Inabox Group Limited

Corporate Governance Statement

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This Corporate Governance Statement of Inabox Group Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, our website or Annual Report, is also contained on our website at www.inaboxgroup.com.au .

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the company's Board of Directors ('Board') and is current as at 27 September 2018.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - A listed entity should disclose:

a) the respective roles and responsibilities of its board and management; and

b) those matters expressly reserved to the board and those delegated to management.

The Company's Board maintains the following roles and responsibilities:

- being accountable for the performance of the Company;
- providing leadership and setting the strategic objectives of the Company;
- appointing the Chair;
- appointing, and when necessary replacing, the Chief Executive Officer ('CEO') and other senior executives including the Company Secretary;
- assessing the performance of the CEO and overseeing succession plans for senior executives;
- overseeing management's implementation of the Company's strategic objectives;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for market disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- ensuring that the Company has in place an appropriate risk management framework and setting the risk parameters within which the Board expects management to operate;
- approving the Company's remuneration framework;
- monitoring the effectiveness of the Company's governance practices; and
- reporting to. and communications. with shareholders.

The Board has delegated the day-to-day management of the Company to the CEO and other senior executives ('management'). The Company's management is responsible for the following:

- implementing the strategic objectives set by the Board;
- operating within the risk parameters set by the Board;
- operational and business management of the Company;
- managing the Company's reputation and operating performance in accordance parameters set by the Board;
- day-to-day running of the Company;
- providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities; and
- approving capital expenditure (except acquisitions) within delegated authority levels.

Senior executives have their roles and responsibilities defined in specific position descriptions.

Recommendation 1.2 - A listed entity should:

a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Before appointing a director, or putting forward to shareholders a director for appointment, the Company undertakes reference checks that cover elements such as the person's character, experience, qualifications and disqualified officer status. Directors are required to declare each year that they have not been disqualified from holding the office of director by the Australian Securities and Investments Commission ('ASIC').

An election of directors is held each year, and under the terms of the company's Constitution at least one-third of the elected directors must stand for re-election. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Retiring directors are not automatically re-appointed.

The Company provides to shareholders for their consideration information about each candidate standing for election or re-election as a director that the Board considers necessary for shareholders to make a fully informed decision. Such information includes the person's experience and qualifications and any other relevant information, and whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and the Committee Chairs, and is accessible to all directors. 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
- monitoring compliance of the Board and associated committees with policies and procedures;
- coordinating all Board business;
- retaining independent professional advisors;
- ensuring that the business at Board and committee meetings is accurately minuted; and
- assisting with the induction and development of directors.

Recommendation 1.5 - A listed entity should:

a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

b) disclose that policy or a summary of it; and

c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

   1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
   2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Company has a diversity policy which requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the Company's progress towards achieving them on an annual basis.

The policy aims to provide a work environment where employees have equal access to career opportunities, training and benefits. It also aims to ensure that employees are treated with fairness and respect and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities. This commitment enables the Company to attract and retain employees with the best skills and abilities.

In accordance with the policy, the group has implemented an increased level of job flexibility, to assist in providing opportunities to those for whom full-time fixed office hours may be a barrier to employment. The group hopes to continue to improve the availability of flexible working conditions wherever appropriate. The group otherwise seeks through compliance with its diversity policy to increase the overall proportion of women within the group to 20%.

The Company is required to annually report its compliance with gender equity indicators to the Workplace Gender Equality Agency (WGEA). A copy of the Company's current report to the Workplace Gender Agency (WGEA) can be found on the Company's website under Corporate Governance.

The respective proportion of women and men in the Company including its subsidiaries ('consolidated entity') as at 30 June 2018 are as set out below.

	Portion of women	Proportion of men
On the Board	0%	100%
In senior executive positions	40%	60%
Across the whole organisation	18%	82%

For this purpose, the Board defines a senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to affect significantly the Company's financial standing.

