

## Corporate Governance Statement

The Board of Pinnacle Investment Management Group Limited (the **Company**) is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board has adopted a comprehensive framework of Corporate Governance guidelines, designed to balance performance and conformance.

The corporate governance arrangements are consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 3rd edition (ASX Principles)*, except where indicated.

The Company's policies, charters and codes referred to in this document are provided in the Shareholders section on the Company's website at [www.pinnacleinvestment.com](http://www.pinnacleinvestment.com) (**Company's website**).

The Company and its wholly owned subsidiaries are referred to as the **Group**.

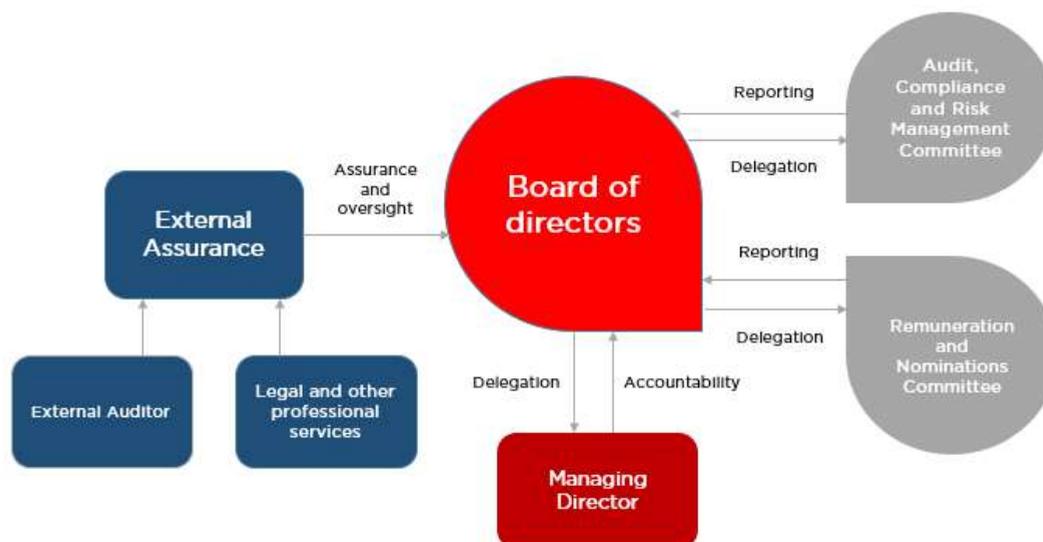
### Introduction

This Corporate Governance Statement, which has been approved by the Board, describes the Company's corporate governance practices and framework in place.

## 1 Foundations for Management and Oversight

The relationships between the Board, the Managing Director and senior management of the Company are critical to the Group's long term success.

The Group's governance framework can be represented diagrammatically as follows:



### 1.1 Responsibilities of the Board

The responsibilities of the Board include:

- > approving corporate strategy and performance objectives;
- > approving the Group's budget and financial statements and monitoring financial performance against forecasts;

- > determining dividend policy and the amount and timing of any dividends;
- > capital management, including the issuing or cancellation of new securities;
- > oversight of the Group's overall significant risks, including its risk management, internal compliance, control and accountability systems;
- > approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- > oversight of the overall corporate governance of the Group;
- > oversight of the Board's committees;
- > maintaining an ongoing dialogue with the Group's Auditors and, where appropriate, principal regulators, to provide reasonable assurance of compliance with all regulatory requirements;
- > considering the social, ethical and environmental impact of the Group's activities and monitoring sustainability practices;
- > on the recommendation of the Audit, Compliance and Risk Management Committee, selecting, appointing and terminating the external auditor (including associated recommendations to shareholders for approval);
- > reviewing and approving Non-executive directors' Board and committee fees, subject to the Board fee pool approved by shareholders;
- > selecting, appointing and determining terms of appointment of the Managing Director;
- > determining the corporate goals and objectives relevant to the remuneration of the Managing Director and evaluating the performance of the Managing Director in light of these objectives;
- > reviewing succession plans for the Managing Director and senior executives;
- > considering and approving the Group's remuneration policy.

