

Corporate Governance Statement

McMillan Shakespeare Group of Companies

August 2015



McMillanShakespeareGroup

McMillan Shakespeare Limited
ABN 74 107 233 983

INTRODUCTION

This statement outlines the corporate governance policies and practices formally adopted by the Company. These policies and practices are in accordance with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (ASX Principles), unless otherwise stated.

The Company's ASX Appendix 4G (a checklist cross-referencing the 3rd Edition Recommendations to the relevant disclosures in this statement) and the 2015 Annual Report are provided at www.mmsg.com.au/reports-notice. This statement, together with our ASX Appendix 4G, have been lodged with the ASX on 26 August 2015. Additional information on the Company's governance arrangements, including our Board and Board Committee Charters and key policies, can also be found at the corporate governance section of the Company's website www.mmsg.com.au/about/governance.

ROLE OF THE BOARD

The role of the Board is to provide strategic guidance for McMillan Shakespeare and its related bodies corporate and effective oversight of management. The Board is accountable to the shareholders for the proper management and the performance of the Group. The Board delegates responsibility for day-to-day management of McMillan Shakespeare to the Chief Executive Officer. The Chief Executive Officer must, however, consult the Board on matters that are sensitive, extraordinary or strategic in nature.

The Board operates in accordance with the Company's Constitution, Board Charter and Delegated Authority Matrix, which describe the Board's composition, functions and responsibilities and designates authority reserved to the Board and that delegated to management.

Key matters reserved to the Board or Board Committees include the following:

- appraising and providing comment and direction on McMillan Shakespeare's strategy development;
- approving McMillan Shakespeare's corporate strategy and ensuring that appropriate resources are available for the implementation of that strategy;
- monitoring the implementation of the strategy approved by the Board;
- overseeing and monitoring organisational performance and the achievement of the Group's strategic goals and objectives;
- monitoring the performance of the Chief Executive Officer;
- reviewing and approving the business plans and the annual budget for McMillan Shakespeare as recommended by the Chief Executive Officer;
- having management design and implement risk management and internal control and compliance systems to manage the Company's material business risks;
- oversight of effectiveness of the risk management system;
- monitoring financial performance against agreed objectives including approval of the annual and half-year financial reports and liaison with external auditors;

- reviewing and approving the authority and limits of such authority delegated to the Chief Executive Officer and other executives;
- approving and monitoring the progress of major capital expenditure, acquisitions and divestments;
- overseeing McMillan Shakespeare's capital management and funding;
- determining McMillan Shakespeare's dividend policy;
- overseeing McMillan Shakespeare's compliance with laws and regulations;
- determining the appropriateness of the size and composition of the Board;
- determining criteria for non-executive board membership;
- selection of candidates for directorship;
- evaluation of the Board's and individual Director's overall performance;
- appointing and removing the Chief Executive Officer;
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- ensuring appropriate succession planning of senior management and Board members;
- setting the standards of behaviour to enhance the reputation of McMillan Shakespeare in the marketplace and the community; and
- overseeing and monitoring compliance with the Employee Code of Conduct.

The Board charter can be accessed on the Company's website www.mmsg.com.au/about/governance.

COMPOSITION OF THE BOARD

The Board currently comprises five Non-Executive Directors and one Executive Director, being the CEO. The Chairman is an independent Director. The role of Chairman and CEO are not fulfilled by the same person. The Directors are as follows:

Name	Position	Appointment & Tenure	Last elected at an AGM
Mr R. Pitcher, AM	Independent Chairman	4 February 2004 (11 years)	2012
Mr M. Salisbury	Managing Director and Chief Executive Officer	1 October 2014 (CEO) 5 February 2015 (MD)	N/A
Mr J. Bennetts	Non-Executive Director	1 December 2003 (11 years)	2014
Mr R. Chessari	Non-Executive Director	1 December 2003 (11 years)	2012
Mr T. Poole	Independent Non-Executive Director	17 December 2013 (1 year)	2014
Mr I. Elliot	Independent Non-Executive Director	27 May 2014 (1 year)	2014

Each Director is a senior executive with the skills and experience necessary for the proper supervision and leadership of the Company. As a team, the Board brings together a broad range of qualifications and experience. A summary of the key skills and experience of the members of the Board is set out below.

Skills and experience	Number of directors
Remuneration services	4
Financial services	5
Finance	4
Accounting	2
Law	2
Sales and marketing	3
Public company affairs	6

Details of the Directors, their experience and their special responsibilities with respect to the Company are set in the Directors Report section of the Company's 2015 Annual Report.