Recommendation 1.6 - A listed entity should:

a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company does not currently have a formal process for evaluating the performance of the Board, its committees or individual directors. The Board conducts an introspective annual discussion of its performance on a collective basis to identify general aspects of its performance that could be improved upon, and such analysis includes the roles played by each Board member. Such reviews therefore encapsulate collective discussion around the performance of individual Board members, their roles on specific projects during the financial year, and where relevant, how their role could be modified or suggestions for individual development or performance improvement for the future.

Until such time as the Company expands to justify an expansion of Board members, the Board is of the current opinion that such performance evaluation is suitable for the Company.

Recommendation 1.7 - A listed entity should:

a) have and disclose a process for periodically evaluating the performance of its senior executives; and

b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board conducts an annual performance assessment of the CEO against agreed performance measures determined at the start of the year. The CEO undertakes the same assessments of senior executives. In assessing the performance of the individual, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company.

A performance evaluation of the CEO and senior executives was undertaken in the reporting period.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 - The board of a listed entity should:

a) have a nomination committee which:

1. has at least three members, a majority of whom are independent directors; and
2. is chaired by an independent director, and disclose:
3. the charter of the committee;
4. the members of the committee; and
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board maintains a combined Nomination and Remuneration Committee, whose members at the conclusion of the financial year, were as follows:

Director's name	Executive status	Independence status
Tom Stianos (Chair)	Non-Executive Chairman	Independent
David Rampa	Non-Executive Chairman	Independent
Garry Wayling	Non-Executive Director	Independent

All of the Committee members and the Chair are independent, thereby satisfying this Recommendation.

The Charter of the Committee is available at the Company's website. It details the roles and responsibilities of the Committee, which includes the following:

- identification of skills and competencies required for the Board and related committees;
- nomination, selection and performance evaluation of directors;
- designing of succession plans and induction programs for directors; and
- setting and monitoring of gender diversity policy.

The number of Committee meetings held and attended by each member is disclosed in the Annual Report in the 'Meetings of directors' section of the Directors' report.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership.

The current Board members represent individuals that have extensive telecommunications industry experience as well as professionals that bring to the Board their specific skills in order for the Company to achieve its strategic, operational and compliance objectives.

Their suitability to the directorship has therefore been determined primarily on the basis of their ability to deliver outcomes in accordance with the Company's short and longer-term objectives and therefore deliver value to shareholders.

All Board members are however expected to be able to demonstrate the following attributes:

Board member attributes	
Leadership	Represents the company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solutionseeker.
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks

Recommendation 2.3 - A listed entity should disclose:

a) the names of the directors considered by the Board to be independent directors;

b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

c) the length of service of each director.

The Board assesses annually the independence of each director to ensure that those designated as independent do not have any alliance to the interests of management, substantial shareholders or other relevant stakeholders. They must be free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the company and its security holders generally.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	Appointment date	Length of service at reporting date	Independence status
David Rampa	24 January 2014	4 ½ years	Independent Non-executive
Garry Wayling	4 May 2015	3 years	Independent Non-executive
Tom Stianos	26 November 2015	3 years	Independent Non-executive
Damian Kay	9 January 2013	5 ½ years	Executive

The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.

As at the date of compilation of this document, all directors held shares in the Company.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to the response to Recommendation 2.3 above, the majority of the Board at the reporting date are independent.

Recommendation 2.5 - The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

David Rampa is the Chair of the Board and is considered to be an independent director. Damian Kay is the Managing Director and Chief Executive Officer.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

New directors undertake an induction program coordinated by the Company Secretary on behalf of the Nomination and Remuneration Committee. The program includes strategy briefings, explanations of company policies and procedures, governance frameworks, cultures and values, company history, director and executive profiles and other pertinent company information. Directors are separately responsible for their own ongoing training and development, but the group will on occasion recommend and support particular training programs identified to be of benefit individually or for all directors.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - A listed entity should:

a) have a code of conduct for its directors, senior executives and employees; and

b) disclose that code or a summary of it.