The Chairman is responsible for leading the Board and ensuring that it functions efficiently and effectively. The Board Charter provides that the Chairman should be independent and should not have been the Managing Director of the Company at any time in the previous three years. The Chairman's role includes:

- > working with the Board and Managing Director to grow the sustainable per share value of the business and to be accountable to shareholders;
- > ensuring that the Board meets regularly, functions effectively and efficiently and providing leadership in relation to all aspects of the business of the Board;
- > taking a leading role in determining the structure and composition of the Board and to oversee the induction and development of directors;
- > taking the chair at meetings, determining the order of the agenda, ensuring that the board receives accurate, timely and clear information, directing discussions towards the emergence of a consensus view and ensuring accurate minutes are maintained;

- > representing the Group (together with the Managing Director as appropriate) to the public and all stakeholders;
- > regularly reviewing the contribution of the members of the Board and ensuring all directors are involved in the Board's work and decision making process;
- > monitoring the performance of, and to mentor, advise and support, the Managing Director;
- > ensuring that the Managing Director has in place a high quality executive management team; and
- > communicating regularly with the Managing Director and the Company Secretary to ensure that the Board is properly and fully informed on all matters relevant to the operations of the Group.

Under the terms of the Board Charter, the Board has delegated the development of strategic objectives for the business and the achievement of the planned results for the Group to the Managing Director. Management of the Group's day to day operations is undertaken by the Managing Director, subject to specified financial limits of delegated authority approved by the Board.

Any powers not specifically reserved to the Board are deemed to have been delegated to the Managing Director. The Managing Director's role includes the matters identified below:

- > directing the business for the purpose of growing shareholder value;
- > proposing strategy for endorsement by the Board;
- > preparing business plans and reporting against these;
- > responsibility for the day to day operations of the Group;
- > ensuring the Board is kept abreast of the major matters affecting the business;
- > ensuring that the reporting systems set by the Board are complied with;
- > attracting, retaining and developing staff;
- > developing and maintaining investor relations and major client relationships;
- > working to achieve superior client outcomes versus benchmarks;
- > leading key recruitment initiatives;
- > implementing the Board's diversity policy; and
- > in conjunction with senior executives, reviewing operations of the business, staff engagement, financial performance and management, strategy implementation, client service, systems and processes.

## **1.2 Election and selection of new directors**

Under the Company's constitution, all directors must retire from office (and may seek re-election) no later than the third annual general meeting following their last election. When a director stands for election or re-election, the Board provides shareholders with information in relation to a director's biographical details, qualifications, skills and experience, as well as details of any other directorships or material interests they hold. The Board provides its recommendation in relation to any proposed re-election of a director in the notice of meeting that is sent to shareholders.

Prospective candidates for election to the Board are reviewed by the Remuneration and Nominations Committee. The Remuneration and Nominations Committee considers the experience, skills, gender and background of the candidates and the requirements of the Board, to ensure the Board's overall composition enables it to discharge its responsibilities and lead the Company effectively.

## **1.3 Service agreements**

All directors and senior executives have a written agreement with the Company setting out the terms of their appointment.

## **1.4 Company Secretary**

The Company Secretary is appointed by the Board. The Company Secretary attends Board and Board Committee meetings and is responsible for providing the Board with advice on legal and corporate governance issues. The Company Secretary is responsible for the operation of the secretariat function, including implementing the Company's governance framework and, in conjunction with the Managing Director, giving practical effect to the Board's decisions. The Company Secretary is accountable to the Board through the Chairman, on all matters to do with the proper functioning of the Board.

## **1.5 Diversity**

The Company recognises the need to attract and retain the very best people to meet its objectives. The Company recognises the added benefits of a diverse group of employees reflecting different backgrounds, perspectives, styles, knowledge, experience and abilities.

The strategic advantage that comes from incorporating a wide variety of capabilities, ideas and insights will deliver improved:

- > diversity of thought, creativity, innovation and problem solving;
- > diligence in decision making and risk management;
- > ability to interact with clients including the ability to anticipate their needs;
- > staff morale, engagement, retention and productivity; and
- > access to a broader external pool of talent.

Accordingly, the Company is committed to workplace diversity which includes recruiting and retaining people with, but not limited to, diverse gender, age, ethnicity and cultural backgrounds. The Company has a framework to facilitate meeting its diversity, including gender diversity, objectives. The overarching principles are to recruit and retain:

- > an appropriately diverse and skilled workforce and Board, appointed on merit, which will support the achievement of the business's objectives;

- > a corporate culture characterised by inclusive practices and behaviours for the benefit of all employees and directors; and
- > a work environment that values and utilises the contributions of employees and directors with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity.

