



CORPORATE  
GOVERNANCE  
STATEMENT  
2017

# Corporate governance statement

## Virgin Australia's Corporate Governance Framework

This statement outlines the main corporate governance policies and practices that Virgin Australia Holdings Limited (VAH or the Company) had in place throughout the financial year ended 30 June 2017 (2017 financial year). These policies and practices complied with the *Corporate Governance Principles and Recommendations* (3rd Edition) of the ASX Corporate Governance Council (ASX Principles), except to the extent otherwise indicated.

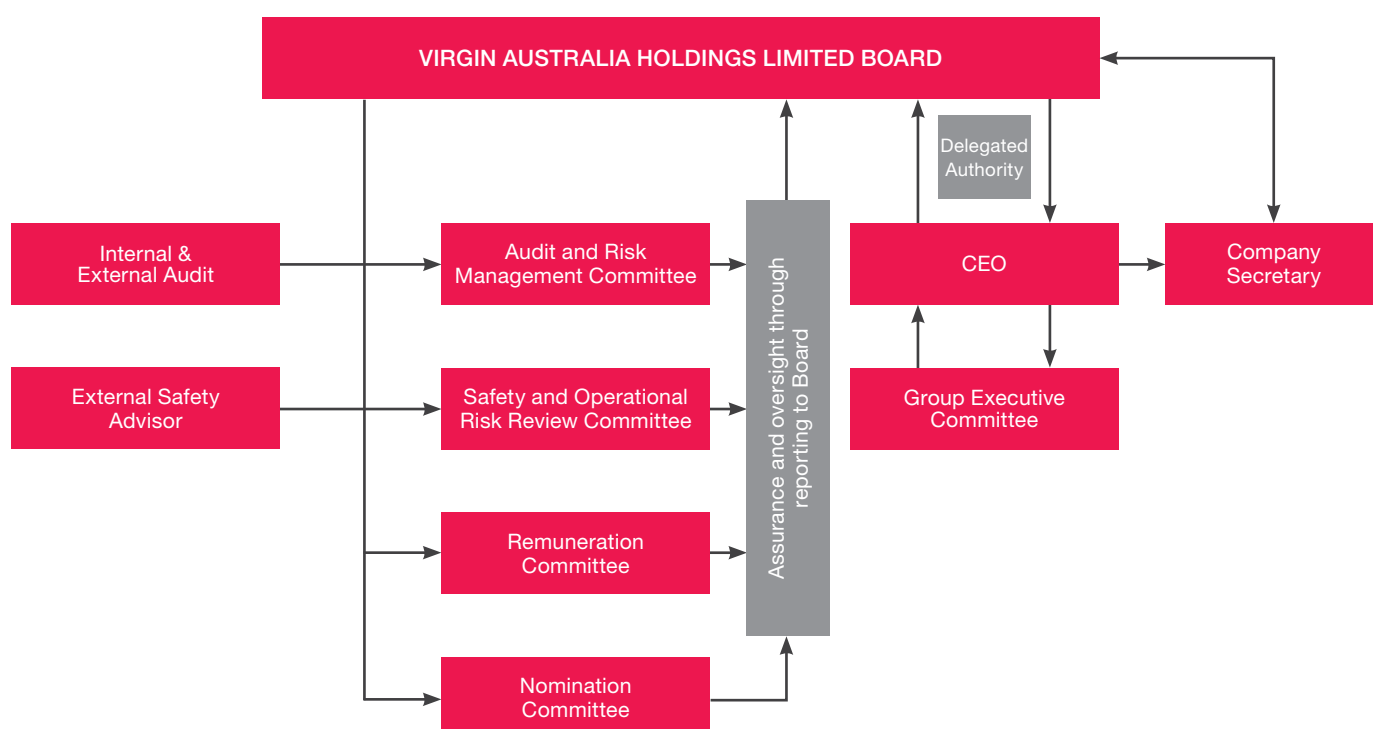
This statement is current at 20 September 2017, and has been approved by the Board.

Below is a list of the governance documents referred to in this statement. Copies of these documents are available in the Corporate Governance section of the Virgin Australia website at [www.virginaustralia.com/corporategovernance](http://www.virginaustralia.com/corporategovernance).

ASX Principles		Relevant Governance Document
Principle 1	Lay solid foundations for management and oversight	Board Charter and Statement of Delegated Authority Diversity and Inclusion Policy Nomination Committee Charter Nominee Director Protocol
Principle 2	Structure the Board to add value	Nomination Committee Charter Board Charter and Statement of Delegated Authority
Principle 3	Act ethically and responsibly	Code of Conduct Securities Trading Policy Nominee Director Protocol
Principle 4	Safeguard integrity in corporate reporting	Audit and Risk Management Committee Charter
Principle 5	Make timely and balanced disclosure	Continuous Disclosure Policy
Principle 6	Respect the rights of security holders	Shareholder Communication Policy
Principle 7	Recognise and manage risk	Audit and Risk Management Committee Charter Safety and Operational Risk Review Committee Charter Risk Management Policy
Principle 8	Remunerate fairly and responsibly	Remuneration Committee Charter Securities Trading Policy

The Company's Annual Report 2017 is accessible on the Company's website at [www.virginaustralia.com/annualreports](http://www.virginaustralia.com/annualreports).