The Company maintains a Code of Conduct, a copy of which is available at the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1 - The board of a listed entity should:

a) have an audit committee which:

1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
2. is chaired by an independent director, who is not the chair of the board,

and disclose:

3. the charter of the committee;
4. the relevant qualifications and experience of the members of the committee; and
5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board maintains a combined Audit and Risk Committee, the members of which are:

Director's name	Executive status	Independence status
Garry Wayling (Chair)	Non-Executive Director	Independent
David Rampa	Non-Executive Director	Independent
Tom Stianos	Non-Executive Director	Independent

All of the Committee members and the Chair are independent, thereby satisfying this Recommendation.

Details of the qualifications and experience of the members of the Committee is detailed in the Annual Report within the 'Information on directors' section of the Directors' report.

The Charter of the Committee is available at the Company's website. It provides details in relation to its role, confers on it all necessary powers to perform that role, and explains how the Committee achieves its main objectives, which are to carry out the following functions:

- review and monitor the integrity of Annual Report including the financial statements;
- review and oversee systems of risk management, internal control and legal compliance;
- review the adequacy of the corporate reporting processes;
- oversee the process for identifying significant risks facing the Company and implementing appropriate and adequate control, monitoring and reporting mechanisms; and
- liaise with and monitor the performance and independence of the external auditor.

The number of Committee meetings held and attended by each member is disclosed in the Annual Reporting within the 'Meetings of directors' section of the Directors' report.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In relation to the financial statements for the financial year ended 30 June 2018, the Company's CEO and CFO have provided the Board with declarations, that in their opinion:

- the financial records of the Company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and
- has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The engagement partner for the Company's audit attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 - A listed entity should:

a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

b) disclose that policy or a summary of it.

Listing Rule 3.1 requires a listed entity, subject to certain exceptions, to disclose to the ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company is committed to providing the market with complete and timely information about disclosure events in compliance with its continuous disclosure obligations and the Corporations Act 2001.

The Company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the Company's disclosure obligations. Where any such person is of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately, in the first instance, so that appropriate analysis and internal consultation can be conducted. Legal advice may also be sought internally or from the Company's external counsel.

The Company Secretary is required to consult with the CEO in relation to matters brought to his attention for potential announcement. Where the matter is urgent and the CEO is not contactable, the Chairman is contacted. Where the Chairman is not contactable, the Company Secretary may decide whether an announcement is made, or whether a trading halt is warranted.

Generally, the CEO is ultimately responsible for decisions relating to the making of market announcements. The Company Secretary is responsible for ensuring that the Board is aware of items of business that could result in an announcement. The Board is required to authorise announcements of significance to the Company such as significant acquisitions, disposals and closures, material profit upgrades or downgrades, dividend declarations and share buy-backs, and any other transactions flagged by the Chairman as being fundamentally significant.

The Company Secretary is responsible for advising when announcements are not required due to either circumstances such as where the information relates to matters of supposition or is insufficiently definite, it concerns an incomplete proposal or negotiation, the information is confidential or would represent a breach of law if disclosed, and where a reasonable person would not expect the disclosure of the information.

No member of the Company shall disclose market sensitive information to any person unless they have received acknowledgement from the ASX that the information has been released to the market.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website at www.inaboxgroup.com.au, together with other subordinate websites operated by the group.

Recommendations 6.2 and 6.3

a) A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

b) A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

In order for investors to gain a greater understanding of the Company's business, governance practices, financial performance and future prospects, the Company schedules interactions during the year where it engages with institutional and private investors, analysts and the financial media.

Meetings and discussions with analysts must be approved by the CEO and are generally conducted by the CEO. The discussions are restricted to explanations of information already within the market or which deal with non-price sensitive information.

