

Melbourne IT Corporate Governance

Date of Statement

This Corporate Governance statement reflects a summary of Melbourne IT's Corporate Governance framework, policies and procedures as at 15 March 2009.

Compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Melbourne IT Board recognises the need for the highest standards of corporate behaviour and accountability. The Board is committed to optimising shareholder returns within a framework of ethical business practices.

In 2007, the ASX Corporate Governance Council released revised "Corporate Governance Principles and Recommendations". It is the view of Melbourne IT that its corporate governance practices are consistent with the revised Principles.

Access to information on website

This statement, together with Company's corporate governance policies and Board committee charters, are set out in our Corporate Governance website.

Principle 1 - Lay Solid Foundations for Management and Oversight by Board

Melbourne IT has established functions which are reserved to the Melbourne IT Board and those delegated to senior executives. A statement of those functions is available from the Melbourne IT corporate governance website.

Performance evaluation for the Board was conducted during the 2008 financial year. Performance reviews were completed for all staff, including senior executives, in 2008. The performance of the senior executives is evaluated on the basis of role descriptions, key performance metrics and 360 degree feedback.

An induction program is conducted for all new Melbourne IT staff.

Principle 2 – Structure the Board to Add Value

The qualifications of the current Board members are available from the Melbourne corporate governance website.

Four of the six non-executive directors are considered by the Board to be independent directors (Simon Jones, Iain Morrison, Rob Stewart and Andrew Walsh). As Tom Kiing and Lucy Turnbull are both substantial shareholders in Melbourne IT they are not considered by the Board to be independent directors. Theo Hnarakis is the only executive director.

The Chairman is an independent non-executive director. The Chairman and the Managing Director & CEO are different people.

In certain circumstances a director may consider it necessary to seek independent professional advice in carrying out their duties. Should this arise, the director would discuss the matter first with

the Chairman and any advice then considered necessary would be obtained at the company's expense.

One third of the directors (with the exception of the Managing Director) must retire from office at the time of the Annual General Meeting each year. Directors are eligible for re-election. The directors who retire by rotation are those with the longest period in office since their appointment or last election. The maximum period that a director can be in office before facing re-election is three years.

This period will sometimes be shorter due to the requirement that one third must retire each year. At the time when any director is coming up for re-election, the Board considers that question and makes a conscious decision as to whether to recommend that re-election to shareholders.

The Human Resources Remuneration & Nomination Committee (HRRNC) comprises three nonexecutive directors: Lucy Turnbull (Chairperson), Andrew Walsh and Rob Stewart. Andrew Walsh and Rob Stewart are both independent directors. The CEO attends all meetings by invitation. The performance of the Board, its committees and individual directors was reviewed during the 2008 financial year with the assistance of an external facilitator.

Principle 3 - Promote Ethical and Responsible Decision Making

The Company has a Code of Conduct to guide the directors, the Managing Director & CEO, the Chief Operating Officer and other key executives as to:

- the practices necessary to maintain confidence in the company's integrity, and
- the responsibility and accountability of individuals for reporting and investigating reports of
- unethical practices.

A copy of the Code of Conduct is available from Melbourne IT's corporate governance website. The Company also has a Trading Policy concerning trading in company securities by directors, officers and employees involved in material transactions or privy to material information. A copy is available from Melbourne IT's corporate governance website.

Principle 4 – Safeguard Integrity in Financial Reporting

The Managing Director & CEO and the Chief Operating Officer have stated in writing to the Board for the 2008 financial year that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Audit and Risk Management Committee (ARMC) comprises four non-executive directors: Simon Jones (Chairman), Rob Stewart, Iain Morrison and Tom Kiing. The ARMC Chairman is not the Chairman of the Board. The Chairman of the ARMC is an independent director, as is the majority of other members.

The Managing Director & CEO, Chief Operating Officer and the General Manager - Finance attend the meetings by invitation of the committee. The relevant Partner and staff of the external auditors, and the General Manager, Risk, also attend by invitation.

The ARMC meets at least three times each year and has direct access to Melbourne IT's auditors and senior management. On at least one occasion each year it meets with the auditors without management being present.

The Committee also receives regular reports from both the external and internal auditors concerning any matters which arise in connection with the performance of their role, including adequacy of internal controls. The Committee reports to the Board on its activities after each meeting, and copies of the minutes of the Committee's meetings are provided to all directors.

The ARMC Charter is available from the Melbourne IT corporate governance website.