The high-level structure chart outlined below provides an overview of the Company's corporate governance structure for the 2017 financial year.



# Corporate governance statement (continued)

## Principle 1 – Lay solid foundations for management and oversight

### Board Charter

The Board has a Charter which clearly establishes its role and responsibilities and also sets out the responsibilities which have been delegated to Senior Management.

The primary role of the Board is to provide strategic guidance for the Group and effective oversight of management.

To assist in the performance of its role, the Board has established a number of Committees which have specific roles and responsibilities in key areas.

The Board has delegated to the Managing Director and Chief Executive Officer (CEO) authority over the day to day management of the Group. Specific areas of responsibility which have been delegated to the CEO are set out in the Board Charter and Statement of Delegated Authority. The CEO is authorised to delegate the powers conferred on him as he deems appropriate. The CEO is supported by the Group Executive Committee who are senior executives who work together to execute the Company's strategy and manage the operations of the Company.

The Board Charter and Statement of Delegated Authority is available in the Corporate Governance section of the Company's website.

Board meetings are held on a regular basis, with briefing material generally provided to each director at least seven days prior to each meeting. The Company Secretary is responsible for coordinating the timely completion and despatch of Board meeting agendas and briefing material. Senior executives are invited to make presentations at Board meetings and these provide the opportunity for directors to engage in discussions with, and request additional information from, senior executives on relevant topics.

Subject to prior consultation with the Chairman, directors may seek independent professional advice (including legal advice) from a suitably qualified adviser at the Company's expense. Except in extraordinary cases (where the director will have notified the other Board members in writing), a copy of any such advice received is to be made available to other directors.

The Board comprises a combination of independent non-executive directors and non-executive directors who have each been nominated by a major shareholder with an interest in the Company of at least 5%. Having regard to this composition, a Nominee Director Protocol has been put in place to assist the Board in discharging its governance oversight role in relation to information that can be provided to nominee directors. Consultation on the Protocol was undertaken with the Australian Competition and Consumer Commission and the Department of Infrastructure and Regional Development prior to its finalisation.

The Nominee Director Protocol is available in the Corporate Governance section of the Company's website.

### Board Committees

During the 2017 financial year, the Board had four committees of directors: the Audit and Risk Management Committee, the Remuneration Committee, the Nomination Committee and the Safety and Operational Risk Review Committee. Each Committee has a documented Charter approved by the Board, copies of which can be found in the Corporate Governance section of the Company's website.

The composition of each Committee, as at the date of this statement, is as follows:

Committee	Members	Composition	Key Roles and Responsibilities
Audit and Risk Management Committee	Mr K Dean (Chair)	Consists only of non-executive directors.	Review and assessment of the integrity of financial reporting. Monitoring the performance of internal and external audit, including oversight of qualifications, independence and fees of the external auditor. Review of risk management policies, processes and profile, including the adequacy of insurance cover. Review of the compliance framework and financial information required by regulators.
	Ms E Bryan	Has a majority of independent directors.	
	Mr Nang Qi	Has an independent chair who is not chair of the Board.	
	Mr R Thomas	Has at least three members. All members are financially literate. Two members have relevant qualifications and experience.	
Remuneration Committee	Ms S Mostyn (Chair)	Consists only of non-executive directors.	Remuneration of non-executive directors, the CEO and Group Executives. Review of performance assessment processes and results for the CEO and Group Executives. Agree policies for the recruitment, retention and termination of Group Executives. Agree policies for employee incentive schemes and superannuation. Recommend to the Board diversity objectives
	Ms E Bryan	Has a majority of independent directors.	
	Mr K Dean	Has an independent chair.	
	Mr W Negus	Has at least three members.	
	Mr R Thomas		

# Corporate governance statement (continued)

## Principle 1 – Lay solid foundations for management and oversight (continued)

### Board Committees (continued)

Committee	Members	Composition	Key Roles and Responsibilities
Nomination Committee	Ms E Bryan (Chair) Mr Marvin Tan	Consists only of non-executive directors. Had a majority of independent directors throughout the 2017 financial year. Has an independent chair. Had at least three members throughout the 2017 financial year. Currently comprises one independent non-executive director (who is also the chair) and one non-executive director.	Composition of the Board. Director and CEO succession planning. Induction and ongoing development of directors. Performance appraisal of the Board, its Committees, each director and the CEO.
Safety and Operational Risk Review Committee	The Hon. M Vaile AO (Chair) Ms E Bryan Ms S Mostyn	Consists only of non-executive directors. Has a majority of independent directors. Has an independent chair. Has at least three members.	Oversight of operational safety, health and security risks. Maintain best practice in operational safety management, including compliance with legal and regulatory obligations and internal systems of control. Review the establishment and operation of operational risk management systems. Monitoring operational risk management processes maintained by providers and codeshare partners. Monitoring serious investigations and remedial actions.