The Company encourages shareholders to attend the AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad-hoc enquiries via email which are responded to.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Boardroom Pty Limited, and may contact the Company Secretary to arrange this.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendations 7.1 and 7.2

The board of a listed entity should:

a) have a committee or committees to oversee risk, each of which:

1. has at least three members, a majority of whom are independent directors; and
2. is chaired by an independent director,

and disclose:

3. the charter of the committee;
4. the members of the committee; and
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board or a committee of the Board should:

a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

b) disclose, in relation to each reporting period, whether such a review has taken place.

The Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Recommendation 4.1 above.

The Charter of the Committee is available at the Company's website. The charter includes the Committee's responsibilities which include procedures for general risk oversight and monitoring, internal control and risk management, risk transfer and insurance and other responsibilities.

The Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policy and monitoring corporate activity within the scope of its remit, making recommendations to the Board for resolution, and assisting the Board understand risks which may:

- impede the Company from achieving its goals and objectives;
- impact on the Company's performance;
- affect the health, safety or welfare of employees and others in relation to the Company's operations;

- threaten compliance with the Company's regulatory and legal obligations;
- impact on the Company's reputation, or that of its people; and
- result in personal liability for company officers arising from the Company's operations.

Its responsibilities include review of the following elements:

- company risk appetite and risk tolerance, as determined by the Board across the Company and within specific operational segments;
- assessing risk associated with relationships with key suppliers and customers;
- the likelihood of occurrence, severity of impact, and any mitigating measures affecting identified risks;
- responsibility for risk oversight and management of specific risks to ensure a common understanding of accountabilities and roles;
- procedures for periodic and critical reporting of matters to the Board and the risk committee;
- communication of risk management policies and strategies throughout the company to ensure it is embedded as part of the company's corporate culture;
- internal communication and control systems to encourage the timely flow of risk-related information to personnel;
- reports from management, external auditors, internal auditors, legal counsel, regulators, and consultants as appropriate, regarding risks the company faces and the company's management of those risks;
- assessment of the internal processes for determining and managing key risk areas, with particular focus on compliance with laws, regulations, standards and best practice guidelines, important judgments and accounting estimates, litigation and claims, and fraud and theft;
- assessment of effectiveness of the internal controls, risk management and performance management systems after consultation with management and the auditors;
- assessment of effectiveness of, and compliance with internal plans, policies and procedures;
- obtaining regular updates from management and company lawyers about compliance matters;
- ensuring the chief executive officer (or equivalent) and the chief financial officer (or equivalent) are reasonably able to state that their declarations under section 295A of the Corporations Act 2001 relating to financial statements and reports of the Company are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects, in relation to the financial reporting risks;
- how certain risks of the company have been mitigated by risk transfer strategies;
- the scope, adequacy and cost of the company's insurance arrangements;
- ensure appropriate corporate governance is in place within the scope of its remit; and
- confirm annually that all responsibilities outlined in this charter have been carried out.

The Committee reviews the Company's risk management framework at least annually to ensure that it is still suitable to the Company's operations and objectives and that the company is operating within the risk parameters set by the Board. As a consequence of the last review undertaken for the year ended 30 June 2018, there were no significant recommendations made.

Recommendation 7.3 - A listed entity should disclose:

a) if it has an internal audit function, how the function is structured and what role it performs; or

b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have a dedicated internal audit function. The responsibility for risk management and internal controls lies with both the CEO and CFO who continually monitor the Company's internal and external risk environment. Necessary action is taken to protect the integrity of the Company's books and records including by way of design and implementation of internal controls, and to ensure operational efficiencies, mitigation of risks, and safeguard of company assets.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The management of the Company and the execution of its growth strategies are subject to a number of risks which could adversely affect the Company's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the Company (and its subsidiaries), but those considered by management to be the principal material risks:

Financial Risk:

The group remains dependent on the collection of funds from customers in its direct and indirect segments. Failure to collect funds would threaten the group's profitability, and accordingly the group continually monitors collected funds. The group's finance facility with the Commonwealth Bank of Australia has associated covenants in relation to matters including minimum EBITDA and the loss of a material customer contract, and failure to comply with these covenants would threaten the availability of the finance facility and require repayment of advanced funds.

