Committee is measured against its charter and other relevant criteria as determined by the Board. The last formal review of the Board's performance, was done internally and was conducted in December 2017.

An independent review of the Board, the Committees and the individual directors is undertaken from time to time. The last independent review was conducted in 2015.

Executive Leadership Team Evaluation

Formal performance reviews are conducted for all staff on an annual basis. The Executive Leadership Team's performance reviews have been conducted for the financial year ended 31 December 2017. The evaluation is based on role descriptions and agreed key performance metrics.

A *Summary of the Performance Evaluation Process and Induction Process for Senior Executives and the Board* can be found in the Corporate Governance page of the Company's website.

Principle 2 – Structure the Board to Add Value

Melbourne IT's Constitution provides for a minimum of three directors and a maximum of ten directors. One-third of the directors (with the exception of the Managing Director) must retire from office at the time of the Annual General Meeting each year. Directors are eligible for re-election. The directors who retire by rotation are those with the longest period in office since their appointment or the last election. The maximum period that a director can be in office before facing re-election is three years. This period will sometimes be shorter due to the requirement that one-third must retire each year. At the time when any director is coming up for re-election, the Board considers that question and makes a conscious decision as to whether to recommend that re-election to shareholders.

- The Board is composed of a majority of independent directors. Five non-executive directors are considered by the Board to be independent directors in accordance with the ASX Corporate Governance Guidelines – Gail Pemberton, Naseema Sparks, John Armstrong, Simon Martin and Andrew Macpherson.
- One non-executive director, Larry Bloch, is a substantial shareholder in the Company and, therefore, is not considered by the Board to be an independent director.
- The Managing Director and Chief Executive Officer, Martin Mercer, was the sole executive director.
- The Chair of the Board, Ms Gail Pemberton is an independent non-executive director.

It is the Board's view that it has an appropriate mix of relevant skills, experience, expertise and diversity which enables it to discharge its responsibilities and meet its objectives. This mix is subject to review on a regular basis as part of the Board performance review process.

The skills and experience represented in the Board and relevant to the Company’s business are set out in the matrix below:

Skills/Experience	Number of Directors possessing considerable skills
Enterprise Technology Services – Practice Management	3
SME – Digital technology service provision	6
Finance, Audit & Risk	6
Marketing, Communications and Brand	5
Mergers & Acquisitions	6
Current or former experience as Chair	4
ASX Listed Governance	5
Global business experience	6
Remuneration & benefits experience	6

As at the date of this statement, the length of service of each of the current non-executive directors are set out below:

Director	Appointment Date	Length of service
Gail Pemberton (Chair)	27 May 2016	< 2 year
Naseema Sparks	19 April 2012	< 7 years
Larry Bloch	3 April 2014	< 5 years
John Armstrong	23 February 2016	< 3 years
Simon Martin	19 July 2017	< 1 year
Andrew Macpherson	19 July 2017	< 1 year

The biographies of the current Board members are available from Melbourne IT’s corporate website (<http://melbourneit.info/about-us/our-people#>).

Human Resources Remuneration and Nomination Committee (“HRRNC”)

The HRRNC is comprised of five non-executive directors: Andrew Macpherson (Chair), Naseema Sparks , Gail Pemberton, Larry Bloch and Simon Martin. Andrew Macpherson, Naseema Sparks, Gail Pemberton and Simon Martin are all independent directors. The Chief People Officer and the Managing Director and CEO attend all Committee meetings by invitation.

The HRRNC meets at least three times a year. In the financial year ended 31 December 2017, the Committee met 5 times.

The individual attendances of the members at those meetings are set out below:

No. of HRRNC meetings held in 2017	5	
	Eligible	Attended
Andrew Macpherson [Chair]	2	2
Naseema Sparks	5	5
Gail Pemberton	5	5
Simon Jones	1	1
Tom Kiing	3	3
Larry Bloch	5	5
Simon Martin	2	2

The HRRNC’s charter is available from the Corporate Governance page of our website.

Board induction and professional development

All new Board Members are taken through an induction process managed by the People & Culture Team. This process covers topics such as the Company’s financial position, strategies, operations and risk management polices as well as the respective rights, duties, responsibilities and roles of Senior Executives, the Board and its Members.

Melbourne IT also encourages directors to develop their knowledge and skills as a director. With the prior approval from the Chairman, directors may attend appropriate courses or seminars for continuing education of directors at the Company’s cost. This may include courses on directors’ duties etc run by the Australian Institute of Company Directors or seminars on developments in the industry in which Melbourne IT is involved.

Principle 3 - Promote Ethical and Responsible Decision Making

Code of Conduct

The Company has a *Code of Conduct* to guide the directors, the Executive Leadership Team, all employees and contractors as to:

- the practices necessary to maintain confidence in the Company's integrity, and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company’s *Code of Conduct* is available from the Corporate Governance page of our website.

Share Trading

The Company also has a *Share Trading Policy* concerning trading in the Company’s securities by directors, officers and employees involved in material transactions or privy to material information. The Policy complies with the ASX Listing Rules. A copy is available from the Corporate Governance page of the Company’s website.