### Company Secretary

The Company Secretary has overall responsibility for the Secretariat function and is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. This includes advising the Board and its Committees on governance matters, coordinating Board business and providing a point of reference for dealings between the Board and management. Each director has the ability to communicate with the Company Secretary. Decisions to appoint or remove the Company Secretary are made or approved by the Board.

### Director Appointments

The Nomination Committee undertakes appropriate checks prior to appointing a director to the Board. The scope and nature of those checks varies depending on the circumstances of the candidate and their appointment.

The Notice of Annual General Meeting includes material information in the Company's possession relevant to shareholders' decision whether or not to elect or re-elect a candidate for election or re-election as a director, including their relevant qualifications and experience and other biographical details, and details of other material directorships currently held by the candidate.

The Board has written agreements with directors and senior executives which set out the terms of their appointment.

### Board Performance Evaluation

The Board conducts regular self-assessments of the performance of the Board, its Committees and individual directors. In addition, externally facilitated performance evaluations are undertaken on a periodic basis. Committees also periodically review their performance.

During the 2017 financial year, a number of new directors were appointed to the Board, which refreshed its composition. In light of these changes, it was determined that it would be appropriate to allow the current directors a reasonable opportunity to operate collectively as a Board before arranging an evaluation of the Board, its Committees and individual directors in accordance with these processes. Accordingly, it was determined to defer these Board evaluation processes until the financial year ending 30 June 2018 and no such evaluations were undertaken in the 2017 financial year.

### CEO and Group Executive Performance Evaluation

The Board, in conjunction with the Remuneration Committee, annually assesses the performance of the CEO and the Group Executives who report directly to the CEO (Group Executives). The CEO and Group Executives are assessed in accordance with both the financial and non-financial performance outcomes accomplished in the financial year.

The assessment of the CEO and Group Executives' performance throughout the 2017 financial year was undertaken after the end of the financial year in accordance with these processes. Further details on the assessment of the short and long term performance of the CEO and Group Executives is provided in the Remuneration Report on pages 22 to 39 of the Company's Annual Report 2017.

# Corporate governance statement (continued)

## Principle 1 – Lay solid foundations for management and oversight (continued)

### *Diversity and Inclusion*

The Group is committed to providing a workplace and organisational culture that values diversity and inclusion across all levels of the business. The Group recognises and acknowledges the contribution of people with diverse backgrounds, experience and perspectives. This includes, however is not limited to, differences in gender diversity, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity.

The Group's Diversity and Inclusion Strategy underpins the inclusive culture in which people treat each other with respect and are recruited, developed and promoted solely on the basis of merit. Under the Strategy, the Board is responsible for establishing measurable gender diversity objectives and reviewing progress towards achieving the objectives.

In relation to the Group's Diversity and Inclusion objectives, the following was achieved in the 2017 financial year:

- The number of women in CEO-1 and CEO-2 positions has remained stable from 36.5% on 1 July 2016 to 36.25% on 30 June 2017 notwithstanding a number of organisational structure changes during the financial year.
- The Group continued to support mental health awareness and training through a range of products and services that our people can access, including online and digital applications, recognising the 24/7 nature of our business.
- The Group became the first airline in Australia to receive accreditation under the White Ribbon Workplace Accreditation program. This accreditation is formal external recognition that the Group recognises that violence against women is a workplace issue and has appropriate programs and policies that support our people who may be experiencing family or domestic violence.

In relation to the Group's other objectives for the 2017 financial year, the following was achieved:

- The remuneration strategy continued to focus on gender pay equity. A comprehensive analysis of gender pay gaps was undertaken in the 2017 financial year. The analysis consistently confirms that when male and female team members occupy the same role in the non-EBA workforce, the pay gap is 1%.
- Inclusion and diversity underpinned all of the Group's people frameworks and the importance of diversity and cultural awareness is reinforced in face-to-face and on-line training modules.
- The Group reached thousands of Indigenous Australians through the programs and initiatives we support which extends to education, community wellbeing, and innovation and Indigenous employment.
- The Group continued to undertake targeted development and awareness raising initiatives to support the objective to improve female representation in non-traditional roles.

The following Diversity and Inclusion objectives have been established for the 2018 financial year:

- Maintain female representation in CEO-1 and CEO-2 positions above 36% (defined as direct reports to the Group CEO in management positions and their direct reports in management positions, including Tigerair Australia).
- Continue to embed a strong culture of inclusion where team members with diverse backgrounds, experience and personal attributes thrive and can be their best.
- Continue to expand the Group's positive impact on the Indigenous community as a whole, including through a targeted employment strategy.

The following initiatives will be key areas of focus in the delivery of these objectives:

- Identifying non-traditional roles for females and implementing strategies to recruit, retain and develop female candidates for these roles.
- Ongoing review of gender pay gaps and targeted actions to reduce identified differences.
- Proactively educating leaders and team members around diversity and cultural awareness.
- Continue to implement mental health awareness activities and mental health awareness training.
- Further embed being a White Ribbon organisation, with particular emphasis on training of leaders to better support team members who are victims of family and domestic violence.

The Board's Diversity and Inclusion Policy is available in the Corporate Governance section of the Company's website.

