

2019 Corporate Governance Statement

Michael Hill International Limited (“Company”) and the board of directors of the Company (“Directors” or “Board”) are committed to achieving and demonstrating high standards of corporate governance. The Company has reviewed its corporate governance practices against the *Corporate Governance Principles and Recommendations (3rd edition)* published by the ASX Corporate Governance Council (“ASX Principles and Recommendations”).

The 2019 Corporate Governance Statement is dated as at 30 June 2019 and reflects the corporate governance practices of the Company and its subsidiaries (“Group”) in place throughout the 2018/19 financial year. The 2019 Corporate Governance Statement was approved by the Board on 12 September 2019 and can be viewed at investor.michaelhill.com.

Compliance with ASX principles and recommendations

The following statement sets out each of the ASX Principles and Recommendations and explains how the Company complies with them, and, in the case of non-compliance, why not.

1. Principle 1: Lay solid foundations for management and oversight

1.1. Role of the Board and Management

“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 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 balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The respective roles and responsibilities of the Directors are set out in the Directors' Report contained 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 Corporate Governance Charter, available from the Company's website, investor.michaelhill.com.

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 to Principle 3);
 - progress in relation to the Company's diversity objectives and compliance with its diversity policy;

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- 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 liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the Company's Chief Executive Officer ("CEO");
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the Group executive team;
- 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 and the senior management team.

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.

1.2. Information regarding election and re-election of director candidates

"A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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 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.

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.

1.3. Written contracts of appointment

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

In addition to being set out in the Corporate Governance Charter, the roles and responsibilities of Directors are also formalised in a 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

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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.

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.

In accordance with the *Corporations Act 2001* (Cth) ("Corporations Act"), certain service contract details of Group executives which are KMP are summarised in the Company's Remuneration Report contained in the Company's Annual Report.

1.4. Company secretary

"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."

In accordance with the Corporate Governance Charter, the company secretary of the Company ("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.

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 Directors' Report contained in the Company's Annual Report.

1.5. Diversity

"A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;***
- (b) disclose that policy or a summary of it; and***
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:***
 - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or***
 - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act."***

The Company values diversity and inclusion and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a Diversity and Inclusion Policy, which is set out in the Corporate Governance Charter available on the Company's website. This policy outlines the Company's commitment to fostering a diverse and inclusive workplace and includes requirements for the Board to establish measurable objectives for achieving diversity and to review annually both the objectives, and the Company's progress in achieving them. The Company believes our commitment to diversity and inclusion enriches our perspective, fuels our innovation, drives performance and

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engagement and connects us closer to our fellow team members, customers, shareholders and communities within which we operate.

As the Company matures in the diversity and inclusion space, the business will capture and report on further data regarding various identified diversity markers such as heritage, languages other than English, education and disability, allowing for stronger talent management, succession planning and development and inclusion practices. This will be achieved through data capture during the recruitment process as well as through employee profiles in the established Human Resources Information System.

The measurable objectives for gender diversity, as adopted by the Board through the People Development and Remuneration Committee in 2016 (and reviewed annually), are set out below:

- 30% females on the Board; and
- female/male ratio in senior management roles (which include the CEO, executive, regional management and support centre senior leadership) of 40%:60%.

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 as at the end of the relevant financial period:

- Board gender diversity (females/males): 40%/60% (2019); 40%/60% (2018);
- senior management (excluding Board members) gender diversity (females/males): 48%/52% (2019); 34%/66% (2018); and
- Group wide gender diversity (females/males): 85%/15% (2019); 83.7%/16.3% (2018).

The *Workplace Gender Equality Act 2012* (Cth) (the "WGE Act") puts a focus on promoting and improving gender equality and outcomes for both women and men in the workplace. All non-public sector employers with 100 or more employees are required to report annually under the WGE Act.

The Company has submitted its 2019 report to the Workplace Gender Equality Agency. A copy of this report can be found in the corporate governance information section of the Company website at investor.michaelhill.com.

