

Appendix 4G

Key to Disclosures

Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

Michael Hill International Limited

ABN / ARBN

25 610 937 598

Financial year ended:

30 June 2017

Our corporate governance statement² for the above period above can be found at:³

☐ These pages of our annual report:

X This URL on our website: investor.michaelhill.com

The Corporate Governance Statement is accurate and up to date as at *30 June 2017* and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 18 August 2017

Name of Director or Secretary authorising lodgement: Mary-Anne Greaves, Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at investor.michaelhill.com	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(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</p> <p>(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.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at investor.michaelhill.com</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ 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:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p>X an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<p>... our board skills matrix:</p> <p>X in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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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 names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
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.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input checked="" type="checkbox"/> at investor.michaelhill.com	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

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PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at investor.michaelhill.com</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	x
4.2	<p>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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

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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 fact that we follow this recommendation: X in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
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.	... our continuous disclosure compliance policy or a summary of it: X in our Corporate Governance Statement <u>OR</u> X at investor.michaelhill.com	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: X at investor.michaelhill.com	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: X in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: X in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
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 fact that we follow this recommendation: X in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

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PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at investor.michaelhill.com</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
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.	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: X in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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.	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: X in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

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PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

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CORPORATE GOVERNANCE STATEMENT

AS AT 30 JUNE 2017



CORPORATE GOVERNANCE

Michael Hill International Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. Michael Hill International Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement is dated as at 30 June 2017 and reflects the corporate governance practices in place throughout the 2017 financial year. The 2017 Corporate Governance Statement was approved by the board on 18 August 2017. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at investor.michaelhill.com

COMPLIANCE WITH RECOMMENDATIONS

The following statement explains how the company complies with the Recommendations, and, in the case of non-compliance, why not. The board is of the view that with the exception of the departures from the Recommendations noted within this report it otherwise complies with all of the Recommendations.



PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The relationship between the board and group executives is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to ensure the Group's resources are allocated in accordance with agreed operating and strategic priorities. Their focus is to ensure the setting and execution of the Group's plans are aligned with the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;

- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives;
 - compliance with the company's Code of Conduct (refer Principle 3);
 - progress in relation to the company's diversity objectives and compliance with its diversity policy;
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports and the company's quarterly update, and liaison with the company's auditors;
- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer (CEO);
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the group executive team.



PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT (CONT.)

- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders;
- ensuring appropriate resources are available to group executives.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the CEO and group executives as set out in the Group's delegations policy. These delegations are reviewed on an annual basis.

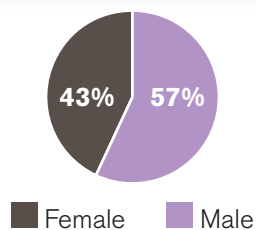
Diversity Policy

The company values diversity and recognises the benefits it can bring to the organisations ability to achieve its goals. Accordingly, the company has developed a diversity policy, a copy of which can be found in the company's Corporate Governance Charter on the company website under Governance Policies and Compliance. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the board to establish measurable objectives for achieving diversity, and for the board to assess annually both the objectives, and the company's progress in achieving them.

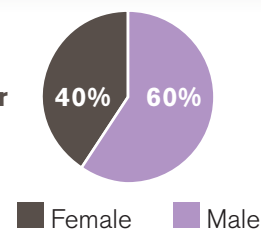
Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
1	Lay solid foundations for management and oversight		
1.1 Role of board and management	Disclose the respective roles and responsibilities of the board and management and those matters expressly reserved to the board and those delegated to management.	<p>The respective roles and responsibilities of the directors are set out in the Directors Report in the company's Annual Report. The board has established a clear distinction between the functions and responsibilities reserved for the board and those delegated to management, which are set out in the company's Corporate Governance Charter.</p> <p>A copy of the Corporate Governance Charter is available from the company's website, investor.michaelhill.com.</p>	✓
1.2 Information regarding election and re-election of director candidates	Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in the company's possession relevant to a decision on whether or not to elect or re-elect a director.	<p>The company carefully considers the character, experience, education and skillset, as well as interests and associations of potential candidates for appointment to the board and conducts appropriate checks to verify the suitability of the candidate, prior to their election.</p> <p>The company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a director, is disclosed in the notice of meeting provided to shareholders.</p>	✓
1.3 Written contracts of appointment	Have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>In addition to being set out in the Corporate Governance Charter, the roles and responsibilities of directors are also formalized in the letter of appointment which each director receives and commits to on their appointment. The letters of appointment specify the term of appointment, time commitment envisaged, expectations in relation to committee work or any other special duties attaching to the position, reporting lines, remuneration arrangements, disclosure obligations in relation to personal interests, confidentiality obligations, insurance and indemnity entitlements and details of the company's key governance policies, such as the Trading Policy.</p> <p>Each group executive enters into a service contract which sets out the material terms of employment, including a description of the position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.</p> <p>Contract details of group executives whom are KMP are summarized in the Remuneration Report in the company's Annual Report.</p>	✓

