

## **MORTGAGE CHOICE LIMITED**

### **CORPORATE GOVERNANCE STATEMENT**

Mortgage Choice Limited (**Mortgage Choice** or the **Company**) has in place corporate governance practices to ensure the Company and the Group are effectively directed and managed, risks are monitored and assessed and appropriate disclosures are made.

A statement of the Company's full corporate governance practices is set out below. The Company considers that it complies with the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations (the **Recommendations**).

An ASX Appendix 4G, which is a checklist that indicates where the Company has disclosed the relevant information in compliance with the Recommendations, is available on our website at <http://www.mortgagechoice.com.au/about-us/shareholder-centre/corporate-governance>. In summary, the Company's disclosures have been made in this Corporate Governance Statement, the 2015 Annual Report and on the Company's website.

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

##### **Role and responsibilities of the Board**

The Board acts on behalf of shareholders and is accountable to shareholders for the overall direction, management and corporate governance of the Company.

The Board operates in accordance with the broad principles set out in the Board charter which is available on the Corporate Governance page in the "Shareholders Centre" of the Company's website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

The Board is responsible for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the Chief Executive Officer (**CEO**);
- monitoring the performance of the CEO;
- monitoring senior management's implementation of strategy, and ensuring appropriate resources are available;
- reporting to shareholders;
- providing strategic advice to management;
- approving management's corporate strategy and performance objectives;
- determining dividend payments;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- reviewing and overseeing the implementation of the Company's corporate code of conduct and code of conduct for Directors and senior executives;
- approving charters of Board committees;
- monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies; and
- monitoring and ensuring compliance with best practice corporate governance requirements.

##### **Board Committees**

Mortgage Choice has three Board committees to assist it in carrying out its responsibilities: the nomination committee, remuneration committee and the audit committee. These committees serve to support the

functions of the Board and will make recommendations to Directors on issues relating to their area of responsibility.

Further details regarding the nomination committee, remuneration committee and the audit committee are set out under “Principle 2 – Structure the Board to add value”, “Principle 4 – Safeguard Integrity in Corporate Reporting” and “Principle 8 – Remunerate fairly and responsibly” respectively in this Corporate Governance Statement.

### **Delegation to management**

Responsibility for day-to-day management and administration of the Company is delegated by the Board to the CEO and the executive team. The Company’s senior executives are employed under individual employment contracts that set out the terms of their employment.

### **Appointment of directors**

The nomination committee assists the Board to identify potential candidates for appointment to the Board, as required. As part of the process for identifying potential Director candidates, the committee undertakes background checks (including checks of criminal records and bankruptcy history) in relation to all candidates.

The Company provides shareholders with material information that is relevant to a shareholder’s decision whether to elect or re-elect a Director.

Prior to commencing office, all new Directors receive a formal written letter of appointment setting out the terms on which they are appointed as a Director which includes details of their role, committee memberships (if any), and their expected time commitment.

### **Performance evaluation**

The performance of the Board, Board committees, the Directors and senior executives is reviewed annually. The nomination committee is responsible for reviewing:

- the Board’s role;
- the processes of the Board and Board committees; the Board’s performance; and
- each Director’s performance.

The process for the performance evaluation of the Board, its committees and individual Directors, and key executives that has been adopted by the Board is available on the Corporate Governance page in the “Shareholders Centre” section of the Company’s website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

In accordance with this process, a review of the Board, its committees and each Director was conducted by the Chairman of the nomination committee in concert with the Company Secretary during the financial year ended 30 June 2015. A performance evaluation of the senior executives was also undertaken during the year by the CEO in accordance with this process.

### **Company Secretary**

The Company Secretary is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board.

### **Diversity policy**

The Company believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives and enhances its reputation. As a result the Company has developed a diversity policy. It enables the Company to:

- recruit the right people from a diverse pool of talented candidates;

- make more informed and innovative decisions, drawing on the wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds, and with differing skill sets, bring to their roles; and
- better represent the diversity of all our stakeholders

The Company is committed to achieving the goals of:

- providing access to equal opportunities at work based on merit; and
- fostering a corporate culture that embraces and values diversity.

Mortgage Choice is an equal opportunity employer and welcomes people from a diverse set of backgrounds. Mortgage Choice has historically displayed a commitment to gender diversity through policies that encourage participation by women in all levels of the business. Examples of these are:

- paid parental leave;
- flexible work practices including the promotion of part time female employees to senior roles; and
- awareness in all employees of their rights and responsibilities in regards to fairness, equity and respect for all aspects of diversity.

