

**Vocus Group Limited**

## **Corporate Governance Statement**

(Pursuant to Listing Rule 4.10.3)

### **Overview**

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During the reporting period, Vocus Group Limited (**Vocus**) continued its commitment to ensuring that it has effective corporate governance structures in place, consistent with best practice and the principles and recommendations set out in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)* (**ASX Principles**).

During the financial year, Vocus acquired Nextgen Networks Group Pty Limited (**Nextgen**) and certain related bodies corporate, and two related development projects, the Australia-Singapore Cable project (**ASC**) and the North West Cable System project (**NWCS**).

The recognition and management of financial and operating risks across Vocus' businesses was a key focus of the Board during the reporting period, necessitated by a changing regulatory landscape and the ongoing integration of the complex Amcom, M2, Nextgen, ASC and NWCS businesses.

Consistent with the ASX Listing Rules, to the extent that Vocus has not followed a recommendation during the reporting period, Vocus explains its departure using an "if not, why not" approach.

In circumstances where Vocus follows a recommendation set out in the ASX Principles, rather than simply stating that fact, Vocus strives to provide detailed information to demonstrate the extent of its compliance.

Vocus recognises that the provision of such detailed information will assist its stakeholders have a holistic understanding of Vocus' corporate governance framework.

This Statement is current at, as was approved by the Board on, 21 August 2017.

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

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### Recommendation 1.1

During the reporting period, the Board's role continued to be centred on the review and implementation of the strategic direction of Vocus, whilst balancing the interests of shareholders, other stakeholders and the interests of Vocus. The Board is responsible for Vocus' corporate governance framework, including monitoring compliance with the framework.

The Board has adopted a Board Charter that details its role and responsibilities, which can be found on the Vocus website. The Board Charter establishes a clear delineation between the functions reserved to the Board and those functions delegated to its Executive Team and others.

The Board has reserved to it the matters that determine and support the overall direction and strategy of Vocus. The matters include monitoring major capital expenditure, approving all material merger, acquisition or divestment opportunities and appointing and removing Vocus' Group Chief Executive Officer. In contrast, the Board has delegated the responsibility of implementing Vocus' strategy and carrying on the day to day operations of the business to the Group Chief Executive Officer and the Executive Team.

As noted, the recognition and management of financial and operating risks across Vocus' businesses was a key priority for the Board and strategies were developed by the Board during the reporting period to improve such recognition and management.

The establishment of the Technology and Transformation Committee was a key achievement for the Board during the reporting period. This Committee is chaired by Rhoda Phillippo, a non-executive director of the Board, with the primary role of this Committee to oversee the delivery of Vocus' transformation efforts and the implementation of the technology strategy for the Vocus Group. The roles and responsibilities of this Committee are discussed in greater detail below in response to Principle 7.

The Board Charter is published in the Corporate Governance section of Vocus' corporate website and is accessible from the following link: <http://www.vocusgroup.com.au/about-us/corporate-governance/>

### Recommendation 1.2

Vocus is committed to ensuring that it provides shareholders with all material information about a director's character, experience and qualifications that would be relevant to the shareholder making a decision on whether or not to elect or re-elect a director.

During the reporting period, Robert Mansfield AO was appointed to the Board. Separately, on 24 July 2017, after the end of the reporting period, David Wiadrowski was appointed to the Board. Ms Christine Holman has been appointed to the Board with effect from 24 August 2017 (which is subsequent to the approval of this report – for this reason details regarding Ms Holman are generally omitted from this report). Prior to appointing Mr Mansfield AO, Mr Wiadrowski or Ms Holman, the Board reviewed the results of customary searches in respect of their character, including bankruptcy searches, police checks, personal name searches and disqualified person searches. No adverse results were reported.

Mr Mansfield AO, Mr Wiadrowski and Ms Holman will each stand for election at Vocus' 2017 Annual General Meeting in accordance with the *Corporations Act 2001* (Cth). The Board anticipates that the Explanatory Notes to the Notice of Annual General Meeting will include information relating to their character, experience, qualifications and independence, as well as similar information for each other director standing for re-election during that Annual General Meeting.

### Recommendation 1.3

The terms of appointment of each director and each member of the Executive Team are set out in a binding written agreement. This is intended to ensure that roles, responsibilities and accountabilities are clear and transparent, and that each parties' respective rights and obligations of the parties is well understood. Additionally, Vocus' Code of Conduct sets out the standard of behaviour expected of individual directors, including both a director's legal obligations (such as the duty to act with due care, skill and diligence) and other obligations (such as attending, and actively participating in, Board meetings), and of Executive Team members.

Each non-executive director of Vocus is party to a written letter of appointment with Vocus, which specifies the roles and responsibilities of each director, including Vocus' expectations of their professional and personal behaviour, as well as details of remuneration and term of appointment.

Vaughan Bowen, Vocus' sole executive director is party to an employment agreement with Vocus, which sets out not only the terms of his appointment as an executive director, but also his roles and responsibilities as an executive of Vocus.

Similarly, each member of the Executive Team is a party to an individual employment agreement with Vocus, which outlines the terms of his or her appointment, including remuneration details, a description of their position, duties and responsibilities, the person to whom he or she reports, the circumstances in which his or her service may be terminated and any entitlements on termination.

The Code of Conduct is published in the Corporate Governance section of Vocus' corporate website and is accessible from the following link: <https://www.vocus.com.au/investors/corporate-governance>

### Recommendation 1.4

The Company Secretary is directly accountable to the Board, through the Chairman. Directors have direct access to and communicate directly with the Company Secretary, and vice versa.

The Company Secretary's role in respect of matters relating to the proper functioning of the Board include advising the Board and its Committees on governance matters, monitoring that Board and Committee policies and procedures are followed, coordinating all Board business, retaining independent professional advisors at the request of the Board or its Committees (as permitted), and helping to organise and facilitate the induction and professional development of directors.