The following table shows the percentage of women on the Board, in senior executive positions and across the VAH Group as at the specified dates:

	1 July 2017	1 July 2016	1 July 2015
Board <sup>(1)</sup>	16.67%	22.2%	20%
Senior executive positions <sup>(2)</sup>	36.25%	36.5%	31% <sup>(3)</sup>
VAH Group	50.4%	49.8% <sup>(4)</sup>	49.8% <sup>(4)</sup>

(1) While the Board included two female directors throughout the period from 1 July 2015 until the date of this statement, the percentage of women on the Board fluctuated over that period due to changes in the size of the Board (particularly noting that the Board's size increased from nine directors (as at 1 July 2016) to 12 directors (as at 1 July 2017)).

(2) For the purposes of this table, senior executive positions are defined as CEO-1 and CEO-2 positions (being direct reports to the Group CEO in management positions and their direct reports in management positions, including Tigerair Australia except to the extent indicated in (3)).

(3) For 1 July 2015, this figure excluded Tigerair Australia.

(4) For 1 July 2015 and 1 July 2016, these Group figures excluded Tigerair Australia.

# Corporate governance statement (continued)

## Principle 2 – Structure the Board to add value

### *Board composition during the 2017 financial year*

From the beginning of the 2017 financial year until the Company's 2016 Annual General Meeting on 16 November 2016 (2016 AGM), the Board consisted of nine directors (being five independent non-executive directors, four directors nominated by major shareholders and the Managing Director and CEO).

Following:

- the election at the 2016 AGM of two non-executive directors as the nominated representatives of two new major shareholders, HNA Innovation Ventures (Hong Kong) Co., Ltd (HNA) and Nanshan Capital Holdings Limited (Nanshan Group); and
- the appointment of Mr Ken Dean to the Board, as an additional independent non-executive director, on 1 December 2016,

the size of the Board increased to 12 directors (being six independent non-executive directors, five directors nominated by major shareholders, and the Managing Director and CEO). This was the size and composition of the Board from 1 December 2016 until the end of the 2017 financial year.

### *Board composition since the end of the 2017 financial year*

Since Mr David Baxby's resignation as a director on 10 August 2017, the Board has comprised 11 directors, with the following composition:

- five independent, non-executive directors, including the Chairman;
- one managing director, who is also the CEO;
- one non-executive director nominated by Etihad Airways;
- one non-executive director nominated by Singapore Airlines;
- one non-executive director nominated by Nanshan Group;
- one non-executive director nominated by HNA; and
- one non-executive director nominated by the Virgin Group.

Each of the directors is a senior and experienced executive with skills and experience necessary for the proper supervision and leadership of the Group. As a team, the Board brings together a broad range of qualifications, in both the international and Australian markets, with considerable experience and expertise in aviation, transport, finance, accounting, risk management, sustainability and public company affairs.

Further information regarding the individuals who were directors of the Company during, or since the end of, the 2017 financial year, including their relevant skills, experience, qualifications, expertise, other listed company directorships and length of service, are located on pages 8 to 12 of the Company's Annual Report 2017.

### *Board Skills Matrix*

The key skills and experience collectively required of, and possessed by, the Board are outlined in the below skills matrix. The Board has recently reviewed and adopted this matrix to help guide its assessment of the skills and experience of the current directors, and to assist it to consider the skills of directors that may be required going forward, as part of its broader Board renewal process.

<b>Skills and Experience</b>	<b>Number of Directors<sup>(1)</sup></b>
<i>Leadership &amp; Governance Experience</i> Practical experience in managing Australian publicly listed companies, either at the C-suite level or comparable non-executive director roles.	7
<i>Industry Experience</i> Understanding of the airline industry, including its key drivers, opportunities & risk factors.	7
<i>Financial Acumen/Risk Management Experience</i> Financial management and reporting, risk management & compliance skills as a CFO or Finance Director or CPA / CFA.	7
<i>Asset Intensive Industry Experience</i> C-suite experience in asset intensive or high operational leverage industries where complex cross border, tax optimised or highly leveraged finance structures are common.	7
<i>Consumer Brand Marketing Experience</i> C-suite experience in managing high profile, highly regulated or international consumer brands.	6
<i>People/Service Delivery Culture Experience</i> C-suite experience in managing large distributed workforces spanning highly technical and service delivery roles.	9
<i>Technology</i> C-suite experience in implementing complex consumer facing and service delivery platforms for payments, workflow, data decision making and CRM.	5
<i>Financial Markets</i> Senior experience in managing large exposures in FX, interest rates and commodities and financial leverage.	6

# Corporate governance statement (continued)

## Principle 2 – Structure the Board to add value (continued)

### Board Skills Matrix (continued)

Skills and Experience	Number of Directors <sup>(1)</sup>
<i>Government Affairs</i> Proven ability to work with local and international governmental and regulatory bodies at a senior level, particularly in Australia.	7 <sup>(2)</sup>
<i>Judgment &amp; Engagement</i> Ability to engage in open discussion, in a respectful manner to others, to constructively challenge current thinking & to make sound judgment based on deep business experience.	11
<i>Influencing Skills</i> Respect and influencing skills to have positive interactions with management, colleagues and senior levels of government & regulatory bodies.	11
<i>Integrity</i> High moral and ethical standards and an appreciation of the wider social roles now expected of service companies.	11
<i>Critical Thinking</i> Strong intellectual capacity, ability to deal with complexity & to think outside the box.	11
<i>Engagement</i> The time & willingness to engage fully to understand the business & to take an active role in shaping the future.	11

(1) This figure shows the number of current directors who possess the relevant skill or experience (out of a total of 11 directors as at the date of this statement).