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
1	Lay solid foundations for management and oversight		
1.4 Company Secretary	The Company Secretary should be accountable directly to the board, through the Chair, on all matters to do with the proper functioning of the board.	<p>The Company Secretary is accountable to the board for facilitating the company's corporate governance processes and the proper functioning of the board. Each director is entitled to access the advice and services of the Company Secretary.</p> <p>In accordance with the company's Constitution, the appointment or removal of the Company Secretary is a matter for the board as a whole. Details of the Company Secretary's experience and qualifications are set out in the Remuneration Report contained in the company's Annual Report.</p>	✓
1.5 Diversity	<ul style="list-style-type: none"> 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 company's progress in achieving them. Disclose that policy or a summary of it. Disclose 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 company's diversity policy and its progress toward achieving them and either the respective proportions of men and women on the board, in senior executive positions across the whole organization (including how the entity has defined 'senior executive' for these purposes) or if the company is a 'relevant employer' under the Workplace Gender Equality Act 2012 (Cth), the company's most recent 'Gender Equality Indicators', as defined in and published under that Act. 	<p>The company has adopted a Diversity Policy setting out its objectives and reporting practices with respect to diversity, which is set out in the company's Corporate Governance Charter.</p> <p>A copy of the Corporate Governance Charter is available from the company's website, investor.michaelhill.com.</p> <p>As we mature in the diversity and inclusion space, the business many seek to capture further data regarding various identified diversity markers. This could be achieved through data capture during the recruitment process as well as through employee profiles in an established Human Resources Information System. This would allow us to track and report on diversity factors such as heritage, languages other than English and overseas work experience, allowing for stronger talent management, succession planning and development.</p> <p>The measurable objectives for gender diversity, agreed by the company's board for FY2016-17, are set out below:</p> <p>40% females on the board; and female/male ratio in senior management roles of 40%:60%.</p> <p>The outcomes and a comparative of the company's results against its measurable objectives are set out below and illustrates the company's progress towards achieving its objectives.</p>	✓

Senior Leadership by Gender



Board by Gender



Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
1	Lay solid foundations for management and oversight		
1.6 Board reviews	Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and disclose whether a performance evaluation was undertaken in accordance with that process.	A performance review is undertaken annually in relation to the board and the board committees. In addition to individual evaluation sessions between the Chair and individual directors, a formal self-evaluation questionnaire is used to facilitate the annual performance review process. Where it considers necessary the board may also engage a professional independent consultant experienced in board reviews to conduct a review of the board and its committees and the effectiveness of the board as a whole.	✓
1.7 Management reviews	Have and disclose a process for periodically evaluating the performance of senior executives and disclose whether a performance evaluation was undertaken in accordance with that process.	Each year the board, through the People Development and Remuneration Committee, sets financial, operational, management and individual targets for the CEO, the CFO and group executives. Performance against these targets is assessed periodically throughout the year and a formal performance evaluation for group executives is completed for the year end. Details of the process followed are set out in the Remuneration Report within the company's Annual Report.	✓



PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the company website at investor.michaelhill.com. The charter details the board's composition and responsibilities.

Board composition

The structure of the board is determined in accordance with the following principles:

1. to aim for, so far as is practicable given the size and the nature of the operations of the company, a majority of the board being independent directors;
2. to aim for, so far as is practicable given the size and the nature of the operations of the company, a Chairperson who is not the chief executive officer;
3. to aim for, so far as is practicable given the size and the nature of the operations of the company, a board comprising members with diverse backgrounds; and
4. to have a minimum of three directors.



PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONT.)