Regulatory Risk:

The period has seen the implementation or imminent implementation of various federal government regulatory changes, including the pending requirements of the Telecommunications (Interception and Access) Amendment (Data Retention) Act 2015. This, and other regulatory changes such as the pending Telecommunications sector security reforms, may impose future unrecoverable capital and operational costs on the group which cannot be mitigated.

Supplier Risk:

The group faces risk associated with the acquisition of telecommunications products for resale from a limited number of Carriers. The termination of any of the group's supplier arrangements, or a negative change (such as a price increase or the unavailability of key products) could impose a material negative impact on the group's profitability. The group seeks to mitigate the risk of price increases (including those which may arise as a result of regulatory determinations), lack of supply of necessary products, and supplier failure, through steps including diversity of supply, frequent negotiations, and the origination of its own products.

Customer Risk:

There are a number of resellers which proportionately account for a significant amount of the group's revenue and margins. A reduction in spend by those customers could have a material impact on the group's profitability. In particular, the Enablement segment is presently dependent on a sole material customer, and the loss of this customer, or a substantial decrease in spend by that customer, could cause a material negative impact on that segment. The group manages its customer relations with a dedicated team of account managers, and seeks to contract its customers to fixed term agreements wherever possible.

Litigation Risk:

As the group expands in size, the increased number of employees and RSPs increases the proportional risk of litigation, despite the group's activities in promoting workplace health and safety, and general operational, best practice.

Technology Risk:

As the group increases its deployment of sophisticated software and systems for both its own operations, and those of the enablement segment, the risk associated with failure of these systems increases. In particular, these systems include the HCS platform utilised by the group's direct segment, a failure of which could result in the group incurring material liability to its major HCS customer. The group seeks to mitigate this risk through best practice in development, licensing and deployment, as well as through the maintenance of appropriate insurance.

Separately, the group depends on the functioning of its systems to perform billing tasks, both on its own behalf and on behalf of its customers. A failure or error in the group's billing system could impose a material negative impact on the group's profitability. In addition, privacy or data security breaches as a result of systems failure or unauthorised access are a potentially material risk to the group.

Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should:

a) have a remuneration committee which:

1. has at least three members, a majority of whom are independent directors; and
2. is chaired by an independent director,

and disclose:

3. the charter of the committee;
4. the members of the committee; and
5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board maintains a combined Nomination and Remuneration Committee. The members of the Committee are detailed in Recommendation 2.1 above.

Details of the qualifications and experience of the members of the Committee is detailed in the 'Information on directors' section of the Directors' report.

The Committee oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

The Charter of the Committee is available at the Company's website. The Committee's charter sets out the roles and responsibilities, composition and structure of the Committee. In summary, the charter provides for the committee to monitor and advise upon the following matters:

- the Company's remuneration structure including long term incentives and superannuation arrangements;
- remuneration and incentives of the Board, CEO and Company Secretary;
- performance and remuneration of senior management;
- remuneration strategies, practices and disclosures generally;

- workplace health and safety;
- workplace diversity;
- employee share payment plans;
- recruitment, retention and termination strategies;
- management succession, capability and talent development; and
- the Remuneration Report, contained within the Directors' report.

When considered necessary, the Committee may obtain external advice from independent consultants in determining the company's remuneration practices including remuneration levels.

The number of Committee meetings held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Non-executive directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees. The level of remuneration reflects the anticipated time commitments and responsibilities of the position.

Executive directors and other senior executives are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates having regard to the individual's performance and responsibilities. Performance based remuneration is linked directly to specific performance targets that are aligned to both short and long-term objectives.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should:

a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

b) disclose that policy or a summary of it.

The use of derivatives or other hedging arrangements for unvested securities of the Company or vested securities of the Company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.