(2) This figure includes three overseas-based directors who have relevant experience in government affairs in countries outside Australia.

### Independent Directors

The names, and terms of office, of the directors considered by the Board to be independent, as at the date of this statement, are set out below.

Independent non-executive director	Term of office as a director (as at the date of this statement)
Ms Elizabeth Bryan (Chairman)	2 years and 4 months
Mr Ken Dean	9 months
Ms Samantha Mostyn	7 years
Mr Rob Thomas	11 years
The Hon. Mark Vaile AO	9 years

Mr David Baxby was also considered by the Board to be an independent director for the duration of the 2017 financial year and until his resignation from the Board on 10 August 2017. Mr Baxby held office as a director for 12 years and 10 months.

The Board has considered the independence of Messrs Thomas and Baxby in light of their respective tenures of more than 10 years as a director. The Board is satisfied that neither Mr Thomas' nor Mr Baxby's independence from management has been, or was, compromised by their term of office, having regard to the independence of judgment and objectivity demonstrated by them in the performance of their duties as a director.

The Chairman is an independent director and the roles of Chairman and CEO are not exercised by the same individual.

# Corporate governance statement (continued)

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## Principle 2 – Structure the Board to add value (continued)

### *Board Independence*

The Board considers that, during the 2017 financial year, it was effectively independent as independent directors held an effective majority in Board decision making at all material times during the year.

There were a number of changes to directors and the composition of the Board during the period from the beginning of the 2017 financial year until 10 August 2017.

From 1 July 2016 to 16 November 2016, the Board comprised nine directors, a majority of whom were considered by the Board to be independent.

At the Company's Annual General Meeting on 16 November 2016, Dr Chien-tsung Lu (nominated by Nanshan Group) and Mr Nang Qi (nominated by HNA) were elected by shareholders to the Board. On 1 December 2016, Mr Ken Dean (an independent director) was appointed to the Board. In the two week period between 16 November 2016 and 1 December 2016, the Board did not include a majority of independent directors. This temporary departure from recommendation 2.4 of the ASX Principles arose due to timing issues and practicalities in coordinating the appointment of an additional independent director.

From 1 December 2016 through to 10 August 2017, the Board comprised 12 directors (being six independent directors, five directors nominated by major shareholders and the Managing Director and CEO). As the Company's Constitution provides that the Chairman has a casting vote if there is an equality of votes at a meeting of directors, an effective majority in the Board decision making process was maintained by independent directors during this period.

Following the recent resignation of Mr Baxby as a director on 10 August 2017, the Board is comprised of 11 directors, with the specific composition outlined on page 5 of this statement. As part of the Board succession planning process and having regard to recommendation 2.4 of the ASX Principles (which recommends that the Board have a majority of independent directors), the Board is looking to appoint an additional independent director to increase the Board size to 12 directors.

The Board considers this intended balance of representation between independent non-executive directors and non-executive directors nominated by major shareholders to be appropriate given that approximately 90.7 per cent of the share register is held by the following major shareholders: Etihad Airways, Singapore Airlines, HNA, Nanshan Group and the Virgin Group.

Most importantly, all directors, whether independent or not, are required to bring independent judgment to bear on Board decisions. The Board considers that, fundamentally, the independence of directors is based on their capacity to put the best interests of the Company and the Company's shareholders ahead of all other interests, so that directors are capable of exercising objective independent judgment. Capacity to act independently and the skill sets and experience of individual directors to complement the collective skills and experience of the directors overall are critical criteria in candidate selection. The capacity for individual directors to add value to the Board is also very important.

When evaluating candidates, the Board has regard to the potential for conflicts of interest, whether actual or perceived, and the extent or materiality of these in the ongoing assessment of director independence. In this respect, the Board has regard to the definition of independence in the ASX Principles. The Board does not believe that the existence of one or more of the relationships in the definition will necessarily result in the relevant director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is conducted by the Board to determine whether individual directors are independent.

Additional policies, such as directors not being present during discussions or decision making on matters in which they have or could be seen to potentially have a material conflict of interest, in addition to directors being excluded from taking part in the appointment of third party service providers where the director has an interest, provide further separation and safeguards to independence. The Board has considered materiality thresholds in relation to independence, but has determined not to establish fixed thresholds, believing that, if taken in isolation and out of context, these can be misleading and inconclusive.



# Corporate governance statement (continued)

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## Principle 2 – Structure the Board to add value (continued)

### *Nomination Committee*

The Board has established a Nomination Committee which makes recommendations to the Board regarding the size and composition of the Board and the appointment and re-election of directors. The Nomination Committee has a charter which clearly states its role and responsibilities. The Nomination Committee is chaired by an independent director. Throughout the 2017 financial year, the Nomination Committee had three members who were non-executive directors, and a majority of independent directors. As a result of the resignation of Mr David Baxby (who was a member of the Nomination Committee and an independent director) on 10 August 2017, the Nomination Committee currently has two members (one of whom is the independent chair), and its composition is under review.