Principle 4 – Safeguard Integrity in Financial Reporting

Audit and Risk Management Committee (“ARMC”)

The ARMC is comprised of four non-executive directors, the majority of whom are independent: John Armstrong (Chairman), Gail Pemberton, Simon Martin and Andrew Macpherson. The ARMC Chairman is not the Chairman of the Board. Details of the relevant qualifications and experience of all Committee members are disclosed in their biographies which are available from Melbourne IT’s corporate website (<http://melbourneit.info/about>)

[us/our-people#](#)).

The Managing Director and CEO, the Chief Financial Officer (“CFO”) and the Group Manager, Risk & Audit, attend all Committee meetings by invitation. The relevant partner and staff of Melbourne IT’s external auditors also attend Committee meetings by invitation.

The ARMC meets at least three times each year and has direct access to Melbourne IT’s auditors and senior management. On at least one occasion each year, the Committee meets with the auditors without the presence of Management. In the financial year ended 31 December 2017, the Committee met 5 times.

The individual attendances of the members at those meetings are set out as follows:

No. of ARMC meetings held in 2016	5	
	Eligible	Attended
John Armstrong {Chair}	5	4
Simon Jones	2	2
Larry Bloch	Retired from the ARMC on December 31 st , 2017	5
Gail Pemberton	5	5
Simon Martin	2	2
Andrew Macpherson	2	2

The ARMC Charter is available from the Corporate Governance page of our website.

CEO and CFO certification of financial statements

The CEO and CFO, in accordance with section 295A of the Corporations Act, have stated in writing to the Board that, for the financial year ended 31 December 2017, the financial records of the Company have been properly maintained, the financial statements and the notes comply with the accounting standards and give a true and fair view of the financial position and performance of the Company, and that their statement has been provided on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditor

Melbourne IT’s external auditors attend the Company’s Annual General Meeting and are available to answer reasonable questions from shareholders in relation to the conduct of the audit, the preparation and content of the independent audit report and the accounting policies adopted by Melbourne IT.

Principle 5 – Make timely and balanced disclosure

Melbourne IT is committed to complying with its disclosure obligations under the Listing Rules of the Australian Stock Exchange (ASX) and the Corporations Act. To that end, Melbourne IT has adopted a *Disclosure Policy*, which is available from the Corporate Governance page of our website.

The Board has appointed the Chief Executive Officer and the Company Secretary as “Disclosure Officers”, with responsibility for:

- reviewing compliance with Melbourne IT’s continuous disclosure obligations;
- coordinating the timely release of information to the market; and
- maintaining a record of disclosure information (including any information which was considered but rejected for disclosure and the reasons for non-disclosure).

As a general rule, disclosure issues are discussed with, and proposed releases are approved by, the Chairman, CEO and CFO. If necessary, external legal advice is obtained.

Principle 6 – Respect the rights of shareholders

Melbourne IT aims to keep its shareholders informed of all important developments concerning the Company. Melbourne IT communicates with its shareholders using the following means:

- periodic market announcements, which are released first to the ASX;
- periodic investor briefings, which are also released first to the ASX;
- the annual report;
- the annual general meeting and the explanatory notes to the notice of annual general meeting; and
- the Company's corporate website located at <http://www.melbourneit.info>.

Shareholders also have the opportunity to ask questions of the Company's external auditors, who attend the Company's Annual General Meeting. The auditors are available to answer reasonable questions from shareholders in relation to the conduct of the audit, the independent audit report and the accounting policies adopted by Melbourne IT.

Shareholders also have the option to electronically receive communications from, and send communications to, the Company and its security registry.

Shareholders can find information about the Company's corporate governance on our website (<http://www.melbourneit.info/investor-centre/corporate-governance>), including the Board and Committee Charters, and the Company's corporate governance policies:

- Code of Conduct
- Diversity Policy
- Disclosure Policy
- Shareholder Communication Policy
- Share Trading Policy,
- Risk Management Policy; and
- Performance Evaluation Process and Induction Process for Senior Executives and the Board.

Principle 7 – Recognize and Manage Risk

The Board is ultimately responsible for guiding and monitoring the Company on behalf of its shareholders. The Board has adopted a *Risk Management Policy*, which is available from the Corporate Governance page of our website. The Policy provides an overview of the Company's approach to risk management oversight and control and its approach to the development of risk management policies.

One of the key responsibilities of the Board is to ensure that proper risk management systems and internal controls are in place, including the review of material risk exposures and the steps management has taken to monitor, control and report such exposures. To fulfil this function, the Board makes use of the ARMC (See Principle 4).

The ARMC assists the Board by, amongst other things:

- reviewing the risk management policies, together with processes and systems for managing risk and internal control, to ensure they remain appropriate and effective;
- ensuring that an up to date risk register that appropriately describes the risks facing the organization, is maintained;
- ensuring that an assurance program that monitors the effectiveness of controls and processes managing the key risks facing the organization, is in place; and
- ensuring that the Board receives reports whenever an area of material business risk or exposure is identified.