Directors' independence

In assessing the independence of directors, the company regards an independent director as a non-executive director (that is, not a member of management) who:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
2. within the last three years has not been employed in an executive capacity by the company or another Group member;
3. within the last three years has not been a partner, director or senior employee of a provider of material professional services to the company or another Group member;
4. within the last three years has not been in a material business relationship (by example, as a supplier or customer) with the company or other Group member, or an officer of, or otherwise associated with, someone in such a relationship;
5. has no material contractual relationship with the company or another Group member other than as a director;

6. does not have close family ties with any person who falls within any of categories (1) - (5) described above; and
7. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company or otherwise compromise their independence.

When considering whether a director is an independent director, the materiality of such interest, position, association or relationship must be assessed to determine whether it might influence, or might reasonably be perceived to influence, in a material respect, the director's 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 shareholders.

A director must advise the Chairperson (or, in the case of the Chairperson, another member of the Nominations Committee) if there is a change in his or her interests, positions, associations or relationships that could bear on his or her independence at the earliest opportunity.

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation							
2	Structure the board to add value								
2.1 Nominations Committee	Does the board have a nominations committee? If the board does not have a nominations 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.	Given the size of the board, the board has decided not to establish a seperate Nominations Committee, instead the entire board is involved in decisions on board composition and the identification and evaluation of candidate directors for appointment to the board.	X						
2.2 Board skills matrix	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.	<p>The board considers that each director must have the following essential personal attributes to be suitable to serve as a director of the company:</p> <ul style="list-style-type: none">▪ High standards of personal integrity and ethical behavior▪ Independence of thought▪ Sound judgement and decision making▪ Strong interpersonal and communication skills▪ Available to serve the needs of the company <p>The board recognizes that each director will not necessarily possess experience in all areas relevant to the company's operations so seeks to ensure that its membership includes an appropriate mix of directors with skills, knowledge and experience in core competencies. A summary of the board's skills, knowledge and experience is set out below.</p> <table><tr><th>Skill</th><th>Description</th></tr><tr><td>International business development experience</td><td>A broad range of business experience in international markets. Ability to assess opportunities for the company's continued growth outside Australia, create plans for the future and have a general knowledge of risks of operating in foreign countries</td></tr><tr><td>Experience in the countries in which the company conducts its business</td><td>Australia New Zealand Canada United States of America</td></tr></table>	Skill	Description	International business development experience	A broad range of business experience in international markets. Ability to assess opportunities for the company's continued growth outside Australia, create plans for the future and have a general knowledge of risks of operating in foreign countries	Experience in the countries in which the company conducts its business	Australia New Zealand Canada United States of America	√
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Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
2	Structure the board to add value		
2.2 Board skills matrix			

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation																																					
2	Structure the board to add value																																						
2.3 Disclose independence and length of service	<ul style="list-style-type: none">▪ Disclose the names of the directors considered by the board to be independent directors.▪ If a director has an interest, position, association or relationship that might cause doubts about the independence of a director, disclose the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion.▪ Disclose the length of service of each director.	<p>In accordance with the Corporate Governance Charter, the majority of directors are independent.</p> <p>Michael Hill International Limited</p> <table><tr><th>Name/position</th><th>IndependentYes/No</th><th>Period of Service</th></tr><tr><td>Emma Jane Hill (Chair)</td><td>No – major shareholder</td><td>9 June 2016 – current</td></tr><tr><td>Sir Richard Michael Hill</td><td>No – major shareholder</td><td>9 June 2016 – current</td></tr><tr><td>Gary Warwick Smith</td><td>Yes</td><td>24 February 2016 – current</td></tr><tr><td>Robert Ian Fyfe</td><td>Yes</td><td>9 June 2016 – current</td></tr><tr><td>Janine Suzanne Allis</td><td>Yes</td><td>9 June 2016 – current</td></tr></table> <p>Michael Hill New Zealand Limited</p> <table><tr><th>Name/position</th><th>IndependentYes/No</th><th>Period of Service</th></tr><tr><td>Emma Jane Hill (Chair)</td><td>No – major shareholder</td><td>22 February 2007 – current</td></tr><tr><td>Sir Richard Michael Hill</td><td>No – major shareholder</td><td>30 March 1990 – 29 June 2016</td></tr><tr><td>Gary Warwick Smith</td><td>Yes</td><td>2 November 2012 – 5 August 2016</td></tr><tr><td>Robert Ian Fyfe</td><td>Yes</td><td>6 January 2014 – 5 August 2016</td></tr><tr><td>Janine Suzanne Allis</td><td>Yes</td><td>n/a</td></tr></table>	Name/position	IndependentYes/No	Period of Service	Emma Jane Hill (Chair)	No – major shareholder	9 June 2016 – current	Sir Richard Michael Hill	No – major shareholder	9 June 2016 – current	Gary Warwick Smith	Yes	24 February 2016 – current	Robert Ian Fyfe	Yes	9 June 2016 – current	Janine Suzanne Allis	Yes	9 June 2016 – current	Name/position	IndependentYes/No	Period of Service	Emma Jane Hill (Chair)	No – major shareholder	22 February 2007 – current	Sir Richard Michael Hill	No – major shareholder	30 March 1990 – 29 June 2016	Gary Warwick Smith	Yes	2 November 2012 – 5 August 2016	Robert Ian Fyfe	Yes	6 January 2014 – 5 August 2016	Janine Suzanne Allis	Yes	n/a	✓
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2.4 Majority of directors independent	The majority of the board should be independent directors.	<p>In accordance with the Corporate Governance Charter and as disclosed against Recommendation 2.3, the majority of the directors are independent.</p> <p>Details regarding the independence of the directors are set out in section 2.3 above.</p>	✓																																				