The names of the current members of the Nomination Committee are disclosed on page 3 of this Corporate Governance Statement.

The Nomination Committee is responsible for developing plans to identify the necessary and desirable competencies and skills of directors and succession plans to ensure there is an appropriate mix of skills, experience, expertise and diversity on the Board.

The Company believes that the size and composition of the Board is conducive to making appropriate decisions and incorporates a variety of perspectives and skills in order to represent the best interests of the Company as a whole. The Board will continue to review and consider its composition having regard to the strategic direction of the Company and the skills required on the Board to continue to provide appropriate oversight and guidance to the Company.

Where necessary, the Company utilises the services of professional advisers to identify and assess potential Board candidates.

The Nomination Committee met once in the 2017 financial year and that meeting was attended by all Committee members.

The Nomination Committee has responsibility for developing systems for induction procedures and the ongoing training and development of directors.

The Company has in place induction procedures which allow new directors to participate fully and actively in decision-making at the earliest opportunity. Directors are able to access continuing education to update and enhance their skills and knowledge and have the right of access to all relevant Company information and senior executives, including the Company Secretary, to provide them with information regarding key developments in the Company and the industry.

## Principle 3 – Act ethically and responsibly

The Group has adopted a number of policies which promote ethical and responsible decision making.

### *Code of Conduct*

The Company has a Code of Conduct which applies to all directors, employees and contractors working for the Group and formalises the Group's belief that business objectives are best achieved through acting at all times fairly, honestly and with integrity. The Code of Conduct clearly articulates what the Company regards as acceptable business practices for its directors, senior executives and employees.

The Code of Conduct applies to directors and senior executives and further reflects the commitment of the Group to ethical standards and practices. A copy of the Code of Conduct is available in the Corporate Governance section of the Company's website.

In addition to the Code of Conduct the Company also has the following policies:

- The Equal Employment Opportunity (EEO) Policy makes team members accountable for creating an environment in which all people (including team members, guests, customers and suppliers) are treated fairly and equitably and with dignity, courtesy and respect. This policy ensures that complaints and concerns of discrimination, sexual harassment, workplace bullying or victimisation are treated seriously, investigated and resolved as quickly and effectively as possible. The policy also outlines the support mechanisms that are available to assist team members to understand and, if necessary, make a complaint under the policy.
- For matters that do not fall within the scope of the EEO Policy, the Group has the A Fair Go Policy which aims to ensure that concerns within the workplace are resolved as quickly and effectively as possible.
- The Group has a Gifts Policy which clearly defines and communicates the parameters for accepting gifts. The policy outlines prohibited gifts and the approval process for accepting gifts.
- The Group has an Ethics Hotline which can be used by employees to report any conduct which may be unethical or improper. All reports to the Ethics Hotline, which is provided by an external independent provider, are able to be made confidentially and anonymously and are thoroughly investigated.
- The Group has also established a Whistle-blower Policy to ensure that employees who make a report are protected from adverse behaviour as a result of making a report.

### *Securities Trading Policy*

The Company has implemented a policy on securities trading which binds all directors and employees of the Group. The policy ensures that all directors and employees are aware of the legal restrictions on trading in the Company's securities while in possession of unpublished price-sensitive information. Directors and senior executives are required to obtain consent prior to dealing in the Company's securities.

Trading is only permitted during nominated trading windows, which are open for a four week period commencing on the first trading day after the release to ASX of the Company's half-year and full year results. A copy of the Securities Trading Policy is available in the Corporate Governance section of the Company's website.

# Corporate governance statement (continued)

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## Principle 4 – Safeguard integrity in corporate reporting

The Board has established the Audit and Risk Management Committee whose role is to assist the Board to discharge its oversight responsibilities relating to:

- the preparation, integrity and reporting of the Company's financial statements;
- the external and internal audit functions;
- internal controls, policies and procedures that the Company uses to identify and manage business risks;
- the risk policy and risk profile;
- the effectiveness of internal control systems; and
- compliance with legal, accounting and regulatory requirements and policies.

A copy of the Audit and Risk Management Committee Charter is available in the Corporate Governance section of the Company's website.

The Audit and Risk Management Committee has authority to conduct or direct any investigation required to fulfil its responsibilities, may require the attendance of members of management at Committee meetings and has direct access to any employee or contractor, the external auditor or any other independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

The Audit and Risk Management Committee reviews the half-yearly and annual financial statements and narrative reporting prior to making recommendations to the Board, and reviews with management the adequacy of accounting policies and any significant accounting and financial reporting issues raised by internal or external audit.

The Audit and Risk Management Committee recommends to the Board the appointment, rotation, evaluation and removal of the external auditor and reviews the external auditor's terms of engagement, audit fees and proposed audit plan. At least bi-annually it reviews the external auditor's independence declaration.