Principle 5 – Make timely and balanced disclosure

Melbourne IT is committed to complying with its disclosure obligations. To that end Melbourne IT has developed a written Market Disclosure Policy, which is available from the Corporate section of Melbourne IT's website. The Board has appointed the Company

Secretary as "Disclosure Officer", with responsibility for:

- Reviewing compliance with Melbourne IT's continuous disclosure obligations;
- Co-ordination of the timely release of information to the market; and
- Maintaining a record of disclosure information (including any information which was considered but rejected for disclosure and the reasons for non-disclosure).

Principle 6 – Respect the rights of shareholders

Melbourne IT aims to keep its shareholders informed of all important developments concerning the company. Melbourne IT communicates with its shareholders using the following means:

- Notices and explanatory memoranda of annual general meetings;
- The annual report;
- The annual general meeting;
- The Melbourne IT's corporate website located at <http://corporate.melbourneit.com.au>;
- Periodic analyst briefings, which are released to the ASX; and
- Periodic shareholder newsletters, which are also released to the ASX.

Melbourne IT's external auditor attends the Company's Annual General Meeting and is available to answer reasonable questions from shareholders in relation to the conduct of the audit, the independent audit report and the accounting policies adopted by Melbourne IT.

Principle 7 – Recognise and Manage Risk

The Board has established appropriate policies for the oversight and management of material business risks.

In respect of the 2008 financial year, the Managing Director & CEO and the Chief Operating Officer have stated to the Board in writing that:

- to the best of their knowledge and belief, the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the system is operating effectively in all material respects in relation to financial reporting risks;
- the Company has established policies for the oversight and management of material business risks and a process for management to report as to the effectiveness of the company's management of its material business risks.

The Managing Director & CEO and the Chief Operating Officer have reported to the Board on the effectiveness of the Company's management of material business risks, in accordance with the this process.

Principle 8 – Remunerate Fairly and Responsibly

The Board has established the HRRNC to assist it to address the various issues in this area (see

Principle 2 above). The Managing Director & CEO reviews the performance of his direct reports and makes recommendations to the HRRNC for approval in relation to their remuneration and Key Performance Indicators ('KPIs'). The Managing Director & CEO's own performance is reviewed by the Board, facilitated by the HRRNC and the Chairman.

The HRRNC also facilitates an annual review of the Board's performance – both of the Board as a whole and of individual directors. In each of the past 3 years, the reviews of the Board and the Managing Director & CEO have been conducted with the assistance of an external facilitator, including '360 degree' feedback.

The HRRNC reports to the Board on its activities after each meeting, and copies of the minutes of the Committee's meetings are provided to all directors.

Melbourne IT's remuneration policy has been set to ensure that the remuneration of directors and all staff properly reflects each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. All remuneration packages are reviewed at least annually, taking into account individual and company performance, market movements and expert advice.

Remuneration of non-executive directors comprises two elements:

- 1) Fixed fee
- 2) Variable remuneration: long-term incentive via a Deferred Share Plan.

Non executive directors are paid fixed fees in accordance with a determination of the Board but within a global limit fixed by the shareholders at a General Meeting. The current global limit of \$1,000,000 was approved by shareholders at the Annual General Meeting in 2008.

The Chairpersons of each committee receive an additional amount to reflect (at least to some extent) the additional workload and responsibility required of them to carry out that role.

The long-term incentive for non-executive directors is membership of a Share Purchase Plan. Under this Plan those directors who are eligible (which is all directors other than those who hold more than 5% of the issued capital of the company) must contribute a minimum of 15% of their directors' fees to purchase shares on market each quarter. This Plan is designed to encourage share ownership in the company by directors.

Directors are not entitled as of right to any retirement or termination benefit (other than statutory superannuation benefits).

The remuneration of the Managing Director & CEO, and executives, comprises the following three elements:

- 1) Fixed Salary
- 2) Variable remuneration: short-term incentive
- 3) Variable remuneration: long-term incentive

The short-term incentive for each executive is an annual cash payment determined by the amount of fixed salary and achievement of individual KPIs.

The expected performances of the Managing Director & CEO, staff reporting directly to him (known as 'direct reports') and other senior staff members, are specified each year using Key Performance Indicators (KPIs) in individual role agreements. These KPIs include financial targets for Melbourne IT overall as well as personal objectives and targets, appropriate for each individual's role.

The long-term incentive is membership of the Employee Performance Share Option Plan (which has

been approved by shareholders).

Payment of equity-based executive remuneration is made in accordance with thresholds set in Plans approved by shareholders.