Melbourne IT's main risks and mitigation plans are reviewed annually by the ARMC and the Board.

Melbourne IT's internal audit function is led by the Group Manager, Risk & Audit, who provides the ARMC with regular reports on the progress of risk mitigation actions and internal audit activities throughout the year.

The Group Manager, Risk & Audit, is responsible for:

- the design and implementation of an effective and appropriate risk management framework;
- the execution of the annual risk oversight program;
- managing the annual internal audit program, and continuous risk and control monitoring;
- reporting, as required, the effectiveness of risk and control activities to Management and the ARMC; and
- providing risk management support and expertise across Group.

The Group Manager, Risk & Audit, exercises these responsibilities under the direction of the ARMC, and conducts the risk management program over the areas of material business risk for the Company.

Melbourne IT continually assesses risks against all relevant areas of material business risk. These may include: strategic, operational, compliance, technological, product or service quality, reputation or brand, market-related risks, financial reporting, human capital, environmental, sustainability and ethical conduct.

The Company's risk profile and risk registers are reviewed at least annually and revised periodically for each business and functional unit through the business planning, budgeting, forecasting, reporting and performance management processes. Each Executive is required to review the effectiveness of the risk oversight and management processes relevant to the material risk issues affecting their business or functional unit on an ongoing basis.

The Company has a robust risk management framework that facilitates the management and mitigation of material exposure to economic, environmental or social sustainability risks such that there is no material residual exposure. The material risks which may impact the Company's ability to achieve its strategic objectives and secure its future financial prospects are managed through strategic planning over the short, medium and long term and through the processes set out above.

The Company is exposed to key financial risks arising from interest rate, foreign currency, liquidity and credit risk. These risks are managed in accordance with the Group's financial risk management policy. Different methods are used to measure and manage the different types of risks, including monitoring levels of exposure to foreign exchange risk and interest rate risk, assessing market forecasts for foreign exchange and interest rate. Liquidity risk is monitored through the development of rolling cash flow forecasts. The Board reviews and agrees policies for managing each of these risks, including the setting of limits for trading in derivatives, hedging cover for foreign currency and interest rates, credit allowances, and cash flow forecast projections.

Principle 8 – Remunerate Fairly and Responsibly

The Board is assisted by the HRRNC to address the various issues in relation to remuneration (see Principle 2).

Melbourne IT's remuneration policy has been set to ensure that the remuneration of directors and all staff properly reflects each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. All remuneration packages are reviewed at least annually, taking into account individual and company performance, market movements and expert advice.

The Managing Director and CEO reviews the performance of the Executive Leadership Team and makes recommendations to the HRRNC for approval in relation to their remuneration and Key Performance Indicators ('KPIs'). The Managing Director and CEO's performance is reviewed by the Board, facilitated by the HRRNC and the Chairman.

Non-Executive Directors' and Executive Remuneration

The structure of non-executive directors and executive remuneration is separate and distinct.

The remuneration of non-executive directors in 2017 comprised of a fixed fee only. Non-executive directors are paid a fixed fee in accordance with the determination of the Board but with an aggregate limit fixed by the shareholders at a General Meeting. The current limit (\$1,000,000 per annum) was approved by shareholders at the Annual General Meeting in 2008 and, since then, no increase in the aggregate limit has been sought. The Chairpersons of each committee receive an additional fee to reflect (at least to some extent) the additional time commitment and responsibility required of them to carry out that role.

Directors are not entitled as of right to any retirement or termination benefit (other than statutory superannuation benefits).

For 2017, the remuneration of the Managing Director and CEO, and Executive Leadership Team, comprises the following three elements:

1. Fixed Remuneration: Salary and Superannuation Guarantee
2. Variable remuneration: Short-Term Incentive (**STI**); and
3. Variable remuneration: Long-Term Incentive (**LTI**)

The short-term incentive for each executive is an annual cash payment determined as a percentage of their Fixed Remuneration and subject to the achievement of agreed KPIs. The expected performance of the Managing Director and CEO and members of the Executive Leadership Team are specified each year using KPIs, which include financial and group targets for Melbourne IT overall, as well as personal objectives and targets, appropriate for each individual's role.

The long-term incentive consists of performance rights granted under the Melbourne IT LTI Plan. The vesting of performance rights is subject to the achievement of two performance hurdles: earnings per share ('EPS') growth and relative total shareholder return ('TSR'). Both hurdles are tested over a 3-year performance period. A copy of the LTI Plan is available in the Corporate Governance page of our website:

<http://www.melbourneit.info/investor-centre/corporate-governance>.

In accordance with the conditions of the LTI Plan, a participant must not enter into any scheme, arrangement or agreement (including options and derivative products) under which the Participant alters the economic benefit to be derived from any Rights granted that remain subject to the Rules of the LTI Plan, irrespective of future changes in the market price of Shares.

For 2018, the remuneration framework for the Managing Director and CEO, and Executive Leadership Team has been restructured. Further details regarding the existing remuneration structure for 2017 and also the new remuneration structure for 2018 are set out in the Remuneration Report contained in the 2017 Annual Financial Report.