There were no material changes to the Company Secretary's broad roles and responsibilities during the reporting period.

### Recommendation 1.5

Diversity remains a key focus area for the Board.

Diversity is recognised by the Board as a central element of Vocus' culture. Vocus seeks to promote diversity in all areas of its business, in all areas, including gender, age, ethnicity, culture, impairment, sexual preference and religion.

Vocus is committed to providing an environment where people are treated with fairness and respect, and in which they have equal opportunities for advancement, and equal access to those opportunities.

Gender diversity continues to be a key focus, with efforts to increase levels of female representation at the operational, management, executive and board levels. Specifically, the Diversity Policy requires diversity statistics and gender statistics to be reported to the Board annually and monthly, respectively.

Further, Vocus' Diversity Policy empowers the Remuneration Committee to set measurable objectives for achieving gender diversity and to review these objectives and Vocus' progress in achieving them annually.

Additionally, Vocus has published its Internal Working Guidelines. The Guidelines set out the process for employees to seek flexible working arrangements, compatible with their individual circumstances and personal responsibilities, such as their parental responsibilities as well as individual cultural and religious needs.

The following table sets out key statistics on gender diversity, measured at 30 June 2017 and compared to the statistics in the previous corresponding period, for the Australian team members.

Role	30 June 2017		30 June 2016		% Change (FY16 to FY17)
	Number of Females	(% of total)	Number of Females	(% of total)	
Board	1	17%	1	12.5%	+4.5% <sup>4</sup>
Executive Team <sup>1</sup>	2	29%	2	22%	+7% <sup>5</sup>
Senior Leadership Team <sup>2, 3</sup>	12	25%	8	23%	+2%
Other Team Members <sup>3</sup>	439	29%	326	26%	+3%

<sup>1</sup> Does not include Mark Callander, Chief Executive – New Zealand, who is employed in New Zealand.

<sup>2</sup> Senior Leadership Team comprises senior managers who report directly to the Executive Team, with limited exceptions, and also includes members of the Executive Team.

<sup>3</sup> Data is for team members employed in Australia.

<sup>4</sup> Increase attributable to a decrease in the total number of Directors at 30 June 2017 in comparison to the total number of Directors at 30 June 2016.

<sup>5</sup> Increase attributable to a decrease in the total number of Executives at 30 June 2017 in comparison to the total number of Executives at 30 June 2016.

Additionally, Vocus Pty Ltd is the principal employing entity in the Vocus group and is a “relevant employer” under the *Workplace Gender Equality Act 2012* (Cth). The most recent “Gender Equality Indicators” in respect of Vocus Pty Ltd are available in the corporate governance section of Vocus’ corporate website.

The Diversity Policy and Vocus’ most recent Gender Equality Indicators are published in the Corporate Governance section of Vocus’ corporate website, accessible at: <http://www.vocusgroup.com.au/about-us/corporate-governance/>

#### Recommendation 1.6

Vocus’ Nomination Committee Charter establishes the framework for the periodic evaluation and review of the performance of the Board, its Committees and of individual directors.

The Nomination Committee Charter was updated on 25 February 2016. Its terms were reviewed in 2017, but were considered to be relevant and appropriate and so, the Charter was not amended. The Nomination Committee Charter confirms the role of the Nomination Committee to, among other things, monitor the Board’s performance to ensure a high performing board, build and foster an appropriate culture and to ensure that it has an appropriate selection criteria and processes for the identification of a diverse range of suitable candidates to become members of the Board (in keeping with Vocus’ Board Selection Policy).

Vocus generally reviews the performance of the Board, its Committees and individual directors annually, by way of an internal review, and every second year, by way of an external review facilitated by external consultants. The last review was undertaken after the end of the reporting Period. Due to the numerous changes in the composition of the Board during the reporting Period, the Board elected to undertake this review internally, and anticipates conducting an independent external review in the following year.

The internal review undertaken consisted of peer-assessment, where each individual director assesses the performance of each other director and the Chairman, both in their roles as Board directors and Committee members and also assesses the performance and effectiveness of the overall Board as a collective.

During the reporting period, the Nomination Committee reviewed the skills, experience and character of both Robert Mansfield AO and David Wiadrowski (although the latter’s appointment occurred after the end of the reporting period) prior to recommending their appointment as a director to the Board.

After the end of the reporting period, the Nomination Committee oversaw a reshuffling of the memberships of the various Board Subcommittees. These changes took effect on 1 August 2017, and are anticipated to be reported in next year’s Corporate Governance Statement.

The Nomination Committee Charter is published in the Corporate Governance section of Vocus’ corporate website, accessible at: <http://www.vocusgroup.com.au/about-us/corporate-governance/>

#### Recommendation 1.7

Vocus has delegated the responsibility for evaluating the performance of the Group Chief Executive Officer to the Nomination Committee, and that of the Executive Team to the Remuneration Committee, in conjunction with the Group Chief Executive Officer.

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

During the Reporting Period, the Group Chief Executive Officer's performance and that of the Executive Team were informally reviewed by the Nomination and Remuneration Committees respectively. The Group Chief Executive Officer and Key Management Personnel's achievement against set KPI's are set out in the Remuneration Report forming part of Vocus' Annual Report for FY17.

## Principle 2: Structure the Board to add value

### Recommendation 2.1

During the reporting period, Vocus had a dedicated Nomination Committee.

The composition of the Nomination Committee did not change during the reporting period. The Committee met twice formally during the reporting period, and informally on a continuous basis throughout the year.

The table below details the members, roles and independence of each person who was a member of the Nomination Committee together with details of the attendance at the meetings held during the term of their appointment as a member of the Nomination Committee during the reporting period.