The Company has determined the following initiatives to assist with the achievement of the Company's workplace diversity objectives:

- > equal opportunity recruitment process that draws a diverse pool of candidates for all positions, including Board and senior management appointments;
- > flexible work arrangements to assist employees to balance their work, personal and family responsibilities;
- > applying the principal of equality when setting salaries of all employees;
- > applying the principal of equality when considering internal promotions; and
- > comprehensive employee behaviour and grievance resolution policy including equal opportunity, harassment, bullying, vilification, victimisation, whistleblowing and grievance resolution.

The measurable objectives relating to gender diversity as at the date of this report were as follows:

- > Board – target of a minimum of two female directors on the Board. During the period, Ms Deborah Beale joined the Board of the Company. Details of Ms Beale's qualifications and experience are contained in the Directors' Profiles section within the Annual Report. The Board currently comprises seven members.
- > Senior Executives (defined as employees earning in excess of \$200,000 a year on a full time equivalent basis) – we have now set a target of 25% of Senior Executives to consist of women. As at the date of this report, of the thirteen people who were Senior Executives in the Group, three were women, which represents 23% of the total Senior Executive complement. As at 29 August 2016, two of the thirteen Senior Executives, or 15%, were women.

The representation of women across the group as at the date of this report was 33% including non executive directors.

## **1.6 Review of Board and director performance**

During the 2017 financial year, the Board conducted a self-assessment process to review performance and no governance changes have been made as a result of the review.

### **Review of senior executive performance**

In the 2017 financial year, senior executives' performance was monitored and reviewed through a combination of written and verbal appraisals held throughout the year by the Managing Director.

## 2 Structure of the Board

### 2.1 Remuneration and Nominations Committee

Following the constitution of the new Board on 1 September 2016, the Remuneration and Nominations Committee has been comprised of the Company's four non-executive directors (three of whom are considered independent) with the Chairman of the Board acting as the independent Chair to the Committee.

During the 2017 financial year, the Remuneration and Nominations Committee met on 3 occasions with all members attending each meeting.

The role of the Remuneration and Nominations Committee includes:

- > reviewing and making recommendations in relation to the Group's remuneration policies and practices to ensure that the Group:
  - provides a competitive and flexible remuneration structure which reflects market practice, is tailored to the circumstances of the Group and which attracts, motivates and retains highly skilled directors, executives and employees;
  - fairly and responsibly rewards employees for the services they provide to the Group and does so in a way that is consistent, transparent and equitable;
  - recognises categories of financial and non-financial performance indicators against which directors, executives and employees will be measured;
  - aligns the interests of employees and shareholders by linking reward to the creation of shareholder value and motivating employees to perform in the best interests of shareholders;
  - adopts an appropriate balance between fixed remuneration, short term incentives and long term incentives, reflecting the short and longer term strategies of the Group;
  - limits payments on termination to the amounts required by law or pre-agreed contractual arrangement (as applicable) and which do not commit the Group to making payments in the event of non-performance;
- > reviewing executive remuneration and incentives and making recommendations to the Board in relation to share option schemes and equity participation plans;
- > setting the terms and conditions of the employment of the Managing Director, advising the Board on the Managing Director's remuneration package, reviewing the performance of the Managing Director at least annually including progress made towards achieving the Group's strategic goals;
- > reviewing the remuneration of non-executive directors for serving on the Board or any committee (both individually and in total) and recommending to the Board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests;
- > setting the entitlements and expenses policy for the Chairman, non-executive directors and the Managing Director;

- > ensuring the Group's remuneration policies and practices comply with the provisions of the ASX Listing Rules, the ASX Principles and the Corporations Act;
- > overseeing the preparation of any reports required by law or the ASX Listing Rules or requested by the Board, including relevant remuneration sections of the annual report and other shareholder documents;
- > recommending and providing relevant assurances through the Audit, Compliance and Risk Management Committee to the Board for approval of the remuneration report to be included in the annual directors' report;
- > facilitating the review of individual director's performance and of the Board annually;
- > making recommendations to the Board regarding appointing new directors and to the extent delegated to it by the Board, the Managing Director;
- > identifying individuals who, by virtue of their experience, expertise, skills, qualifications, backgrounds, contacts or other qualities, are suitable candidates for appointment to the Board or to any relevant management position and recommending individuals accordingly for consideration by the Board;
- > establishing procedures, for recommendation to the Chairman, for the proper oversight of the Board and management;
- > preparing, recommending for approval by the Board and overseeing the implementation of a diversity policy; and
- > on an annual basis, reviewing the proportion of women who are employed by the Company as a whole, in senior management positions and who are on the Board, and submitting a report to the Board outlining its findings.