1.6. Board reviews

"A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and***
- b) Disclose , in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process."***

A performance review is undertaken annually in relation to the Board and the Board committees. In 2017 and 2018 the Board conducted a self-evaluated process. In 2019, the Company engaged an external 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

"A listed entity should:

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

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

Each year the Board, through the People Development and Remuneration Committee, sets financial, operational, management and individual targets for the CEO and Group executives. Performance against these targets is assessed periodically throughout the year and a formal performance evaluation for Group executives is completed annually. Details of the process followed are set out in the Remuneration Report contained in the Company's Annual Report.

2. Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out in the Corporate Governance 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.

2.1. Nominations committee

“The board of a listed entity should:

a) have a nomination committee which:

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

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

Given its size, the Board has decided not to establish a separate nominations committee. Instead, the entire Board is involved in decisions on Board composition and succession issues and the identification and evaluation of candidate directors for appointment to the Board.

The review of the remuneration, personnel and succession policies and practices for Group executives is overseen by the People Development and Remuneration Committee (refer to Principle 8).

2.2. Board skills matrix

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

The Board considers that each Director must have the following essential personal attributes to be suitable to serve as a Director of the Company:

- high standards of personal integrity and ethical behaviour;
- independence of thought;

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- sound judgement and decision making;
- strong interpersonal and communication skills;
- available to serve the needs of the Company.

The Board recognises 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:

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
Extensive retail experience	Experience in store operations and other retail channels
Ability to think strategically	Ability to think strategically, identify and critically assess opportunities/threats and develop effective and innovative strategies
High level of business acumen	Strong commercial expertise and experience working as a senior executive
Technical expertise (including accounting, finance and compliance)	Experience in accounting, finance and compliance. Ability to analyse financial statements, critically assess investment proposals, contribute to financial planning, oversee budgets, oversee funding/banking arrangements and ensure the Company is compliant with relevant laws and regulations
Governance experience and expertise	Knowledge and experience in corporate governance and ability to use expertise to ensure good governance of the Company
Marketing and branding	Ability to contribute to strategic positioning, marketing and promotion
Supply chain and procurement management	Experience in supply chain, logistics and procurement in the retail industry
E-commerce and digital	Experience in or understanding of ecommerce and omni channel strategies to create a frictionless customer experience

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2.3. Disclose Independence and length of service

“A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;***
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and***
- (c) the length of service of each director.”***

The Board comprises five non-executive Directors (including the Chair). The names, skills and experience of the Directors in office at the date of this statement, and the period of service of each Director are set out in the Directors' Report contained in the Company's Annual Report and below.

Michael Hill International Limited

Name/ Position	Independent Yes/No	Period of Service
Emma Hill (Chair)	No – substantial shareholder and close family ties with Sir Richard Michael Hill	9 June 2016 - current
Sir Michael Hill	No – substantial shareholder and close family ties with Emma Jane Hill	9 June 2016 – current
Gary Smith	Yes	24 February 2016 – current
Rob Fyfe	Yes	9 June 2016 – current
Janine Allis	Yes	9 June 2016 - current

Michael Hill New Zealand Limited

Name/ Position	Independent Yes/No	Period of Service
Emma Hill (Chair)	No – substantial shareholder and close family ties with Sir Richard Michael Hill	22 February 2007 - current
Sir Michael Hill	No – substantial shareholder and close family ties with Emma Jane Hill	30 March 1990 – 29 June 2016
Gary Smith	Yes	2 November 2012 – 5 August 2016
Rob Fyfe	Yes	6 January 2014 – 6 August 2016
Janine Allis	Yes	n/a

2.4. Majority of directors independent

“The majority of the board of a listed entity should be independent directors”.

In accordance with the Corporate Governance Charter and as disclosed against Recommendation 2.3, the majority of the Directors are independent.

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:

- 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;
- 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;
- 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;
- has no material contractual relationship with the Company or another group member other than as a Director’;
- does not have close family ties with any person who falls within any of the categories described above;
- 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 Chair 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.

2.5. Chair independent

“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 Chair of the Board is Emma Hill, a non-independent Director. Ms Hill has a comprehensive understanding of the Group and its business through several years of executive and non-executive experience with the business. The Board continues to consider that Ms Hill is the most appropriate candidate for the role of Chair. Given that the Board is composed 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 employed by the Company in an executive capacity.