Name	Role	Meetings Held	Meetings Attended	Attendance
David Spence	Independent Chair	2	2	100%
Craig Farrow	Independent Director	2	2	100%

The Nomination Committee currently consists of the Chair of the Board, Mr David Spence, and Deputy Chair of the Board, Mr Craig Farrow, both of whom are independent non-executive directors.

Although Recommendation 2.1 recommends that the Nomination Committee consist of at least three members, as explained in Vocus' Corporate Governance Statement for the FY16 reporting period, the Board considers that the workload of the Nomination Committee is currently capable of being sufficiently discharged by two members, enabling Vocus to better focus the attention of its directors on more pressing areas of the business, such as risk management, technology and transformation.

During the Reporting Period, the Nomination Committee oversaw the engagement of an external consultant, Spencer Stuart, to undertake a search for additional directors to fill the casual vacancies on the Board that arose. In the course of this process, the Nomination Committee met on a number of occasions informally to review the criteria for any new appointment (see commentary in Recommendation 2.2), to meet with Spencer Stuart, to review CV's for interested and qualified persons, and to interview the relevant individuals. At the appropriate time, the other Board members were invited to interview and consider the Nomination Committee's recommendations for the appointment of Mr Bob Mansfield AO and Mr David Wladowski as independent non-executive Directors.

The Committee will continue to undertake a search for further qualified individuals to be appointed to the Board.

The Nomination Committee Charter is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/corporate-governance/>

### Recommendation 2.2

The selection, appointment and re-appointment of directors to the Board forms part of the mandate of the Nomination Committee. The Nomination Committee Charter specifies that the role of the Nomination Committee

is to, among other things, ensure that it has an appropriate selection criteria and processes for the identification of a diverse range of suitable candidates to become members of the Board (in accordance with Vocus' Board Selection Policy).

In proposing the selection, appointment and re-appointment of directors to the Board, the Nomination Committee aims to achieve a mix of diversity (gender and otherwise) and skills which is appropriate for Vocus' size and industry. The Board and the Nomination Committee values business skills which enable an appropriate understanding of Vocus' retail and wholesale telecommunications, telecommunications infrastructure and energy businesses. All Board members are expected to have sufficient financial literacy and an understanding of the industries in which Vocus operations, in order to effectively perform their roles.

The Board has developed a skills matrix to assist the Nomination Committee to discharge its role in selecting directors for appointment to the Board.

The skills matrix was utilised to assist the Nomination Committee to evaluate the suitability of Mr Mansfield AO, Mr Wiadrowski and Ms Holman for appointment to the Board.

The current skills matrix used by the Nomination Committee is set out immediately below.



The Nomination Committee Charter is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/corporate-governance/>

**Recommendation 2.3**

At the end of the reporting period, the Board consisted of six directors. Following the appointment of Mr Wiadrowski since the end of the reporting period, the Board currently consists of seven directors, six of whom are considered to be independent. Following Ms Holman's appointment on 24 August 2017, the Board will consist of eight directors, seven of whom are considered to be independent.



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 Principles.

Vocus considers that directors identified in the table below are independent. The term served by each director is also noted in the table below.

Director	Appointment Date	Anniversary (30 June 2017)
Mr David Spence - Chairman	24 June 2010	7 years
Mr Craig Farrow - Deputy Chairman	22 February 2016	1 year
Mr Jon Brett <sup>3</sup>	29 August 1998	~ 7 years (since Vocus changed the nature of its business to that of a telecommunications services company)
Mr Anthony Grist <sup>1</sup>	17 August 2015	N/A
Mr Michael Simmons <sup>2</sup>	22 February 2016	N/A
Ms Rhoda Phillippo	22 February 2016	1 year
Mr Robert Mansfield AO	1 January 2017	<1 year
Mr David Wiadrowski <sup>4</sup>	24 July 2017	N/A
Ms Christine Holman <sup>5</sup>	24 August 2017 (e)	N/A

<sup>1</sup> Mr Grist resigned from the Board on 12 October 2016.

<sup>2</sup> Mr Simmons resigned from the Board on 29 March 2017 to accept an appointment as the Chief Executive Enterprise & Wholesale of Vocus.

<sup>3</sup> Mr Brett's tenure prior to June 2010 was deemed not to be relevant, as prior to that date, the Company was engaged in the provision of capital to companies in the wine industry, and not in the supply of telecommunications services.

<sup>4</sup> Mr Wiadrowski was appointed by the Board following the end of the reporting period.

<sup>5</sup> Ms Holman's appointment to the Board is due to take effect on 24 August 2017, after the date of this Corporate Governance Statement.

Mr Vaughan Bowen serves as an Executive Director and is not considered to be independent.

Prior to his appointment to the Board, Mr Wiadrowski was a partner of top tier accounting firm PricewaterhouseCoopers (**PwC**) for approximately 25 years, and the Chief Operating Officer of the Australian assurance business of PwC between 2009 and 2014.

PwC is a supplier of professional financial, taxation and legal services to Vocus. The Board has considered Mr Wiadrowski's prior involvement with PwC and does not consider that such involvement compromises Mr Wiadrowski's ability to serve as an independent director of Vocus, including for the following 5 key reasons:

1. Mr Wiadrowski has not been personally involved in the supply of any professional services to Vocus.
2. Vocus' engagement with PwC has been on usual customary terms and at arms' length. The Board considers that any future engagements will be on similar terms.
3. The Board considers that the services supplied by PwC to Vocus in the three years prior to Mr Wiadrowski's appointment have not been material professional services. Some examples of such professional services supplied by PwC to Vocus include:
  - (a) legal and taxation advice related to Vocus' various employee incentive schemes;
  - (b) legal advice related to the review and negotiation of an agreement with a provider of business process outsourcing services to Vocus; and
  - (c) other various non-audit related accounting, tax and finance services provided to Vocus.
4. The Board, through the Group Chief Executive Officer, has delegated the authority to appoint professional advisors such as PwC, and the terms on which the advisors are appointed, for ordinary accounting, tax, financial or legal professional services to Vocus' Chief Financial Officer or General Counsel (as relevant). The Board typically does not interfere or influence the choice of professional advisors, or the terms of their appointment, and such matters do not generally come before the Board for review or approval.
5. The Board has established procedures for dealing with situations of actual or potential conflicts of interest between a director's personal interests and the interests of Vocus Group. Those procedures include the exclusion of a director from voting on a matter before the Board in which the director has a material personal interest, or from being present whilst the matter is being considered.