Given the size of the Company's operations, the Board has decided against the establishment of a separate nomination committee at this time. As such, the responsibility for the selection and nomination of new Directors remains with the full Board.

The process for the selection, nomination and appointment of Directors involves a formal selection process and the Board establishes criteria regarding general and specific qualifications and experience required of candidates. The Board regularly assesses the skills, experience and diversity which it collectively requires to fulfil its role effectively and incorporates that into succession planning. The Board engages an executive search firm to assist in the process. Appropriate checks are undertaken on the candidate before they are appointed to the Board or put forward to shareholders as a candidate for election as a director including character, experience, criminal record and bankruptcy history. Any new Director appointed by the Board during the course of the year is required to stand for election at the next AGM. All material information known to the Board that is relevant to a decision on whether or not to elect or re-elect a director is provided to shareholders in the AGM Notice of Meeting.

The Company has formal letters of appointment in place with all Directors setting out the terms of their appointment. On appointment, all Directors undertake a formal induction program to familiarise themselves with the Company, strategy and any current issues before the Board and undertake briefings with all key executives.

The Directors are responsible for maintaining their own professional accreditations and continuing professional development (CPD).

The Board considers a Director independent if that person is free of management and other business relationships that could materially interfere, or could reasonably be perceived to materially interfere, with the exercise of objective and independent judgement. More information can be obtained from the Group's Policy on the Independence of Directors which can be accessed on the Company's website www.mmsg.com.au/about/governance. The Chairman determines the relevant materiality thresholds on a case by case basis with reference to both quantitative and qualitative bases.

The ASX Guidelines recommend that a listed company should have a majority of directors who are independent. The Board, as currently composed, does not comply with this recommendation. At the date of this report, the Board comprises an equal number of independent directors. Mr Chessari and Mr Bennetts currently hold, through their controlled entities, approximately 7.3% and 4.3% respectively of the shares in the Company. Mr Chessari and Mr Bennetts have also been directors of

the Board for over ten years. These Directors have participated in the growth and development of McMillan Shakespeare and have a significant interest in the Company's continued success. Given their history and skills, the Board believes that it is appropriate for each of these Directors to be members of the Board.

Mr Pitcher has served on the Board for over ten years. The Board is of the view that Mr Pitcher's tenure does not interfere with his capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Group and its security holders generally.

Details of the experience of the Directors is contained in the Directors' Report section of the Company's 2015 Annual Report.

BOARD PRACTICES

The Board meets regularly to evaluate, control, review and implement the Company's operations and objectives. The Directors receive monthly reports from the Chief Executive Officer, the Chief Financial Officer and operational managers. A Director, subject to prior approval of the Chairman or, in the absence of that approval, the Board may seek independent professional advice (including legal advice) at the Company's expense to assist them in carrying out their duties and responsibilities.

PERFORMANCE REVIEW

The Board has delegated the responsibility for evaluating the performance of the Board, the Directors and the Board Committees to the Chairman. The performance evaluation includes the examination of the performance of the Board and the individual Directors against the Board Charter. The evaluation may establish goals and objectives for the Board and provide any recommendations for improvement to Board performance as it sees fit. The Chairman undertook the performance appraisal of the Board, the individual Directors and the Board Committees with respect to the financial year ended 30 June 2015 in August 2015. The performance evaluation of the Chairman is undertaken by Mr Poole and Mr Elliot after having canvassed the views of the other directors. The review of the Chairman was undertaken in accordance with this process for the financial year ended 30 June 2015 in August 2015.

The Board has delegated the responsibility for evaluating the performance of executive management to the Remuneration Committee and CEO.

COMPANY SECRETARY

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

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, which is structured so that the committee is chaired by an independent director and consists of at least three members all of whom are Non-Executive Directors. Throughout the financial year, the Remuneration Committee comprised a majority of independent directors. Details of names and relevant qualifications of the Directors appointed to the Remuneration Committee, the number of meetings of the committee held during the year ended 30 June 2015 and the attendance record for each relevant member can be found in the Directors' Report section of the Company's 2015 Annual Report.

The Remuneration Committee is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent expert and adviser as it considers appropriate in order to ensure that its responsibilities can be carried out effectively. The Remuneration Committee has a documented charter approved by the Board. The charter can be accessed on the Company's website.

The Company has formal letters of appointment in place with all senior executives setting out the terms of their appointment. The CEO carries out half-yearly performance reviews with each member of the senior executive team, comparing the individual's performance against their agreed performance targets. This process was completed in accordance with a formal and rigorous process for the year ended 30 June 2015 with the CEO's report to the July 2015 meeting of the Remuneration Committee. The Remuneration Committee has evaluated the performance of the Chief Executive Officer for the year ended 30 June 2015, taking account of the performance of the Group and other non-financial outcomes.

