

2019 Corporate Governance Statement

The Board of Spirit Telecom Limited (the **Company** or **Group**) is responsible for the overall corporate governance of the Group. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which Spirit Telecom Limited has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website www.spirit.com.au, including the 2019 Annual Report.

This Statement is current as at 27 August 2019 and has been approved by the Board of Directors of Spirit Telecom Limited.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - Role of the Board and Management

The role of the Board is to provide overall strategic guidance and effective oversight of management.

The Board has a formal Board Charter which is available on our website at www.spirit.com.au.

The Board charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Managing Director (**MD**). The MD is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities. The Board maintains ultimate responsibility for strategy, control and risk profile of the Group.

Recommendation 1.2: Appointment of Directors

The Company has guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director.

We provide our shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director will be provided to security holders in a Notice of Meeting pursuant to which the resolution to elect or re-elect a Director will be voted on.

Recommendation 1.3: Appointment Terms

Each director and senior executive is party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment. Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2019 Annual Report.

Recommendation 1.4: Company Secretary

The Board is supported by the Company Secretary, whose role includes supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to the Company Secretary.

Under the Company's governance framework, the Company Secretary is accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretary.

Details regarding our Company Secretary, including experience and qualifications, is set out in the Directors' Report in our 2019 Annual Report.

Recommendation 1.5: Diversity Policy

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected.

The Diversity Policy is available on the Company's website at www.spirit.com.au.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 30 June 2019 was as follows:

- Women on the Board – 0%
- Women in senior executive positions – 33.33%
- Women across the entire organisation – 23.61%

The Board has set the following diversity objectives:

- To cultivate an inclusive workplace of fairness and equality which fosters the unique skills and talents of a diverse range of people; and
- To encourage diversity in skill set, experience, qualifications and age of our workforce. With a diverse mix of professionals, providing services to our customers, we will continue to encourage diversity in hiring and sourcing of candidates.

Recommendation 1.6: Board Performance Assessment

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretary;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

A Board performance assessment took place during FY2019. An analysis of the data collected indicated that the Board is functioning effectively against the majority of its criteria. It was also noted that there were some opportunities identified to improve Board effectiveness.

Recommendation 1.7: Senior Executive Performance Assessment

Senior Executives are appointed by the Managing Director and their Key Performance Indicators (KPI's) contain specific financial and non-financial objectives.

These KPI's are reviewed annually by the MD. The performance of each Senior Executive against these objectives is evaluated annually.

Performance evaluations were undertaken during the reporting period by the Company in accordance with the process.

PRINCIPLE 2 – BOARD STRUCTURE

Recommendation 2.1: Nomination Committee

The Board has established a Nomination & Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board.

The Committee comprises of:

- James Joughin – Independent Chair
- Terence Gray – Independent Member

It is noted that the Company doesn't currently satisfy the requirement that there be at least three members, however the Company's current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of further Independent Directors over the next twelve months subject to the Company's size and growth.

The Nomination & Remuneration Committee Charter is available on the Company's website at www.spirit.com.au.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

Recommendation 2.2: Board Skills Matrix

Our objective is to have an appropriate mix of expertise and experience on our Board so that the Company can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process.

The Company has a Board skill matrix setting out the mix of skills and diversity that the Board currently has in its membership.

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

Skills and experience	
- Risk & Compliance	- Executive Management
- Financial & Audit	- Telecommunications Services
- ASX Governance	- Sales and Marketing
- Strategy	- Stakeholder Engagement
- Business Operations	- Client Engagement
- Policy Development	- Industry Relations
- Capital Markets	- Leadership
- Technology	- Ethics and Integrity
- People and Performance	- Contribution
- Negotiation	- Critical Thinker
- Crisis Management	- Previous Board Experience
- Corporate History	- Experienced Managing Director

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

The Board Charter requires the disclosure of each Board member’s qualifications and expertise.

Full details of each Directors’ relevant skills and experience are set out in the 2019 Directors’ Report.

Recommendation 2.3: Independent Directors

An independent director is a non-executive director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the director’s terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board currently has two independent directors, Mr Terence Gray (Non-Executive Director) and Mr James Joughin (Non-Executive Chairman).

Mr Geoff Neate, Mr Sol Lukatsky and Mr Mark Dioguardi are not considered to be independent on the basis that they have been engaged in an executive management role with the Company. Mr Geoff Neate is also a substantial shareholder of the Company.

The Board considers the Non-Executive directors to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Board has considered the holdings of shares in the Company by these Non-Executive

directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board also considers that they are otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and that each of these Directors is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

The Board’s assessment of each current Director is set out below.

Name	Position	Appointment date	Status
Geoff Neate	Managing Director	16 June 2016	Non-Independent
Sol Lukatsky	Executive Director	21 June 2019	Non-Independent
Mark Dioguardi	Executive Director	21 June 2019	Non-Independent
James Joughin	Non-Executive Chairman	16 June 2016	Independent
Terence Gray	Non-Executive Director	16 June 2016	Independent

Recommendation 2.4: Majority Independence

As at the date of this Statement, two of our five Directors are deemed independent and the Company does not currently have a majority of independent directors.

The Board recognises that it is desirable for the majority of the Board to be Independent Directors, the Company’s current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of further Independent Directors over the next twelve months subject to the Company’s size and growth.

Further information regarding our Directors, including their experience and qualifications, is set out in the Directors’ Report of our 2019 Annual Report.