Further information about the Board, including individual directors, is published in the Investor Centre section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/our-board/>

#### Recommendation 2.4

At the start of the reporting period, the Board consisted of eight directors, six of whom were considered to be independent.

The table below illustrates the changes to the composition to the Board since the start of the reporting period:

Affected Director	Nature of Change	Date of Change	Number of Directors following Change	
			Independent	Other
<i>Start of Reporting Period</i>			6	2
James Spenceley	Resignation	12 October 2016	6	1
Anthony Grist	Resignation	12 October 2016	5	1
Robert Mansfield AO	Appointment	1 January 2017	6	1
Michael Simmons <sup>1</sup>	Resignation	29 March 2017	5	1
<i>End of Reporting Period</i>			5	1
David Wiadrowski <sup>2</sup>	Appointment	24 July 2017	6	1
Christine Holman <sup>3</sup>	Appointment	24 August 2017 (e)	7	1
<sup>1</sup> Mr Simmons resigned from the Board to accept an appointment as the Chief Executive Enterprise & Wholesale of Vocus. <sup>2</sup> Mr Wiadrowski was appointed by the Board following the end of the reporting period. <sup>3</sup> Ms Holman's appointment to the Board is due to take effect on 24 August 2017, after the date of this Corporate Governance Statement.				

The Board considers that at all times during the reporting period, the majority of the directors on the Board were independent.

#### Recommendation 2.5

During the reporting period, Mr Spence continued to serve as Chairman of the Board and held no other role in Vocus. The Board considers Mr Spence to be an independent director and refers to the commentary on Recommendation 2.3.

Vocus' Group Chief Executive Officer at all times during the reporting period was Mr Geoff Horth. Mr Horth is not a director of Vocus.

## Recommendation 2.6

Vocus has a commitment to ongoing learning and development in all parts of its business, including at the Board level.

At the Board level, new directors are required to undertaking an induction program coordinated by the Company Secretary in conjunction with the Nomination Committee. The program includes strategy briefings, explanations of Vocus' core company policies and procedures, sessions on Vocus' governance frameworks, cultures and values, company history, as well as other important and relevant information.

To develop familiarity with Vocus' complex and diverse business divisions, a comprehensive induction program is conducted for new directors, as well as ongoing learning programs for all incumbent directors. Most recently, Mr Mansfield AO undertook a comprehensive induction program following his appointment to the Board in January 2017. It is proposed that any new director appointed to the Board will also undertake a similarly comprehensive induction program.

During the reporting period, the Board visited Vocus' outsourced call centre operations in Manila, Philippines, to develop an understanding of the nature of those operations and the relevance of those operations to Vocus' activities and strategies.

"Deep Dive" sessions continue to be a standing matter of business for each Board meeting. At each Board meeting, time is set aside for structured training of Board members on the various business divisions of Vocus, as well as on regulatory and compliance matters. The Deep Dive involves presentations by the responsible business lead executives and the Group Chief Executive Officer, as well as by external consultants. Generally, the Deep Dive focuses on the division's strategy, goals, financial performance, compliance requirements and governance and risk management issues.

Additionally, 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 Vocus 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 has published a Code of Conduct which applies to all employees, including members of the Executive Team and to individual directors, and which 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 Vocus and appropriately safeguard the reasonable expectations of Vocus' shareholders and other stakeholders. Examples of such policies include Vocus':

- Anti-Bribery and Corruption Policy;
- Securities Trading Policy;
- Communications and Continuous Disclosure Policy;
- Risk Management Policy;
- Sustainability Principles; and
- Whistleblower Policy.

The Code of Conduct sets out the Board's expectations of each employee, the Executive Team and individual directors. These expectations include the obligation to act honestly and with integrity, to disclose actual or perceived conflicts of interest, to comply with applicable laws (including securities trading laws) and include an absolute prohibition on offering or accepting bribes or similar inducements or commissions.

The Anti-Bribery and Corruption Policy was formalised and adopted by the Board during the reporting period, particularly in recognition of the significant level of engagement between Vocus and international government authorities in connection with the ASC project.

As noted, the Board's zero tolerance approach to bribery and corruption is set out in Vocus' Code of Conduct. However, the Board considered it of high importance to ensure that a dedicated Anti-Bribery and Corruption Policy comprehensively set out the Board's zero tolerance of bribes and facilitation payments, as well as the Board's position on the giving and receiving of gifts, relationships with third parties and political and charitable contributions.

Members of the Executive Team and individual directors have more extensive obligations, set out in the Code of Conduct. For example, members of the Executive Team are expected to lead by example and demonstrate compliance with the Code of Conduct.

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 Vocus' corporate website, accessible at: <https://www.vocus.com.au/investors/corporate-governance>

## Principle 4: Safeguard integrity in corporate reporting

The Board remains committed to safeguarding the transparency and integrity of its corporate reporting across all of its business divisions.

During the reporting period, the Board initiated a significant review and restructure of Vocus' finance functions to better align the finance functions with the relevant business units, with the goal of enhancing the quality and timeliness of financial information presented to the Board.