The diversity policy includes requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

Measurable objectives for achieving gender diversity and the progress toward those objectives are as follows:

- Appoint an executive responsible for achieving gender diversity. The Head of Human Resources has assumed responsibility for this function.
- Strive to maintain a fair and balanced level of gender representation in the overall Mortgage Choice workforce. The percentage of women in the Mortgage Choice workforce currently stands at 53%
- Subject to vacancies and circumstances, strive to maintain a fair and balanced level of gender representation in the Senior Management Team. Currently 46% of the Senior Management Team are women.
- Subject to vacancies and circumstances, increase female representation on the Board of Directors. Currently one of the six Directors on the Board is a woman.
- Actively encourage the representation of women in senior executive roles through participation in a Leadership program. Currently 56% of participants in the Leadership program are women.

Mortgage Choice is a relevant employer under the Workplace Gender Equality Act. The Company's most recent Gender Equality Report is available on the Corporate Governance page in the "Shareholders Centre" section of the Company's website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

A copy of the diversity policy is available on the Corporate Governance page in the "Shareholders Centre" section of the Company's website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

## Principle 2: Structure the Board to add value

### Composition of the Board

Membership of the Board during the 2015 financial year is set out below.

Director	Position
Peter Ritchie	Independent non-executive Chairman
Peter Higgins	Non-executive Director
Rodney Higgins	Non-executive Director
Steve Jermyn	Independent non-executive Director
Deborah Ralston	Independent non-executive Director
Sean Clancy	Independent non-executive Director

The CEO of the Company is John Flavell who joined the Company on 7 April 2015.

The qualifications, experience, terms of office, and other details of each member of the Board are set out in the Directors' Report of the 2015 Annual Report on page 14.

The number of Board and committee meetings held during the 2015 financial year and each Director's attendance at these meetings are set out in the Directors' Report on page 15 of the 2015 Annual Report.

The following table sets out the skills, attributes and experience of the Company's Directors:

Executive leadership	100%
Strategy and corporate activity	100%
Corporate governance and regulatory	100%
Remuneration and people	100%
Financial services industry knowledge	83%
Franchising and small business	83%
Marketing	83%
Sales and Distribution	83%
Financial analysis, risk management and reporting	67%

### Directors' independence

Under the Board charter, the majority of the Board and the Chairman must be independent.

The Board charter sets out specific principles in relation to Directors' independence. These state that an independent Non-Executive Director is one who is independent of management and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- 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; and
- is free from any interest in any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

During the period the Board has considered and affirmed the independence of the Directors that have tenure over 10 years and are described as independent in this Statement.

All Directors are required to complete an independence questionnaire.

### **Independent professional advice**

Board committees and individual Directors may seek independent external professional advice for the purposes of proper performance of their duties.

### **The nomination committee**

The objective of the nomination committee is to help the Board achieve its objective of ensuring the Company has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The nomination committee is responsible for evaluating the Board's performance.

The nomination committee is also responsible for ensuring that an induction program is established for new directors, and that continuing education programs for directors are developed. These programs are intended to help Directors develop and maintain the skills and knowledge needed to perform their role effectively.

The nomination committee comprises Peter Ritchie (Chairman), Rodney Higgins and Sean Clancy. At the commencement of the financial year until 24 February 2015, the nomination committee only comprised two members which the Board felt was appropriate for the size of the Board and the Company. However, in line with the Recommendations, Sean Clancy was appointed to the Committee on 24 February 2015 which means that the committee now meets the composition requirements of the Recommendations.

The nomination committee charter is available on the Corporate Governance page in the "Shareholders Centre" section of the Company's website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

## **Principle 3: Act ethically and responsibly**

### **Codes of conduct**

The Company has adopted a corporate code of conduct that applies to all employees and sets out its legal and other obligations to key stakeholders including shareholders, franchisees, employees, customers and the community.

The Company has also adopted a code of conduct for Directors and senior executives setting out required standards of behaviour, for the benefit of all shareholders. The purpose of this code of conduct is to:

- articulate the high standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors and senior executives;
- encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including franchisees, employees, customers, suppliers and creditors);
- guide Directors and senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and
- set out the responsibility and accountability of Directors and senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.

The Company requires that its Directors and senior executives adhere to a share trading policy that restricts the purchase and sale of Company securities to three six-week periods following the release of the half-yearly and annual financial results to the market, and the Annual General Meeting.

Copies of the corporate code of conduct, the code of conduct for Directors and senior executives and the share trading policy are available on the Corporate Governance page in the “Shareholders Centre” section of the Company’s website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

#### **Principle 4: Safeguard integrity in corporate reporting**

##### **The audit committee**

The audit committee provides advice and assistance to the Board in fulfilling the Board’s responsibilities relating to:

- financial reporting;
- the application of accounting policies;
- business policies and practices;
- legal and regulatory compliance; and
- internal risk control and management systems.