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
2	Structure the board to add value		
2.5 Chair independent	The Chair of the board should be an independent director and, in particular, should not be the same person as the Chief Executive Officer.	The Chair of Michael Hill International Limited is Emma Hill, a non-independent director. Ms Hill has a comprehensive understanding of the Group and its business. In light of this, the company's board considers Ms Hill to be the most appropriate candidate for the role of Chair. Given that the company's board is constituted by a majority of independent directors, it is considered that governance will not be adversely affected by there being a non-independent Chair. Ms Hill is not the Chief Executive Officer of the company.	X
2.6 Induction and professional development	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.	<p>The induction provided to new directors and group executives enables them to actively participate in board decision-making as soon as possible. It ensures that they have a full understanding of the company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the board and group executives, the role of the board committees and the company's meeting arrangements.</p> <p>All directors are encouraged to become a member of the Australian Institute of Company Directors (AICD) and to further their knowledge through participation in seminars hosted by the AICD and other forums sponsored by professional, industry, governance and Government bodies.</p> <p>Company directors participate, from time to time, in the company's leadership forums and actively engage with company employees in a range of forums including visiting the company's stores to gain an understanding of the operational environment.</p> <p>During the course of the year directors receive accounting policy updates, especially around the time when the board considers the half year and full year accounts.</p> <p>The board also attends educational sessions on legal, accounting, regulatory change, human resource management and changing consumer behaviour and digital trends.</p>	√



PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Ethical Standards

The company is committed to the establishment and maintenance of appropriate ethical standards. Accordingly, the company has adopted a Corporate Ethics Policy and a Corporate Code of Conduct. The Code of Conduct establishes the principles, standards and responsibilities to which the company is committed with respect to both its internal dealings with employees and consultants, and external dealings with shareholders and the community at large.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

Share Trading Policy

The company has adopted a Trading Policy which is intended to ensure that persons who are discharging managerial responsibilities including but not limited to directors, do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods leading up to an announcement by the company.

Under the terms of the Trading Policy, a 'Restricted Person' (as identified in the Trading Policy) must not deal with securities of the company unless a clearance to deal is obtained in accordance with the Trading Policy or the dealing is an Excluded Dealing (as identified in the Trading Policy). Further, a Restricted Person must not deal with securities of the company if such a dealing would involve:



PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING (CONT.)

Share Trading Policy (cont.)

- use of inside information;
- short-term selling;
- short selling; or
- hedging transactions.

Any transactions undertaken must be notified to the Company Secretary in advance.

Training is periodically provided to all employees.

The Code requires employees who are aware of unethical practices within the Group or breaches of the company's trading policy to report these using the company's whistleblower program. This can be done anonymously.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

A copy of the Code and the trading policy are available on the company's website.

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
3	Act ethically and responsibly		
3.1 Code of conduct	Have a code of conduct for directors, senior executives and employees and disclose that code or a summary of it.	The board has established a Code of Conduct for its directors, group executives and employees, a copy of which is available on the company's website, investor.michaelhill.com .	√



PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the following non-executive directors:

G W Smith (Chair)

R I Fyfe

J S Allis

Details of these directors' qualifications and attendance at Audit and Risk Management Committee meetings are set out in the Directors' Report contained in the company's Annual Report.

All members of the Audit and Risk Management Committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The Audit and Risk Management Committee operates in accordance with a charter which is available on the company website.