The Board views maintaining the integrity in its reporting as essential and non-delegable. Approving and monitoring compliance with systems of financial reporting is a matter which is strictly reserved for the Board and noted as such in the Board Charter.

### Recommendation 4.1

The Board has a dedicated Audit Committee.

The objectives and role of the Audit Committee are set out in the Audit Committee Charter, which is available on the Corporate Governance section of Vocus' website. The core objectives and roles include overseeing the effectiveness and independence of Vocus' internal and external audit function and assuring the quality of both internal and external financial reporting.

During the reporting period, the Audit Committee has three members and met six times.

The table below details the members, roles and independence of each person who was a member of the Audit Committee together with details of the attendance at the meetings held during the term of their appointment as a member of the Audit Committee:

Name	Role	Meetings Held	Meetings Attended	Attendance
Jon Brett <sup>1</sup>	Independent Chair	6	6	100%
Craig Farrow <sup>2</sup>	Independent Director	2	2	100%
David Spence <sup>3</sup>	Independent Director	2	2	100%
Michael Simmons <sup>4</sup>	Independent Director	4	4	100%
Anthony Grist <sup>5</sup>	Independent Director	3	3	100%
David Spence	Independent Director	2	2	100%

<sup>1</sup> Following the end of the reporting period, Mr Brett resigned as Chair of the Audit Committee and was replaced by Mr Wiadrowski on 24 July 2017. Mr Brett will continue on as a member of the Audit Committee.

<sup>2</sup> Mr Farrow was appointed to the Audit Committee with effect from 1 November 2017.

<sup>3</sup> Mr Spence was appointed to the Audit Committee with effect from 1 April 2017.

Name	Role	Meetings Held	Meetings Attended	Attendance
<p><sup>4</sup> Mr Simmons was appointed to the full time role of Chief Executive Corporate &amp; Wholesale Director on 9 January 2017, following the departure of former Division Director, Matt Hollis. At that time, Mr Simmons stood down from the Audit Committee in recognition of his executive role in Vocus and the need for independence on the Audit Committee. Mr Simmons ultimately resigned from the Board and consequently the Audit Committee on 29 March 2017 to accept the appointment as Chief Executive Corporate &amp; Wholesale on a permanent basis.</p>				
<p><sup>5</sup> Mr Grist resigned from the Board and consequently the Audit Committee on 12 October 2016.</p>				

In addition to the directors named above, members of management, including Vocus' Group Chief Executive Officer and the Chief Financial Officer attended Committee meetings as invitees. Additionally, global accounting firm KPMG have been engaged to provide internal audit assurance services to Vocus and attend all Committee meetings where internal audit is an agenda item for discussion. The role of KPMG is further discussed in Vocus' commentary to Recommendation 7.3.

The relevant qualifications and experience of each member of the Audit Committee is set out on in the Director's Report for 2017.

The Audit Committee Charter is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/corporate-governance/>

#### Recommendation 4.2

Prior to the Board approving Vocus' financial statements for the half-year ended 31 December 2016 and for the full year ended 30 June 2017, the Board received declarations from both the Group Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* (Cth).

Further, Vocus' Group Chief Executive Officer and Chief Financial Officer declared that their opinions set out in their declarations 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 2017 satisfied the requirements of section 295A of the *Corporations Act 2001* (Cth).

#### Recommendation 4.3

During Vocus' Annual General Meeting held in November 2016, the lead audit partner of Vocus' external auditor firm, Deloitte Touche Tohmatsu, 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).

The lead audit partner of Deloitte Touche Tohmatsu has also been invited to attend Vocus' Annual General Meeting for 2017 to answer any questions about the conduct of the audit for FY17.

## Principle 5: Make timely and balanced disclosure

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The Board is committed to ensuring that Vocus makes timely and balanced disclosures to the market. The Board treats Vocus' disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth) seriously, and has established appropriate policies and internal procedures to ensure that these obligations are met.

### Recommendation 5.1

During the reporting period, the Board adopted an enhanced Communications and Continuous Disclosure Policy. The Policy addresses key disclosure issues, including those relating to acceptable conduct in respect of analyst briefings, media statements, public communications, circumstances in which trading halts must be requested and the internal processes for communicating announcements to the ASX in a timely manner.

All employees and directors have obligations under the Communications and Continuous Disclosure Policy, including to fully disclose to Vocus all details of market sensitive information which comes to their attention. Specific responsibilities are identified for the Chairman, the Board, the Group Chief Executive Officer, the Chief Financial Officer and the Company Secretary.

Additionally, the Board recognises the increased prevalence of social media and in particular, the continuous disclosure issues arising through the deliberate or inadvertent misuse of social media. The Board has supplemented the Communications and Continuous Disclosure Policy with Social Media Guidelines, which sets out the key "dos and don'ts" when it comes to making commentary in respect of Vocus on social media.

The Communications and Continuous Disclosure Policy and the Social Media Guidelines are published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/corporate-governance/>



## Principle 6: Respect the rights of security holders

### Recommendation 6.1

The Board continues to recognise the importance for all shareholders to easily access relevant information about Vocus and their shareholdings in a timely manner, including the importance of electronic communications and access to information.

Access to information will likely promote effective communication between Vocus and its shareholders and encourage engagement during Vocus' General Meetings and other events. This view is embraced in the Communications and Continuous Disclosure Policy.

To facilitate this access, the Board is a proponent of the use of technology to increase its reach to its shareholders, wherever they may be located. During the reporting period, the Board oversaw the relaunch of Vocus' corporate website, which included the creation of a dedicated corporate website at [www.vocusgroup.com.au](http://www.vocusgroup.com.au), distinct to the separate websites for Vocus' operating brands. The corporate website was designed to ensure that relevant high quality information was readily accessible to its shareholders.