2.6. Induction and professional development

“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.”

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The induction provided to new Directors and Group executives enables them to actively participate in Board and executive 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. Prospective board members attend 3 board meetings prior to being offered a director position and the Board considers this a very valuable component of the induction process.

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.

The Directors participate, from time to time, in the Company's leadership forums and actively engage with the Group's employees in a range of forums including visiting the Group's stores to gain an understanding of the operational environment.

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.

The Board also attends educational sessions on legal, accounting, regulatory change, human resource management and changing consumer behaviour and digital trends.

3. Principle 3: Act ethically and responsibly

3.1. Code of conduct

"A listed entity should:

- (a) have a code of conduct for Directors, senior executives and employees; and*
- (b) disclose that code or a summary of it."*

The Board has established a Corporate Code of Conduct, Corporate Ethics Policy and Trading Policy for its Directors, senior executives and employees, which are set out in the Corporate Governance Charter, available on the Company's website, investor.michaelhill.com. They are summarised below:

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 ("Code").

The Corporate Ethics Policy sets out the obligations of integrity and honesty on each member of the Board and his or her obligations with respect to trading in securities in the Company (which is addressed further in the Trading Policy) and disclosure to the Australian Stock Exchange ("ASX") and the New Zealand Stock Exchange ("NZX").

The Code 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. The Code also requires employees, Directors and contractors who are aware of unethical practices within the Group or breaches of the Code to report these to management (which can be done anonymously in accordance with the Company's whistleblower policy).

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 misuse, and do not place themselves under suspicion of misusing, inside information that they may be

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thought to have, especially in periods leading up to an announcement of the Company on the ASX.

The Trading Policy sets out the procedure for trading in securities of the Company, and prohibits insider trading. The policy aims to provide directors and employees and any other persons who may be associated with the Company, with guidance on how and when trades in the Company's securities may take place and when trading is strictly prohibited.

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

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

The Trading Policy provides particular disclosure and approval requirements for the dealing in the Company's securities by the Directors, Chair, CEO and Company Secretary, and also sets out the Company's policy on margin loan arrangements (which are permitted under the policy but must be disclosed to the Board through a clearance officer). Training is periodically provided to all employees.

A copy of the Code, Trading Policy and Corporate Ethics Policy are set out in the Corporate Governance Charter, available on the Company's website, investor.michaelhill.com.

4. Principle 4: Safeguard integrity in corporate reporting

4.1. Audit committee

"The board of a listed entity should:

(a) should have an audit committee which:

- 1) has at least three members, all of whom are non-executive directors a majority of whom are independent directors; and*
- 2) is chaired by an independent director who is not the chair of the board, and disclose:*
- 3) the charter of the committee;*
- 4) the relevant qualifications and experience of the members of the committee; and*
- 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

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

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

- Gary Smith (Chair)
- Rob Fyfe
- Janine 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 set out in the Corporate Governance Charter, 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;
- defining and periodically reviewing risk management as it applies to the Company and ensuring the appropriate disclosure of any relevant risks to the market.

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.

In addition to the Audit and Risk Management Committee members, the CEO, CFO, Group Internal & Risk Audit Manager, external auditors and Company Secretary regularly attend Audit and Risk Management Committee meetings.

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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 contained in the Company's Annual Report.

The Audit and Risk Management Committee Charter is set out in the Company's Corporate Governance Charter, which is available on the Company's website at investor.michaelhill.com.

4.2. CEO and CFO certification of financial statements

“The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and Chief Financial Officer (“CFO”) a 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 that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.”

The Board has received the relevant assurances from the CEO and CFO in the declarations provided in accordance with section 295A of the Corporations Act that the financial statements give a true and fair view of the financial position and performance of the Company and comply with the applicable requirements.

4.3. External auditor at AGM

“A listed entity that has an AGM should ensure that the Company’s external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.”

The Group's external audit function is performed by EY. Representatives of EY attend the Company's AGMs and are available to answer shareholder questions regarding the audit.