Recommendation 2.5: Board Chair

The Chair, James Joughin was appointed to the position on 16 June 2016 and is considered an independent Director. The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter.

The roles of Chair and Managing Director are exercised by different individuals, being James Joughin and Geoff Neate respectively.

Recommendation 2.6: Induction, Education and Training

In accordance with the Company’s Nomination & Remuneration Committee Charter, the Nomination & Remuneration Committee is responsible for establishing and reviewing induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

Directors are also encouraged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the Company.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1: Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Corporate Code of Conduct designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and
- make Directors' and employees aware of the consequences if they breach the Corporate Code of Conduct.

The Corporate Code of Conduct can be found on our website at <http://www.spirit.com.au>. The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures; and
- act in an appropriate business-like manner when representing the Company in public forums.

The Corporate Code of Conduct sets out the Company's policies on various matters including ethical conduct, business conduct, compliance, privacy and security of information.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1: Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit and Risk Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. At the date of this report the Committee comprises of two members, the majority of whom are independent Directors and the Chair of the Committee is not the Chair of the Board as follows:

- Terence Gray – Independent Chair
- James Joughin – Independent Member

It is noted that the Company doesn't currently satisfy the requirement that there be at least three members, however the Company's current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of further Independent Directors over the next twelve months subject to the Company's size and growth.

The Audit and Risk Committee Charter is available on the Company's website at www.spirit.com.au.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

Recommendation 4.2: Assurances

The Managing Director and Chief Financial Officer (**CFO**) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2019 full year financial results, where the MD and CFO provided a declaration to the Board that, in their opinion, the financial records 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 Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the 2019 full year financial results were approved by the Board.

Recommendation 4.3: External Auditor

Our external auditor, PKF Melbourne Audit & Assurance Pty Ltd (**PKF**), was appointed following our 2017 Annual General Meeting (**AGM**). PKF attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

PKF's independence declaration is contained in the Directors' Report in our 2019 Annual Report.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Continuous Disclosure Policy

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy (**Policy**), which is available on our website at www.spirit.com.au.

The Board has overarching responsibility for compliance with continuous disclosure obligations.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1: Information and Governance

Information about the Company and its corporate governance policies is available on our website at www.spirit.com.au.

The Company also maintains a separate investor page on our website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

Recommendation 6.2: Investor Relations

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website www.spirit.com.au.

Recommendation 6.3: Shareholder Meeting Participation

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

Further information is included in the Company's Shareholder Communications Strategy, which is located on the Company's website at www.spirit.com.au.

Recommendation 6.4: Electronic Communication with Shareholders

The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.

Shareholders queries should be referred to the Company Secretary at first instance.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1: Risk Committee

Spirit Telecom's Audit and Risk Committee also has delegated responsibilities in relation to risk management as set out in the Audit and Risk Committee Charter. Its role includes assisting the Board to:

- (a) Review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- (b) Reviewing compliance with relevant laws and regulations.

At the date of this report the Committee comprises of two members, the majority of whom are independent Directors and the Chair of the Committee is not the Chair of the Board as follows:

- Terence Gray – Independent Chair
- James Joughin – Independent Member

It is noted that the Company doesn't currently satisfy the requirement that there be at least three members, however the Company's current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of further Independent Directors over the next twelve months

subject to the Company's size and growth.

The Audit and Risk Committee Charter is available on the Company's website at www.spirit.com.au.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

Recommendation 7.2: Risk Management Framework

The Group's risk management framework is supported by the Board of directors, management team and the Audit and Risk Committee. The Board is responsible for approving and review the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

The Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Risk Management Policy is available on the Company's website at www.spirit.com.au. The Company's risk management framework is reviewed on a periodic basis.

Recommendation 7.3: Internal Audit

The Audit and Risk Committee Charter provides for the Committee to monitor the need for an internal audit function.

The Company did not have an internal audit function for the past financial year. Due to the size of the Company, the Board does not consider it necessary to have an internal audit function.

The Company will employ the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- (i) the Audit and Risk Committee will monitor the need for an internal audit function having regard to the size, location and complexity of the Company's operations; and

the Audit and Risk Committee will periodically undertake an internal review of financial systems and processes where systems are considered to require improvement these systems are developed.

Recommendation 7.4: Economic, Environmental and Social Sustainability Risk

The Company has no material exposure to economic, environmental and social sustainability risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY

Recommendation 8.1: Remuneration Committee

The Board has established a Nomination & Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board. At the date of this report the Committee comprises of two members, the majority of whom are independent Directors as follows:

- James Joughin – Independent Chair
- Terence Gray – Independent Member

It is noted that the Company doesn't currently satisfy the requirement that there be at least three members, however the Company's current size dictates that this is the most efficient mode of operation at the current

time. The Board will review the appointment of further Independent Directors over the next twelve months subject to the Company's size and growth.

The Nomination & Remuneration Committee Charter is available on the Company's website at www.spirit.com.au.

Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

Recommendation 8.2: Remuneration Policies and Practices

Details of the Company's remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company's Annual Report.

Separate disclosure regarding the remuneration of the Company's directors (executive and non-executive) is disclosed in the Company's Annual report, as lodged with the ASX and issued to shareholders.

Recommendation 8.3: Equity Based Remuneration Scheme

The Company had an equity-based remuneration scheme during the past financial year. The Company's Securities Trading Policy prohibits Key Management Personnel entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in equity-based remuneration or in unvested entitlements.