The Audit and Risk Management Committee has four members who are non-executive directors, a majority of independent directors and an independent chair, who is not the Chairman of the Board. The names of the directors who are currently members of the Audit and Risk Management Committee are set out on page 2 of this statement. Details of their qualifications and experience are set out on pages 8 to 10 of the Company's Annual Report 2017. Details of the number of meetings of the Audit and Risk Management Committee held during the 2017 financial year and the individual attendances of Committee members at those meetings are located on page 13 of the Company's Annual Report 2017.

### *CEO and CFO Assurance*

The CEO and the Chief Financial Officer (CFO) declare in writing to the Board that, in their opinion, the financial records of the Company for the relevant reporting period have been properly maintained and that the Company's financial statements, and the notes to those financial statements, for the reporting period comply with the Australian Accounting Standards and present a true and fair view of the financial position and performance of the Company and the consolidated entity.

The CEO and the CFO also declare in writing to the Board that this opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

These declarations are provided by the CEO and CFO to the Board when the half year and full year financial reports are provided to the Board for approval.

In providing these declarations, the CEO and CFO have regard to assurances (in the form of detailed checklists) completed by other members of senior management in relation to the operation of financial controls and internal controls during the reporting period.

Monthly actual results are reported against budgets approved by the Board and revised forecasts for the year are prepared periodically.

### *Attendance of the External Auditor at the Annual General Meeting*

A representative of the Company's external auditor, KPMG, attends the annual general meeting. Shareholders present at the meeting are given a reasonable opportunity to ask the auditor's representative questions relevant to the conduct of the audit, the preparation and content of the independent auditor's report for the previous financial year, the accounting policies adopted by the Company in relation to the preparation of the financial statements contained in the financial report for that year, and the independence of the auditor in relation to the conduct of the audit. Shareholders may also submit written questions to the auditor relating to the content of the auditor's report or the conduct of the audit which must be received by the Company no later than five business days before the meeting. The auditor's representative will be given a reasonable opportunity to answer any such written questions at the annual general meeting.

## Principle 5 – Make timely and balanced disclosure

The Company's commitment to providing the market with timely and balanced disclosure is embodied in its Continuous Disclosure Policy, which contains policies and procedures designed to ensure accountability at all levels for compliance with disclosure obligations. The policy addresses the Company's responsibility to ensure its market announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website.

# Corporate governance statement (continued)

## Principle 6 – Respect the rights of security holders

Virgin Australia has an internal Investor Relations (IR) function and its objectives are to:

- ensure the market is kept informed (as required under ASX Listing Rules) about VAH's position, operations, strategy and outlook;
- maintain communications and credibility with investors, analysts, shareholders, regulatory bodies and business partners;
- inform management and the Board about developments in financial markets and perceptions of investors and analysts; and
- ensure consistency and relevance of market communications.

The Virgin Australia IR program includes a combination of scheduled and strategy driven activities shown below.



Scheduled activities consist of both external and internal reporting. External reporting includes half-year and full year results announcements and the annual report, whereas internal reporting includes Board and management reporting, regular market/shareholder activity reporting and competitive analysis and benchmarking.

Strategy driven activities support scheduled activities and are aimed at further developing relationships and communications with the market.

All relevant corporate governance information can be accessed via the Virgin Australia website. Copies of the Company's Constitution, Board Charter, Board Committee Charters and Company policies are available in the Corporate Governance section of the Company's website.

The Company's full year and half-year financial reports, annual reports, notice of annual general meeting, announcements to the market, media releases and investor briefing presentations are available through the Company's website. Commentary on the Company's financial results is provided to enhance the clarity and balance of reporting and to ensure that investors are provided with information to assist them in making an informed assessment of the Company's activities and results.

Shareholders who request a hard copy of the annual report will have one provided to them (free of charge), and shareholders may lodge their proxy votes online or by mail. The Company makes its annual general meeting available via webcast on its website.

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically.

A copy of the Shareholder Communications Policy is available in the Corporate Governance section of the Company's website.

## Principle 7 – Recognise and manage risk

### *Risk management system*

It is the role of the Board to set the risk appetite and ensure that the Company's risk management systems are both in place and effective. To discharge that responsibility, the Board, with the assistance of its Audit and Risk Management Committee and Safety and Operational Risk Review Committee, continues to review and enhance the systems of risk management and oversight that cover the key strategic, financial, commercial, safety, security, operational and compliance risks of the Group.

Further information concerning the Audit and Risk Management Committee is set out on pages 2 and 9 of this statement.

# Corporate governance statement (continued)

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## Principle 7 – Recognise and manage risk (continued)

### *Safety and Operational Risk Review Committee*

The Board has established a Safety and Operational Risk Review Committee whose role is to assist the Board to discharge its oversight responsibilities relating to:

- operational safety, health and security risks;
- maintaining best practice in operational safety management, including compliance with legal and regulatory obligations and internal systems of control;
- reviewing the establishment and operation of operational risk management systems;
- monitoring operational risk management processes maintained by providers and codeshare partners; and
- monitoring serious investigations and remedial actions.

The Safety and Operational Risk Review Committee has three members, all of whom are independent directors (including the chair). The Committee has appointed an external advisor to assist in undertaking its responsibilities.