The objective of the audit committee is to:

- maintain and improve the quality, credibility and objectivity of the financial accountability process; and
- provide a forum for communication between the Board and senior financial and compliance management.

The audit committee comprises Steve Jermyn (Chairman), Sean Clancy, Peter Higgins and Deborah Ralston.

The audit committee charter is on the Corporate Governance page available in the “Shareholders Centre” section of the Company’s website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

##### **External auditor**

The Company has adopted procedures for the selection and appointment of the external auditor which are available on the Corporate Governance page in the “Shareholders Centre” section of the Company’s website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

The audit committee will regularly review the performance of the external auditor and consider any ongoing appointment.

The external auditor should rotate the senior audit partner and the audit review partner every five years with suitable succession planning to ensure consistency.

The external auditor should not place itself in a position where its objectivity may be impaired or where a reasonable person might conclude that its objectivity has been impaired. This requirement also applies to individual members of an audit team. The credibility and integrity of the financial reporting process is paramount. The Company has adopted guidelines on external auditor independence. These guidelines help to ensure a consistent approach to the appointment and review of external auditors.

The Company will not give work to the external auditor likely to give rise to a “self review threat” (as defined in Australian Professional and Ethical Standards APES110, The Institute of Chartered Accountants in Australia and CPA Australia). It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the Annual General Meeting of the Company.

## Corporate reporting

The Board receives written declarations from the CEO and the Chief Financial Officer (**CFO**) in relation to the half-year and full-year that, in their opinion, the financial records of the Company have been properly maintained and the financial statements are prepared in accordance with the relevant accounting standards and present a true and fair view of the financial position and performance of the consolidated group. These declarations also confirm that these opinions have been formed on the basis of a sound system of risk management and internal compliance and control, which is operating effectively.

### Principle 5: Make timely and balanced disclosure

#### Continuous disclosure

The Company has adopted a market disclosure protocol. The objective of this protocol is to:

- ensure the Company immediately discloses information that a reasonable person would expect to have a material effect on the price of the Company's securities to ASX in accordance with the ASX Listing Rules and the *Corporations Act 2001* (Cth);
- ensure officers and employees are aware of the Company's continuous disclosure obligations; and
- establish procedures for:
  - the collection of all potentially price-sensitive information;
  - assessing if information must be disclosed to ASX under the ASX Listing Rules or the *Corporations Act 2001* (Cth);
  - releasing to ASX information determined to be price-sensitive information and to require disclosure; and
  - responding to any queries from ASX (particularly queries under Listing Rule 3.1B).

The protocol is carried out through a market disclosure committee comprised of management representatives. The market disclosure committee is responsible for:

- ensuring compliance with continuous disclosure obligations;
- establishing a system to monitor compliance with continuous disclosure obligations and this protocol;
- monitoring regulatory requirements so that this protocol continues to conform with those requirements;
- monitoring movements in share price and share trading to identify circumstances where a false market may have emerged in company securities; and
- making decisions about trading halts.

All relevant information provided to ASX will be posted on the Company's website, [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au), in compliance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and ASX Listing Rules.

### Principle 6: Respect the rights of shareholders

#### Communication with shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The Board will:

- communicate effectively with shareholders;
- give shareholders ready access to balanced and understandable information about the Company and its corporate goals; and
- make it easy for shareholders to participate in general meetings.

Shareholders may elect to receive communications from, and send communications to, the Company and its share registry electronically.

Information is communicated to shareholders through ASX announcements, the Company's annual report, the Annual General Meeting, half and full year results announcements and the Company's website, [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

The full text of notices of meetings and the accompanying explanatory materials are posted on the website for each Annual General Meeting. The Chairman's and the CEO's addresses, proxy counts and results of shareholder resolutions at the meeting are also posted on the website after their release to the ASX.

The Board has adopted a communications strategy to facilitate and promote effective communication with shareholders and encourage participation at general meetings. The arrangements Mortgage Choice has to promote communication with shareholders are set out in the "Shareholders Centre" section of the Company's website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

### **Principle 7: Recognise and manage risk**

The Board is responsible for overseeing the Company's risk management and internal compliance and control systems.

Given the size and the nature of its operations, Mortgage Choice does not have a formal internal audit function. Instead, Mortgage Choice divides responsibility for internal audit activities between management and the audit committee. The audit committee regularly assess the adequacy of the internal risk control system through the external auditors.