An external consultant or advisor may be engaged where it is considered appropriate to assist the Remuneration and Nominations Committee to identify and select candidates with the desired skills and experience and to add diversity to the Board.

The Remuneration and Nomination Committee does not have responsibility for, or oversight of, remuneration arrangements for Pinnacle's affiliated investment managers (**Pinnacle Affiliates**) which are the responsibility of the respective boards of each Pinnacle Affiliate and which are often agreed contractually when a Pinnacle Affiliate is established.

Further details of the remuneration arrangements in place for non-executive directors and Key Management Personnel are set out in the Annual Report.

The Charter for the Remuneration and Nominations Committee appears separately on the Company's website.

## **2.2 Board skills matrix**

The experience, qualifications and skills of the Board comprises and should include expertise in the following areas relevant to the Group:

- > Funds management
- > Financial services

- > Mergers and acquisitions
- > Capital markets
- > Business analysis
- > Remuneration models
- > Risk and compliance
- > Accounting
- > Marketing and distribution
- > Media
- > Investor relations

### **2.3 Independence and Length of Service**

The composition of the Board and the biographies of its directors, including their experience, expertise, qualifications, term of office and independence status, are set in the 2017 Annual Report.

The Board has adopted the test of director independence set out in Box 2.3 of the ASX Principles. Having regard to this definition, the Board considers a director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with a director's ability to act in the best interests of the Company. The Board has not adopted any quantitative thresholds in relation to dealing with entities in which a director may have a financial interest and instead performs assessments on a case by case basis. At 30 June 2017, Steven Wilson and Ian Macoun both have a substantial holding in the issued shares of the Company.

Consistent with obligations imposed by the Corporations Act 2001 and the ASX Listing Rules, directors are required to declare any conflicts of interest and, where deemed necessary, do not participate in any discussions or any decisions which relate to the conflict. The Board regularly assesses the independence of the non-executive directors based on their disclosure of interests and the principles set out in Box 2.3 of the ASX Principles. As at the date of this report:

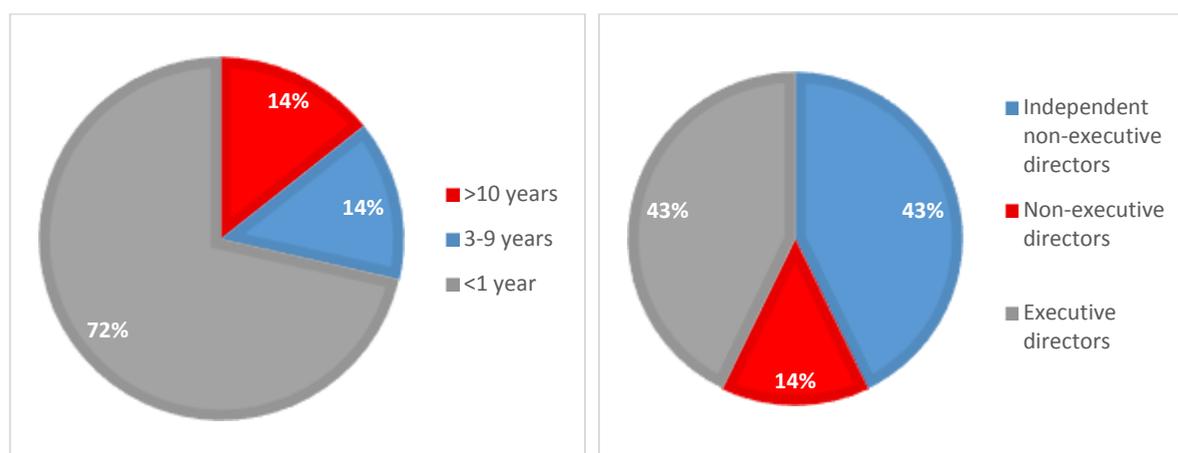
- > Alan Watson is the independent non-executive Chairman
- > Deborah Beale and Gerard Bradley are independent non-executive directors
- > Steve Wilson is not considered independent as he has a substantial shareholding in the Company's securities and previously held executive roles with the Group
- > Ian Macoun, Andrew Chambers and Adrian Whittingham are executive directors.