5. Principle 5: Make timely and balanced disclosure

5.1. Disclosure and communications policy

“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.”***

The Company has adopted guidelines in relation to disclosure and communications which set 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.

The Company has also established guidelines to assist officers and employees of the Company to comply with the Company's disclosure and communications requirements. These guidelines are set out in the Company's Corporate Ethics Policy contained in the Corporate Governance Charter, which is available on its website, investor.michaelhill.com

6. Principle 6: Respect the rights of security holders

6.1. Information on website

“A listed entity should provide information about itself and its governance to investors via the company’s website.”

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 (including Board and Group executive team members and dividend policy) and the structure of its business under the 'About Us' and governance documents under the 'Governance Policies and Compliance' tabs.

The Company's website is investor.michaelhill.com

6.2. Investor relations programs

"A listed entity should 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-on-one or group meetings offered whenever possible.

6.3. Facilitate participation at meetings of security holders

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

Shareholders are, unless specifically stated in a notice of meeting, eligible to vote on all resolutions. If shareholders are unable to attend the AGM, they are able to vote on the proposed motions by appointing a proxy. Online proxy voting is available to shareholders.

Shareholders are given an opportunity to ask questions of the Company and its auditor at the AGM.

6.4. Facilitate electronic communications

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

The Company provides its investors the option to receive communications from and send communications to, the Company and the share registry electronically.

7. Principle 7: Recognise and manage risk

7.1. Risk committee

"The board of a listed entity should

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

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

and disclose:

- 3) the charter of the committee;***
- 4) the members of the committee; and***
- 5) as the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of the members***

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at those meetings; or

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

The Company's Audit and Risk Management Committee oversees the process for identifying and managing material risks to the Company in accordance with the Audit and Risk Management Committee Charter, which is set out in the Corporate Governance Charter available on the Company's website, investor.michaelhill.com.

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

7.2. Annual risk review

"The Board or committee of the Board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and**
- b) disclose, in relation to each reporting period, whether such a review has taken place."**

The Audit and Risk Management Committee of the Board undertook a comprehensive review and updates to the Group's risk management framework, including its internal audit and risk management functions, during the FY19 financial year and is satisfied that its risk management framework is sound for the Company.

7.3. Internal audit

"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 evaluation and continually improving the effectiveness of its risk management and internal control processes."**

The Company has an internal audit function that operates under a Board-approved Internal Audit Charter.

The internal audit function 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 ultimately a matter for the Audit and Risk Management Committee.

In FY19, a comprehensive review of the Company's internal audit and risk management functions was undertaken, resulting in changes to the functions and areas of focus. These have been approved by the Audit & Risk Management Committee.

7.4. Sustainability risks

"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."

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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.

The Company has continued working to address its material sustainability issues and improve its sustainable business practices and to this end has recently obtained certification from the Responsible Jewellery Council.

8. Principle 8: Remunerate fairly and responsibly

8.1. Remuneration committee

“The Board of a listed entity should:

a) have a remuneration committee which:

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

and disclose:

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

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

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

- Rob Fyfe (Chair)
- Emma Hill
- Gary Smith

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

The People Development and Remuneration Committee operates in accordance with its charter which is set out in the Corporate Governance Charter, available on the Company website, investor.michaelhill.com. 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 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 executive's remuneration, including principles used to determine remuneration, is set out in the Remuneration Report contained in the Company's Annual Report.

The People Development and Remuneration 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 the Group.

The People Development and Remuneration Committee also reviews and determines the Group's 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 the Group's remuneration principles, strategic and operating plan.

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

8.2. Disclosure of executive and non-executive director remuneration policy

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

The Company seeks to attract and retain high performance Directors and executive 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.

Executive remuneration is designed to reflect performance and, accordingly, remuneration is structured with a fixed component and performance-based remuneration component.

Performance linked compensation includes both short term (“STI”) and long term (“LTI”) 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.

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.

Further details regarding the remuneration of Key Management Personnel and non-executive Directors are set out in the Remuneration Report contained in the Company's Annual Report.