Vocus' corporate website contains a range of documents and other information which is relevant to shareholders, including the following information suggested in the commentary to Recommendation 6.1:

Information	Link
Names, photographs and brief biographical information of each director and member of the Executive Team	<a href="http://vocusgroup.com.au/about-us/our-board/">http://vocusgroup.com.au/about-us/our-board/</a> <a href="http://vocusgroup.com.au/about-us/executive-team/">http://vocusgroup.com.au/about-us/executive-team/</a>
Board and Committee Charters	<a href="http://vocusgroup.com.au/about-us/corporate-governance/">http://vocusgroup.com.au/about-us/corporate-governance/</a>
Corporate Governance policies	<a href="http://vocusgroup.com.au/about-us/corporate-governance/">http://vocusgroup.com.au/about-us/corporate-governance/</a>
Annual reports and financial statements	<a href="http://vocusgroup.com.au/investors/company-performance/annual-reports/">http://vocusgroup.com.au/investors/company-performance/annual-reports/</a>
ASX announcements (including copies of notices of meetings and accompanying documents)	<a href="http://vocusgroup.com.au/investors/company-performance/asx-announcements/">http://vocusgroup.com.au/investors/company-performance/asx-announcements/</a>
Webcasts and transcripts of investor and analyst presentations	<a href="http://vocusgroup.com.au/investors/company-performance/presentations/">http://vocusgroup.com.au/investors/company-performance/presentations/</a> <a href="http://vocusgroup.com.au/investors/company-performance/webcasts/">http://vocusgroup.com.au/investors/company-performance/webcasts/</a>

Information	Link
An overview of Vocus' business	<a href="http://vocusgroup.com.au/about-us/">http://vocusgroup.com.au/about-us/</a>
A description of Vocus' business segments / structures	<a href="http://vocusgroup.com.au/about-us/">http://vocusgroup.com.au/about-us/</a>
A summary of Vocus' history	<a href="http://vocusgroup.com.au/about-us/our-history/">http://vocusgroup.com.au/about-us/our-history/</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://vocusgroup.com.au/investors/">http://vocusgroup.com.au/investors/</a>
Share price information and dividend information	<a href="http://vocusgroup.com.au/investors/my-shareholding/share-price/">http://vocusgroup.com.au/investors/my-shareholding/share-price/</a> <a href="http://vocusgroup.com.au/investors/company-performance/five-year-history/">http://vocusgroup.com.au/investors/company-performance/five-year-history/</a> <a href="http://vocusgroup.com.au/investors/my-shareholding/dividends-tax/">http://vocusgroup.com.au/investors/my-shareholding/dividends-tax/</a> <a href="http://vocusgroup.com.au/investors/my-shareholding/dividend-reinvestment-plan/">http://vocusgroup.com.au/investors/my-shareholding/dividend-reinvestment-plan/</a>
Contact details for enquiries and Registry	<a href="http://vocusgroup.com.au/contact-us/">http://vocusgroup.com.au/contact-us/</a>
Key security holder forms (e.g. DRP)	<a href="http://vocusgroup.com.au/contact-us/">http://vocusgroup.com.au/contact-us/</a> <a href="http://vocusgroup.com.au/investors/my-shareholding/dividend-reinvestment-plan/">http://vocusgroup.com.au/investors/my-shareholding/dividend-reinvestment-plan/</a> (referral to Computershare Investor Services)

During the reporting period, it should be noted that relevant information relating to Vocus' pro rata accelerated renounceable entitlement offer (with retail rights trading) and separate institutional placement was disclosed by Vocus to the ASX but was not published on Vocus' corporate website, in order to enable each offer to be conducted in a manner that was exempt from the registration requirements of the U.S. Securities Act of 1933 (as amended).

## Recommendation 6.2

The Continuous Disclosure & Communications Policy also establishes the framework for Vocus' investor relations program. The primary purpose of the program is to ensure effective engagement with shareholders whilst not creating market asymmetry for market sensitive information.

During the Reporting Period, Vocus appointed a General Manager – Investor Relations & Communications, to provide further depth in Vocus efforts to ensure that there is effective engagement between Vocus and its shareholders, and with the ASX and market generally.

Vocus introduced a calendar of events throughout the year to engage with institutional and private investors, debt financiers, analysts and the financial media. Such events are routinely scheduled after the release of Vocus' half year and full year financial results.

In accordance with the Communications and Continuous Disclosure Policy, meetings and discussions with analysts must be approved by the Group Chief Executive Officer and are generally conducted by the Group Chief Executive Officer and the Chief Financial Officer, and attended by the General Manager – Investor Relations. The discussions are restricted to explanations of information already within the market or which deal with information that is not market sensitive.

Certain events which occurred during the course of the Reporting Period resulted in an increase in shareholder engagement, where shareholder sentiment and views were received. Discussions were generally attended by two directors and the General Manager – Investor Relations & Communications, and discussions were restricted to matters which were already known in the market.

The Communications and Continuous Disclosure Policy is published in the Corporate Governance section of Vocus' corporate website, accessible at: <https://www.vocus.com.au/investors/corporate-governance>

## Recommendation 6.3

Vocus has adopted process and practices to facilitate and encourage participation by Vocus' shareholders at general meetings. Those processes and practices include:

- providing proper prior advance notice of general meetings, including publishing key dates (including meeting dates) on the Corporate Governance section of Vocus' 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 Vocus at each Annual General Meeting;
- affording shareholders a reasonable opportunity to ask questions or make comments on Vocus' Remuneration Report at each Annual General Meeting;
- affording shareholders a reasonable opportunity to ask questions of Vocus' external auditor in respect of the audit, the audit report, accounting policies and auditor independence at each Annual General Meeting; and

- adopting the use of technology where appropriate, such as permitting electronic direct voting and despatching communications to shareholders electronically

#### Recommendation 6.4

The Board encourages shareholders to adopt electronic communications. Through Vocus' share registry, shareholders are provided with the option to receive and send electronic communications to Vocus and its share registry in respect of their shareholding.