The Audit and Risk Management Committee is responsible for reviewing and making recommendations to the board in relation to the adequacy of the company's processes for managing risks and developing an

appropriate risk management policy framework to provide guidance to the company's management. Particularly, the Audit and Risk Management Committee's core responsibilities include:

- reviewing the company's internal financial control system and financial statements for accuracy and compliance with appropriate accounting practices;
- monitoring and reviewing the company's audit function and ensuring compliance in this regard with the relevant regulatory frameworks;
- monitoring corporate conduct and business ethics and ongoing compliance with laws and regulations;
- reviewing matters of significance affecting the financial welfare of the company;
- ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate; and
- defining and periodically reviewing risk management as it applies to the company and ensuring the appropriate disclosure of any relevant risks to the market.



PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONT.)

Audit and Risk Management Committee (cont.)

In fulfilling its responsibilities, the Audit and Risk Management Committee:

- receives regular reports from management and the internal and the external auditors;
- meets with the internal and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the CEO and CFO have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors and the Group Internal Audit Manager at least twice a year without the presence of management;
- provides the internal and external auditors with a clear line of direct communication at any time to either the Chair of the Audit and Risk Management Committee or the Chair of the board.

The Audit and Risk Management Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.


External auditors

The company and Audit and Risk Management Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Ernst & Young was appointed as the external auditor in 2016. It is Ernst & Young's policy to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years, subject to certain exceptions.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report set out in the company's Annual Report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Management Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Independent Auditor's Report to shareholders.

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
4	Safeguard integrity in corporate reporting		
4.1 Audit Committee	<p>The board should have an Audit Committee which:</p> <ul style="list-style-type: none"> ▪ has at least three members, all of whom are non-executive directors; and ▪ a majority of whom are independent directors; and ▪ be chaired by an independent director who is not the Chair of the board; and ▪ disclose the Charter of the Committee, the relevant qualifications and experience of the members of the committee; and ▪ 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. 	<p>The Audit and Risk Management Committee comprises three members all of whom are non-executive and independent directors. Details of the membership of the Audit and Risk Management Committee, including the names and qualifications of the committee members, are set out in the company's Annual Report.</p> <p>In addition to the Audit and Risk Management Committee members, the CEO, CFO, external auditors and Company Secretary regularly attend Audit and Risk Management Committee meetings.</p> <p>The number of meetings held and attended by each member of the Audit and Risk Management Committee during the financial year are set out in the Directors' Report within the company's Annual Report.</p> <p>The Audit and Risk Management Committee Charter is reviewed annually and is available on the company's website, investor.michaelhill.com.</p>	✓
4.2 CEO and CFO certification of financial statements	<ul style="list-style-type: none"> ▪ The board should, before it approves the entity's financial statements for a financial period, receive from its Chief Executive Officer and Chief Financial Officer 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. 	<p>The Audit and Risk Management Committee follow the ASX best practice recommendations.</p>	✓
4.3 External auditor at AGM	<p>Ensure that the Company's external auditor attends the Annual General Meeting and is available to answer questions from security holders relevant to the audit.</p>	<p>The Group's external audit function is performed by Ernst & Young (EY). Representatives of EY will attend the Annual General Meeting and be available to answer shareholder questions regarding the audit.</p>	✓



PRINCIPLES 5 AND 6: MAKE TIMELY AND BALANCED DISCLOSURES AND RESPECT THE RIGHTS OF SHAREHOLDERS

Continuous disclosure and shareholder communication

The company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX) and the New Zealand Stock Exchange (NZX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX/NZX Listing Rules and overseeing and co-ordinating information disclosure to the ASX/NZX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX/NZX is posted on the company's website as soon as it is disclosed to the ASX/NZX.

When analysts are briefed on aspects of the Group operations, the material used in the presentation is released to the ASX/NZX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders who elect to, receive a copy of the company's annual (full or concise) and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases and financial reports available on the company's website, including a broadcast of the company's annual general meeting. Where possible, the company arranges for advance notification of significant Group briefings (including, but not limited to, results announcements) and makes them widely accessible, including through the use of webcasting or any other mass communication mechanisms as may be practical.