The names of the directors who are currently members of the Safety and Operational Risk Review Committee are set out on page 3 of this statement. Details of their qualifications and experience are set out on pages 8 to 10 of the Annual Report 2017. Details of the number of meetings of the Safety and Operational Risk Review Committee held during the 2017 financial year and the individual attendances of Committee members at those meetings are located on page 13 of the Company's Annual Report 2017.

A copy of the Safety and Operational Risk Review Committee Charter is available in the Corporate Governance section of the Company's website.

### *Risk Management Framework*

The Risk Management Framework guides the identification and management of risks to support the achievement of business objectives and the fulfilment of corporate governance obligations. The Framework is aligned to the Australian/ New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines).

The Risk Management Framework is reviewed annually by the Audit and Risk Management Committee to ensure it continues to be sound. The Framework was reviewed by the Audit and Risk Management Committee for the 2017 financial year. The Risk Management Policy, Standard and Matrix which are contained in the Framework are dynamic documents that evolve with changes in the strategic direction of the Company. A copy of the Risk Management Policy is available in the Corporate Governance section of the Company's website.

Risk management forms an integral part of all decision making and, as such, is embedded into the Company's existing processes. Awareness of, and compliance with, safety, security and other regulation and legislation is also critical to the ongoing sustainability of the business. To this end, teams have been established to coordinate risk management within the Group and to assist each department in undertaking its own risk assessments, tracking and monitoring progress on the implementation of risk action plans and the facilitation of risk reporting to the Group Executive Committee and the Board.

### *Internal audit*

The Group's internal audit function assists the Board by providing independent, objective assurance and consulting services that are designed to improve the effectiveness of the Company's risk management, control and governance processes. It also partners with management to add value by assisting in the achievement of both strategic and operational objectives.

The Audit and Risk Management Committee is responsible for recommending to the Board the appointment or removal of the Head of Internal Audit, who has a direct reporting line to the chair of the Committee to bring the requisite degree of independence and objectivity to the role.

The internal audit plan details the program of audits to be conducted each financial year, is risk-based to align the assurance activities to the key business risks and is approved by the Audit and Risk Management Committee. Audit findings and the implementation of management's action plans in response are reported periodically to the Audit and Risk Management Committee, also assesses the objectivity, independence and performance of the internal audit function.

### *Material Exposures*

An overview of significant risks and uncertainties to which the Group is exposed in operating in the domestic and international aviation industry is provided on page 21 of the Company's Annual Report 2017. Further information on the Group's exposure to financial risks (including market risk, credit risk and liquidity risk), and the instruments it uses to manage these risk exposures, is set out in note E7 to the Company's consolidated financial statements for the 2017 financial year (commencing on page 78 of the Company's Annual Report 2017).

### *Environmental regulation*

The Group's operations are subject to carbon emissions reporting, noise restrictions and other similar environmental regulations. The directors believe that the Group has adequate systems in place to appropriately manage the Group's environmental impacts and reporting requirements.

### *Sustainability*

Further information about the Group's approach to sustainability can be found on the Company's website at [www.virginaustralia.com/au/en/about-us/sustainability](http://www.virginaustralia.com/au/en/about-us/sustainability). The information provided there includes the Company's most recent annual Sustainability Report (which is accessible via the Reporting link).

# Corporate governance statement (continued)

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## Principle 8 – Remunerate fairly and responsibly

### *Remuneration Committee*

The Board has established a Remuneration Committee which is responsible for determining and agreeing with the Board a framework and broad policy for remuneration. It advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages, incentives and other terms of employment for non-executive directors, the CEO and senior executives. A copy of the Remuneration Committee Charter is available in the Corporate Governance section of the Company's website.

The Remuneration Committee on behalf of the Board may independently seek any information it requires from any employee in order to perform its duties and may appoint remuneration consultants or other advisers as appropriate at the Company's expense. The Committee ensures, through strong governance procedures, that no employee is directly involved in determining their own remuneration mix and quantum.

The Remuneration Committee has five members who are non-executive directors, an independent chair and a majority of independent directors. The names of the current members of the Remuneration Committee are set out on page 2 of this statement. Details of the number of meetings of the Remuneration Committee held during the 2017 financial year and the individual attendances of Committee members at those meetings are disclosed on page 13 of the Company's Annual Report 2017.

### *Remuneration structure*

The Group aims to set executive remuneration competitively against a peer group of companies, considering the size and nature of an individual's role as well as performance in the role. The mix of remuneration, between fixed and variable components, is designed to align with Group strategy, business objectives and regulatory requirements.

Non-executive directors are remunerated by way of fees and are not eligible to participate in schemes designed for the compensation of executives. They do not receive options or incentive payments and are not provided with retirement benefits other than statutory superannuation.

Further details of the remuneration of directors and other key management personnel can be found in the Remuneration Report on pages 22 to 39 of the Company's Annual Report 2017.

### *Prohibition against use of margin loans and hedging arrangements*

The Securities Trading Policy prohibits short-term trading and hedging economic exposure to unvested options issued pursuant to an employee option plan. Directors and the CEO are prohibited from obtaining margin loans using the Company's securities as security for loans.