To encourage shareholders to communicate electronically with Vocus, Vocus' share registry has been instructed to enclose forms with each hardcopy communication dispatched to shareholders, offering shareholders the opportunity to receive communications from Vocus electronically, if they have not already elected to do so. For example, such a form was included with the notice of interim dividend mailed to shareholders in early 2017, and a separate campaign undertaken earlier in the period.

Information on how shareholders may communicate electronically with Vocus and its share registry is available at: <http://vocusgroup.com.au/contact-us/> and <https://www-au.computershare.com/investor/>

## Principle 7: Recognise and manage risk

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As noted above, the recognition and management of financial and operating risks across Vocus' businesses was a key focus of the Board, the Risk Committee and the Audit Committee during the reporting period, necessitated by a changing regulatory landscape and the integration of the complex Amcom, M2, Nextgen, ASC and NWCS businesses.

In particular, the acquisition of Nextgen included approximately a fibre backhaul network of approximately 17,000km connecting mainland capital cities and major regional centres and increased the number of Vocus "on net" buildings to over 5,000. The NWCS business included approximately 2,000km of submarine cable connecting Darwin to Port Hedland and the ASC project once completed, would include approximately 4,600km of submarine cable linking Australia to Singapore, via Indonesia.

Additionally, the evolving cyber-security landscape and the readiness of Vocus to respond to cyber security threats was also an area of focus, in addition to the privacy regulatory environment.

The Board recognised that a robust integration and transformation agenda was essential, with a serious focus on the efficient and effective management of risks, particularly operational and financial risks.

### Recommendation 7.1

At all times during the reporting period, Vocus had a functioning Risk Committee.

The objectives and role of the Risk Committee are set out in the Risk Committee Charter, which is available on the Corporate Governance section of Vocus' website. The core objectives and roles include assisting the Board to understand risks which may affect the ability of Vocus to achieve its strategic goals and objectives, as well as overseeing the implementation of Vocus' risk management strategy and making recommendations to the Board on Vocus' risk management framework.

During the reporting period, the Risk Committee met on five occasions. The Committee had at least three members at all relevant times.

Additionally, Vocus established a new "Transformation Office", led by a Chief Transformation Officer (reporting to the Group Chief Executive Officer), to provide the Group Chief Executive Officer and Executive Team with a single approach to prioritisation, resourcing, funding and reporting on key technology projects within the Vocus Group, including the integration of the Amcom, M2, Nextgen and NWCS businesses and the development of the ASC project.

The key objectives of the Transformation Office are firstly to implement the transformation agenda for Vocus, and secondly to ensure that resources are managed effectively in the carrying out of this agenda and that all capital and operational expenditure is appropriately matched against Vocus' group priorities and that resources are managed effectively.

Three additional committees were either established or continued to operate during the reporting period, to assist the Risk Committee and the Board to effectively recognise and manage risks, namely:

- the Board Technology and Transformation Committee was established during the year and was tasked to oversee the implementation of Vocus' new technology plan and the Transformation Office; and

- operational Enterprise Risk Committees for Australia and New Zealand, continued to be tasked to oversee the identification and management of day-to-day operational risks in Vocus' Australian and New Zealand operations respectively.

Further, the Wholesale Energy Risk Management Committee, established by M2 following its acquisition of Dodo's gas and electricity businesses in 2013, continued to operate effectively to manage Vocus' exposure to the risk of fluctuating wholesale prices for gas and electricity in accordance with Vocus' Wholesale Energy Risk Management Policy. The Wholesale Energy Risk Management Committee is a sub-committee of the Risk Committee.

The table below details the members of the Risk Committee and the Technology & Transformation Committee, together with details of the attendance at the meetings held during the term of each Committee member's appointment during the reporting period.

Name	Role	Meetings Held	Meetings Attended	Attendance
<b>RISK COMMITTEE<sup>1</sup></b>				
Rhoda Phillippo	Non Executive Independent Chair	5	5	100%
David Spence <sup>2</sup>	Independent Director	3	3	100%
Jon Brett	Independent Director	5	5	100%
Michael Simmons <sup>3</sup>	Independent Director	2	2	100%
<b>TECHNOLOGY AND TRANSFORMATION COMMITTEE<sup>4</sup></b>				
Rhoda Phillippo	Non Executive Independent Chair	3	3	100%
Craig Farrow	Non Executive Independent	3	3	100%
Robert Mansfield AO	Non Executive Independent	3	3	100%
<ol style="list-style-type: none"> <li>In addition to the named directors, members of management, including the Group Chief Executive Officer, Chief Financial Officer and Company Secretary routinely attend meetings of the Risk Committee as invitees.</li> <li>Mr. Spence was appointed to the Risk Committee on 16 February 2017</li> <li>Mr Simmons resigned from the Board on 29 March 2017 to accept an appointment as the Chief Executive Enterprise &amp; Wholesale of Vocus.</li> <li>The Technology and Transformation Committee was established during the second half of the reporting period.</li> </ol>				

The Risk Committee Charter and the Technology and Transformation Committee Charter are published in the Corporate Governance section of Vocus' corporate website, accessible at:  
<http://www.vocusgroup.com.au/about-us/corporate-governance/>

### Recommendation 7.2

A comprehensive annual review of Vocus' risk management policy and framework, including its policy relating to delegations of authority, was undertaken by the Vocus Chief Risk Officer, under the guidance of the Risk Committee during the reporting period.