AUDIT COMMITTEE

The Board has established an Audit Committee, which is structured so that the committee is chaired by an independent director (who is not the chair of the Board) and consists of at least three members, all of whom are Non-Executive Directors. Throughout the financial year, the Audit Committee comprised a majority of independent directors. Details of the names and relevant qualifications of the Directors appointed to the Audit Committee, the number of meetings of the committee held during the year ended 30 June 2015 and the attendance record for each relevant member can be found in the Directors' Report section of the Company's 2015 Annual Report.

The Audit Committee is empowered to investigate any matter brought to its attention and has direct access to any employee, the independent auditors or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be performed effectively. The Audit Committee has a documented charter approved by the Board. The charter can be accessed on the Company's website www.mmsg.com.au/about/governance.

The Board believes that during the financial year ended 30 June 2015, the Audit Committee had appropriate financial expertise with all members being financially literate and having a deep understanding of the industry in which the Company operates.

The external auditor (Grant Thornton) and the internal auditor (Deloitte) together with the Chief Executive Officer and the Chief Financial Officer are invited to attend the meetings. The Audit Committee also meets with the external auditor and the internal auditor twice a year without management to provide the auditor the opportunity to provide feedback on the conduct of the audit and management.

The Company has adopted procedures for the selection and appointment of the external auditor, and the rotation of external audit engagement partners in line with the *Corporations Act 2001* (Cth).

FINANCIAL REPORTING & RISK MANAGEMENT

Given the nature and size of the Company's operations, the Board has decided against the establishment of a separate Board risk management committee at this time, and risk management remains a direct responsibility of the full Board. As such, the Board has ultimate responsibility for the integrity of the Company's financial reporting. As part of the Group's risk management processes,

senior management attend a monthly Risk and Compliance Committee (RCC), which is supported by internal control processes for identifying, evaluating and managing significant financial, operational and compliance risks to the achievement of the Company's objectives, which are subject to Board oversight from time to time. As previously mentioned, Deloitte have been appointed to service the internal audit function, providing independent assurance over the effectiveness of the Company's risk management, internal control and governance processes. In addition, the Company has an internal audit function. A Group Audit and Risk Manager reports to the Chief Financial Officer and into the RCC and attends all meetings of the RCC.

The Board regularly reviews risks and reviews the risk management framework annually to satisfy itself that it continues to be sound. The Board has reviewed its formal Risk Management Policy and Framework during the year, and the Credit Committee and Interest Committee met on a monthly basis during the year. The Risk Management Policy and Framework are accessible to all staff on the Group's intranet and identify the material risks affecting the Company and the manner in which each of those risks will be managed. No material environmental or social sustainability risks were identified. A copy of the Company's Risk Management Policy can be accessed on the Company's website www.mmsg.com.au/about/governance.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clear lines of accountability and delegation of authority. Adherence to the Director and Employee Codes of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Before approving the Company's financial statements for a financial period, the Board received and considered a declaration from the Chief Executive Officer and the Chief Financial Officer in accordance with the ASX Principles. The declaration that:

- in their opinion, the financial records of the Company 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 Company and its controlled entities; and
- the above statement is founded on a sound system of risk management and internal control which is operating effectively.

The Company's external auditor has been invited to attend the Annual General Meeting and will be available to answer questions from the members of the Company relevant to the audit and the preparation and content of the Independent Audit Report.

REMUNERATION POLICY

Information about the Company's remuneration framework, policies and practices in can be found in the Directors' Report under the heading 'Remuneration Report' in the Company's 2015 Annual Report.

COMMUNICATION WITH SHAREHOLDERS AND THE MARKET

Shareholders can obtain information about the Company and our governance practices via the Company website www.mmsg.com.au.

The Company's commitment to communicating with its shareholders is embodied in its Shareholder Communication Policy and its Continuous Disclosure Policy, which contain policies and procedures on information and disclosure to facilitate 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. The Company's Continuous Disclosure Policy and the Shareholder Communication Policy can be accessed on the Company's website www.mmsg.com.au/about/governance.

The Company values effective two-way communication with shareholders and investors as a way of providing information quickly and efficiently to shareholders and to provide a forum for shareholders and investors to express their views on matters that are of concern or of interest to them.