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
5	Make timely and balanced disclosure		
5.1 Disclosure and Communications Policy	Establish a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and disclose that policy or a summary of it.	<p>The company has adopted guidelines in relation to disclosure and communications which sets out the processes and practices that ensure its compliance with the continuous disclosure requirements under the ASX and NZX Listing Rules and the Corporations Act.</p> <p>The company has also established guidelines to assist officers and employees of the company to comply with the company's disclosure and communications requirements. A copy of the guidelines is set out in the company's Corporate Governance Charter which is available on its website, investor.michaelhill.com.</p>	✓

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
6	Respect the rights of shareholders		
6.1 Information on website	Provide information about the company and its governance to investors via the company's website.	<p>The company keeps investors informed of its corporate governance, financial performance and prospects via its website. Investors can access copies of all announcements to the ASX and NZX, notices of meetings, annual reports and financial statements, investor presentations webcasts and/or transcripts of those presentations and a key events calendar via the 'Investor Centre' tab and can access general information regarding the company and the structure of its business under the 'About Us' and governance documents under the 'Governance Policies and Compliance' tabs.</p> <p>The company's website is investor.michaelhill.com.</p>	✓
6.2 Investor relations programs	Design and implement an investor relations program to facilitate effective two-way communication with investors.	The company conducts regular briefings including interim and full year results announcements, investor days, site visits and attends regional and industry specific conferences in order to facilitate effective two-way communication with investors and other financial market participants. Access to executive and operational management is provided at these events, with separate one-one-one or group meetings offered whenever possible.	✓
6.3 Facilitate participation at meetings of security holders	Disclose policies and processes in place to facilitate and encourage participation at meetings of security holders.	<p>The company uses technology to facilitate the participation of security holders in meetings including live teleconferences and in respect of Annual General Meetings (AGM), provide a direct voting facility to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy.</p> <p>Shareholders are encouraged to participate in general meetings and are given an opportunity to ask questions of the company and its auditor at the AGM.</p>	✓
6.4 Facilitate electronic communications	Give security holders the option to receive communications from, and send communications to, the company and its security registry electronically.	The company provides its investors the option to receive communications from and send communications to, the company and the share registry electronically.	✓



PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal controls. Detailed work on this task is delegated to the Audit and Risk Management Committee and reviewed by the full board.

The Audit and Risk Management Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the company is willing to accept, the management of risk and the processes for auditing and evaluating the company's risk management system;
- reviews Group-wide objectives in the context of the abovementioned

categories of corporate risk;

- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the company's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis, and
- reviews compliance with agreed policies.

The Committee recommends any actions it deems appropriate to the board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the company's risk management and internal control system and has to report to the Audit and Risk Management Committee on the effectiveness of:

- risk management and internal control system during the year, and
- the Company's management of its material business risks.



PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONT.)

Risk management group

The company's risk management policy and the operation of the risk management and compliance system are managed by the company's risk management group which consists of senior executives chaired by the CFO.

The board receives half yearly reports from this group as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

The internal audit division carries out regular systematic monitoring of control activities and reports to both relevant business unit management and the audit committee. In addition each business unit reports on the key business risks in their area to the risk management group. The basis for this report is a half yearly review of the past performance of their area of responsibility, and the current and future risks they face. The review is undertaken by business unit management. Results of internal audit work are incorporated into this review if applicable.

The risk management group consolidates the business unit reports and recommends any actions to the board for its consideration.

Corporate reporting

In complying with recommendation 7.3, the CEO and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards;
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
7	Recognise and manage risk		
7.1 Risk Committee	<p>Have a committee or committees to oversee risk, each of which has:</p> <ul style="list-style-type: none"> ▪ at least three members; and ▪ a majority of whom are independent directors; and ▪ are chaired by an independent director; and ▪ disclose the charter of the committee and the members of the committee; and ▪ 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. 	<p>The company's Audit and Risk Management Committee oversees the process for identifying and managing material risks in the company in accordance with the Audit and Risk Management Committee Charter. A copy of the Audit and Risk Management Committee Charter is available on the company's website, investor.michaelhill.com.</p> <p>Further details regarding the Audit and Risk Management Committee, its membership and the number of meetings held during the financial year are set out in response to Recommendation 4.1.</p>	✓
7.2 Annual risk review	<p>The board or committee of the board should review the company's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The board has mandated Internal Audit to provide independent assurance on the effectiveness of the company's risk management practices and report its findings to the Audit and Risk Management Committee. The purpose of the review is to confirm the company's governance processes and practices continue to be sound and that the entity manages risk within the board approved risk appetite.</p> <p>Internal Audit conducted its review during the financial year and concluded that control over risk management processes were considered adequate and effective.</p>	✓
7.3 Internal audit	<p>Disclose if it has an internal audit function, how the function is structured and what role it performs or if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The company has an internal audit function that operates under a board approved Internal Audit Charter.</p> <p>The internal audit function is independent of management and the external auditor and is overseen by the Audit and Risk Management Committee. In accordance with the Audit and Risk Management Committee Charter the appointment or removal of the Group Internal Audit Manager is a matter for this committee.</p>	✓
7.4 Sustainability risks	<p>Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.</p>	<p>The company identifies and manages material exposures to economic, environmental and social sustainability risks in accordance with its risk management framework incorporating the board approved risk appetite.</p> <p>The company has taken steps to understand its material sustainability issues and has commenced communicating its sustainable business practices. Refer to the company's Annual Report.</p>	✓



PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

People Development and Remuneration Committee

The People Development and Remuneration Committee consists of the following non-executive directors (a majority of whom are independent, including the chair):

R I Fyfe (Chair)

E J Hill

G W Smith

Details of these directors' attendance at People Development and Remuneration Committee meetings are set out in the Directors' Report in the company's Annual Report.

The People Development and Remuneration Committee operates in accordance with its charter which is available on the company website. The People Development and Remuneration Committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other group executives and non-executive directors.

Each member of the group executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading 'Remuneration Report'.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions. This includes overseeing processes in relation to meeting diversity objectives for executives and staff below board level.

The committee reviews and determines our remuneration policy and structure annually, including the performance goals and measures for the CEO and group executive team, to ensure it remains aligned to business needs and meets our remuneration principles, strategic and operating plan.

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
8	Remunerate fairly and responsibly		
8.1 Remuneration Committee	<p>The board should have a remuneration committee which has:</p> <ul style="list-style-type: none"> ▪ at least three members, all of whom are independent directors; and ▪ is chaired by an independent director; and ▪ disclose the charter and the committee, the members of the committee; and ▪ 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. 	<p>The company's remuneration function is performed by the People Development and Remuneration Committee. Further details regarding the committee, its composition and members are set out in the Directors' Report within the company's Annual Report.</p> <p>Ms Hill is one of the three members of the People Development and Remuneration Committee. Given the small size of the board and Ms Hill's relevant expertise, the company considers it appropriate for Ms Hill to be a member.</p>	X
8.2 Disclosure of executive and non-executive director remuneration policy	Separately disclose policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>The company seeks to attract and retain high performance directors and executives with appropriate skills, qualifications and experience to add value to the company and fulfil the roles and responsibilities required. It reviews requirements for additional capabilities at least annually.</p> <p>Executive remuneration is designed to reflect performance and, accordingly, remuneration is structured with a fixed component and performance-based remuneration component.</p> <p>Performance linked compensation includes both short-term and long-term incentives, and is designed to reward group executives for meeting or exceeding their financial and personal objectives. The STI is an 'at risk' bonus provided in the form of cash, while the LTI is provided as rights over ordinary shares of the company under the rules of the Executive Incentive Plan.</p> <p>Non-executive directors are paid fixed fees for their services in accordance with the company's Constitution. Fees paid are a composite fee (covering all board and committee responsibilities) and any contributions by the company to a fund for the purposes of superannuation benefits for a director. No other retirement benefit schemes are in place in respect to non-executive directors.</p> <p>Further details regarding the remuneration of KMP and non-executive directors are set out in the Remuneration Report within the company's Annual Report.</p>	√

Principle Number	Best Practice Recommendation	Michael Hill International Limited's Compliance with Recommendation	
8	Remunerate fairly and responsibly		
8.3 Policy on hedging equity incentive schemes	Have a policy on whether participants are permitted to enter into transactions (whether through use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.	<p>The company's Key Management Personnel must not enter into any hedge arrangement in relation to any element of the Key Management Personnel's remuneration that has not vested or has vested but remains subject to a holding lock.</p> <p>For the purposes of this policy, hedging includes the entry into any transaction, arrangement or financial product which operates to limit the economic risk of a security holding in the company and includes financial instruments such as equity swaps and contracts for differences. The term 'Key Management Personnel' has the definition given in the Accounting Standard AASB 124 Related Party Disclosure as 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity'.</p> <p>Further details regarding the company's policy on hedging are set out in the company's Trading Policy which is available in the Governance Policies and Compliance section of the company's website, investor.michaelhill.com.</p>	✓