Following that review, Vocus' risk management framework was updated to reflect insights gained from the review. The key updates to the risk management framework included:

- formalising the role of the Enterprise Risk Committees in Australia and New Zealand as part of Vocus' risk management framework;
- identifying a non-exhaustive list of specific risks to be recognised and managed, including cyber, sustainability, environment and regulatory;
- setting out Vocus' risk reporting calendar; and
- promoting better clarity in reporting of risks, by reporting risks under specified categories.

Additionally, considerable work was undertaken by Vocus' Chief Risk Officer to review Vocus' insurance program and whether it continued to be appropriate. Following that review, Vocus' insurance program was enhanced to provide appropriate cover for the complex submarine cable projects, the NWCS and the ASC.

The Risk Management Policy is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://www.vocusgroup.com.au/about-us/corporate-governance/>

### Recommendation 7.3

The role of the internal auditor is entrenched in the Audit Committee Charter.

The Charter establishes an objective of the Audit Committee as overseeing the effectiveness of the internal audit function, providing a forum for communication between the Board and those undertaking internal audit functions and establishing a structured reporting line for such persons.

The Charter also entrenches the role of the Audit Committee specifically with respect to the internal audit function, including ensuring that the internal audit is effectively coordinated and that the persons undertaking the internal audit function have sufficient resources to undertake their role.

Vocus' focus on the recognition and reporting on risk during the reporting period necessitated in a thorough review of Vocus' internal audit function.

Following that review, Vocus considered that the interests of transparency, independence and sufficient resourcing of the internal audit function would be best served if the internal audit function was undertaken by a professional auditor, free from any actual or perceived influence by management.

To that end, Vocus engaged global accounting firm KPMG to undertake a series of three internal audits for Vocus. At the completion of these audits, the ongoing structure and strategy for internal audit sourcing will be revisited.

Vocus' statutory audit functions are undertaken by Deloitte, and so the appointment of KPMG maintains the separation between Vocus' internal and statutory audit functions.

In the performance of its role, KPMG reports directly to Vocus' Audit Committee.

As discussed in Vocus' commentary to Recommendation 4.1, KPMG, as internal auditor, is invited to attend meetings of the Audit Committee where internal audit is an agenda item for discussion.

The Audit Committee Charter is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://www.vocusgroup.com.au/about-us/corporate-governance/>

#### Recommendation 7.4

Vocus' Chief Risk Officer has completed a review of Vocus' exposure to economic, environmental and social sustainability risks, among other risks.

As part of the outcomes of this review, Vocus' risk management framework was amended to specifically identify sustainability and environment risks as risks that should be actively recognised and managed.

Vocus published its inaugural Sustainability Principles document in 2016. The Principles address, among other things, Vocus' expectations that its business be conducted in a manner which does not have a material adverse impact on the environment, the community or its business suppliers (among others).

Further details of Vocus' exposure to economic, environmental and substantiality risks will be set out in Vocus' Sustainability Report and Annual Report for 2017.

The Sustainability Principles are published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://www.vocusgroup.com.au/about-us/corporate-governance/>



## Principle 8: Remunerate fairly and responsibly

### Recommendation 8.1

At all times during reporting period, Vocus had a functioning Remuneration Committee, operating under the Remuneration Committee Charter.

During the reporting period, the Remuneration Committee met four times.

The table below details the members, roles and independence of each person who was a member of the Remuneration Committee during the reporting period together with details of the attendance at the meetings held during the term of their appointment as a member of the Remuneration Committee.

Name	Role	Meetings Held	Meetings Attended	Attendance
Craig Farrow	Independent Chair	4	4	100%
Rhoda Phillippo	Independent Director	4	4	100%
Robert Mansfield AO <sup>1</sup>	Independent Director	2	2	100%
Anthony Grist <sup>2</sup>	Independent Director	2	2	100%

<sup>1</sup> Mr Mansfield AO was appointed to the Board and the Remuneration Committee on 1 January 2017.

<sup>2</sup> Mr Grist resigned from the Board and consequently, the Remuneration Committee on 12 October 2016.

The Remuneration Committee Charter is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/corporate-governance/>

### 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 do not receive equity or bonus compensation. Non-executive directors are also not entitled to receive benefits in connection with their retirement from office.

Further detailed information relating to Vocus' remuneration policies and practices for its directors and Executive Team is disclosed in the Remuneration Report forming part of Vocus' Annual Report for 2017.

### Recommendation 8.3

Material amendments were made to Vocus' Securities Trading Policy in the previous reporting period, primarily to adopt a number of the recommendations in ASX Guidance Note 27 on Trading Policies.

The Securities Trading Policy confirms the prohibition on all employees and Key Management Personnel (including directors) in respect of insider trading. Additionally, the Policy sets out the types of dealings which are prohibited, permitted only with consent, or which are generally permitted.

Importantly, the Securities Trading Policy prohibits all employees and Key Management Personnel (including directors) from hedging their exposure to unvested or 'locked' remuneration. In the case of Key Management Personnel, the prohibition extends to their closely related parties.

Apart from insider trading and the ban on hedging, the Securities Trading Policy addresses black-out periods, margin lending and other secured financing arrangements, short selling and short term trading, as well as setting out the process of seeking consent to deal in Vocus' securities (where consent is permitted to be provided under the Securities Trading Policy).

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

A copy of the Securities Trading Policy was disclosed to the ASX on 3 June 2016 pursuant to ASX Listing Rule 12.10.

The terms of each employee incentive plan made available to Vocus' Executive Team and Senior Leadership Team requires each relevant employee to acknowledge that the securities acquired under the plan are subject to Vocus' Securities Trading Policy.

The Securities Trading Policy is published in the Corporate Governance section of Vocus' corporate website, accessible at: <http://vocusgroup.com.au/about-us/corporate-governance/>