The Company is committed to giving investors comprehensive, timely and equal access to information about the Company and its activities so that investors can make informed investment decisions and gain a deeper understanding of the Company's business, operations and performance. In addition to meeting the Company's ongoing disclosure obligations, the Company employs a wide variety of methods to communicate with its shareholders. Company information is published on McMillan Shakespeare Investor Centre section of the website www.mmsg.com.au/investors. In addition to providing shareholders with access to company announcements and corporate governance materials (including Company policies and Board and Committee charters), the Investor Centre gives shareholders access to certain company information via telephone conference facilities. Shareholders also have the option to receive communications from, and to send communications to, the Company and to the security registry (Computershare) electronically.

Shareholders are encouraged to attend the Annual General Meeting. Prior to the Annual General Meeting, shareholders are given the opportunity to submit questions to the Chairman or the Chief Executive Officer so that they can assess and respond to common queries and topics.

ETHICS AND CODES OF CONDUCT

The Company has adopted a Director Code of Conduct that applies to the Directors of the Company. The Director Code of Conduct reflects the commitment of the Company to ethical standards and practices. The Director Code of Conduct can be reviewed on the Company's website www.mmsg.com.au/about/governance.

The Company has also adopted an extensive Employee Code of Conduct that applies to all employees of the Company, which acknowledges the need for, and continued maintenance of, the highest standard of ethics and seeks to ensure that employees act honestly, transparently, diligently and with integrity. A summary of the Employee Code of Conduct can be accessed on the Company's website www.mmsg.com.au/about/governance.

The Company has also implemented a policy on securities trading that binds all of the Group's officers and employees. In addition to ensuring that all officers and employees are aware of the legal restrictions on trading in the Company's securities whilst in possession of unpublished price-sensitive information, the policy also:

- places restrictions on when Directors and employees can deal in the Company's securities;
- prohibits staff from entering into transactions designed or intended to hedge that employee's exposure to Company's securities that are subject to retention arrangements or on unvested MMS options;
- requires the Directors and certain employees to notify the Company Secretary upon dealing in the Company's securities.

The McMillan Shakespeare Group Securities Trading Policy can be accessed on the Company's website www.mmsg.com.au/about/governance.

The Company has adopted a Whistleblower Policy, which is designed to ensure that employees of the Group can raise concerns in good faith regarding actual or suspected improper conduct or malpractice in the Group, without fear of reprisal or feeling threatened by doing so. The policy can be accessed on the Company's website www.mmsg.com.au/about/governance.

The Company has an Equal Opportunity & Diversity Policy which assists in confirming the Company's commitment to a diverse workforce, ensuring there is ongoing development and implementation of relevant plans, programs and initiatives to recognise and promote diversity, and in establishing the process for appropriate reporting. The policy includes requirements for 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. The policy can be accessed on the Company's website www.mmsg.com.au/about/governance.

The Board encourages and supports the Company's commitment to ensuring a work environment that provides equal opportunity for all. Equal opportunity protects the principle that every person has the right to be treated fairly. The Company fosters an environment which encourages and values diversity in the workplace. The Company applies merit based policies and practices, and believes that the application of these achieves diversity outcomes.

A number of targeted measurable objectives have been approved by the Board in order to assist monitoring and application of the Company's approved policies. The details of the measurable objectives selected for the financial year ended 30 June 2015 and the report against them is contained below.

<p>1. Retain and continue to grow the number of women in leadership roles, subject to merit against role requirements</p>	<ul style="list-style-type: none"> • MMSG continues to reflect gender diversity across leadership and specialist roles <ul style="list-style-type: none"> • Executive Management – 19% women • Senior Management / Specialist - 34% women • Other Leadership / Specialist – 48% women
<p>2. Provide development and promotion opportunities regardless of gender</p>	<ul style="list-style-type: none"> • Attendance at leadership development programs - 53% women • Promotions secured by women - 46% • Talent / Succession management- 45% women
<p>3. Ensure at least one woman on interview short-list for Senior and Executive level leadership / specialist roles, subject to merit against role requirements</p>	<ul style="list-style-type: none"> • Number of vacancies / opportunities -16 • Women applicants - 22% • Women on short list - 31% • Women as successful candidates - 38%
<p>4. Ensure an annual review by the Board of the EEO & Diversity Policy and the gender diversity measurable objectives</p>	<ul style="list-style-type: none"> • The Board confirms it has undertaken an annual review of the EEO & Diversity Policy, and to the extent it deems necessary or appropriate, changes have been made. • The Board has reviewed the measurable objectives for the financial year ended 30 June 2015 and has determined to maintain the existing measurable objectives for the financial year ending 2016.

The new Workplace Gender Equity Agency (WGEA) reporting framework document for 2014-2015 (the Company's 'Gender Equality Indicators') can be accessed on the Company's website www.mmsg.com.au/reports-notice.

Approved by the Board of McMillan Shakespeare Limited on 25 August 2015.