Compliance functions exist in both the broking business and the financial planning business (the latter of which is externally resourced). These functions undertake comprehensive audits and reviews of our credit representatives pursuant to our Australian Credit Licence and our authorised representatives under our Australian Financial Services Licence (AFSL).

As our financial planning division was established as a start-up in 2012, during the 2015 financial year we commissioned an external review of its compliance with its obligations as an AFSL holder. The review was conducted by a specialist legal firm, The Fold Compliance Pty Limited, who produced a report on the division's compliance with the relevant obligations. The report indicated an excellent result and management are considering how to address any issues raised in the report.

The Board believes that a sound risk management framework should be aimed at delivering improved business processes and procedures across the Group which are consistent with the Group's strategic objectives. During the 2015 financial year the Board reviewed the Company's risk management framework and the risk management systems and processes to satisfy itself that potential risks are being effectively identified and managed and satisfied itself that it continues to be sound. In addition the Board has commenced an external overall review of the Company's risk management framework in order to ensure that it is meeting best practice.

### **Corporate risk management plan**

In order to comply with the Australian standard for risk management, the Company has initiated a corporate risk management plan.

In fundamental terms, this process involves:

- analysing all aspects of the business to determine what operational risks are faced, either on a continuous or isolated basis;
- having determined these risks, assessing each of them to allocate a rating based upon the likelihood of occurrence and consequence of occurrence;
- determining what control measures are in place to eliminate or reduce the identified risk – this leads to allocating each risk a rating, all of which is recorded in a risk register; and
- executive management then make decisions as to how each risk is to be handled i.e. avoided, managed, transferred or accepted. The Risk Register is a dynamic document that changes as business operations vary, resulting in new risks.

Management has reported to the Board that risk management and internal control systems effectively manage the Company's material business risks.

## **Compliance policy and program**

The compliance policy is a commitment to:

- promote a culture of compliance throughout the Company and franchise network;
- create an understanding of the relevant laws at all levels;
- minimise the possibility of a contravention of the law and manage any legal risk;
- enhance the Company's corporate image and customer service; and
- market, promote and sell the Company's services in a way that is competitive, ethical, honest and fair, and in compliance with the law.

The Company has developed and implemented a compliance program. The aim of the program is to promote a culture of compliance through a number of measures including staff and franchise network training, compliance procedures, support systems and the appointment of staff responsible for compliance.

The centrepiece of the program is a web based compliance education and evaluation tool which covers the key legislative and regulatory obligations applicable to the business. Each major regulatory area (Trade Practices, Privacy, Equal Opportunity, Occupational Health and Safety, Technology, Franchising, National Consumer Credit Protection Act) is covered. All staff and the Board are required to complete all modules and must repeat the program at prescribed intervals. The program has also been rolled out to the franchise network.

The Company expects its employees, franchisees and representatives to actively support its compliance program. It is each employee, franchisee and representative's responsibility to make use of the training systems and support offered by the Company. Non-compliance with the law or failure to comply with the compliance program will not be tolerated and could result in disciplinary action.

## **Business and sustainability risks**

The Company does not consider that it has material exposure to economic, environmental and social sustainability risks.

## **Principle 8: Remunerate fairly and responsibly**

### **The remuneration committee**

The remuneration committee is responsible for determining and reviewing compensation arrangements for the Directors and senior management team.

The objective of the remuneration committee is to help the Board achieve its objective of ensuring the Company:

- has coherent remuneration policies and practices to attract and retain executives and Directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives and other employees having regard to the performance of the Company, the performance of the executive or employee and the general and specific remuneration environment.

Currently, the audit committee comprises Peter Ritchie (Chairman), Rodney Higgins and Sean Clancy.

The remuneration committee charter is available on the Corporate Governance page in the "Shareholders Centre" section of the Company's website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

Information about the Company's remuneration policies and practices for non-executive Directors, the CEO and other senior executives, and their remuneration during the 2015 financial year, are set out in the Remuneration Report on pages 15 to 38.

## **Share Trading Policy**

As noted in “Principle 3 – Act ethically and responsibly”, the Company has a separate share trading policy. The policy prohibits directors and key management personnel of the Company from entering into hedging or other arrangements that operate to limit their exposure to risk in relation to any unvested or vested Mortgage Choice securities which have been allocated under an incentive scheme operated by the Company. Any breach of this prohibition risks disciplinary sanctions, including dismissal in serious cases.

The share trading policy is available on the Corporate Governance page in the “Shareholders Centre” section of the Company’s website at [www.mortgagechoice.com.au](http://www.mortgagechoice.com.au).

### **Approved by the Board**

**Signed**

**Date 18 August 2015**