### **2.4 Balance of Independent and Non-Independent Directors**

The composition of the Board is guided by the Company's constitution and the relevant provisions of the Board Charter, which require the Board to be between three and 10 directors comprised of at least half non-executive directors and at least two independent directors (as defined in the ASX Principles) having a mix of complementary skills and experience from a diverse range of backgrounds, including gender.

As at the date of this report, the Board comprised seven directors, four of whom are non-executive directors, of which three including the Chairman are considered independent as described at paragraph 2.3 above.

The charts below show the current lengths of tenure of directors and the balance between independent non-executive directors, non-executive directors and executive directors as at the date of this report:



## 2.5 Separate roles of Chairman and Managing Director

During the 2017 financial year, the roles of Chairman and Managing Director of the Company were held by separate directors.

The non-executive directors meet regularly, without the Managing Director or management present, to discuss the operation of the Board and other matters. Relevant matters arising from these meetings are tabled with the full Board at the following Board meeting.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Group's expense.

## 2.6 Induction of new directors

Orientation programs are in place for all newly appointed directors.

Directors are encouraged to continue their education by attending external training and education sessions that keep directors informed of relevant regulatory and market developments and ensure that each director is well placed to effectively discharge his or her responsibilities.

## 3 Ethical and Responsible Decision Making

The Company has a Code of Conduct which applies to all directors, employees, contractors and consultants of the Company and its related bodies corporate. The Code of Conduct is reviewed regularly. The Code of Conduct requires that directors, employees, consultants and contractors:

- > be faithful and diligent, and actively pursue the Group's best interests and at all times maintain reasonable ethical, professional and technical standards;
- > devote the whole of their time, attention and skill during normal working hours and at other times as reasonably necessary to their duties;

- > do not act in conflict with the best interests of the Group;
- > do not compete with the Group;
- > do not, in performing their duties, accept any financial or other benefit except from the Group;
- > do not conduct themselves in a manner, whether during or after work hours, causes damage or potential damage to the Group's property or reputation;
- > do not use the Group's assets or confidential information for improper purposes;
- > do not use technology or social media at their workplace for excessive personal use or to view or distribute offensive or illegal material;
- > do not unlawfully discriminate against, or sexually harass, another person.

A copy of the Code of Conduct is available separately on the Company's website.

## 4 Integrity in Financial Reporting

### 4.1 Audit, Compliance and Risk Management Committee

Following the constitution of the new Board on 1 September 2016, the Audit, Compliance and Risk Management Committee has been comprised of the four non-executive directors of the Board, three of whom are considered independent, and had an independent Chair in Gerard Bradley.

The role of the Audit Compliance and Risk Management Committee is to:

- > approving and monitoring the establishment of an appropriate internal compliance and risk framework;
- > approving and overseeing capital management and treasury policy proposed by management;
- > overseeing business continuity planning;
- > reviewing reports on any material defalcations, frauds and thefts from the Group;
- > reviewing reports on the adequacy of insurance coverage;
- > monitoring compliance with relevant legislative and regulatory requirements, including state and federal taxation requirements;
- > reviewing significant transactions which are not a normal part of the Group's business;
- > reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;
- > liaising with the external auditors and ensuring that the annual audit and half yearly review are conducted in an effective manner that is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- > reviewing management processes supporting external reporting;

- > reviewing the significant accounting and financial reporting issues and judgements, including complex or unusual transactions made in connection with the preparation of the Company's financial statements, interim reports, preliminary announcements and related formal statements;
- > reviewing the disclosures in the financial statements;
- > reviewing recent regulatory and professional pronouncements and understanding their impact on the financial statements, as advised by the Chief Financial Officer;
- > making recommendations to the Board in relation to the adoption and approval of the Company's financial statements and other financial information distributed externally;
- > reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- > reviewing and monitoring the Group's Code of Conduct.

The responsibilities of the Audit, Compliance and Risk Management Committee apply only to the Group and its controlled entities. The Audit Compliance and Risk Management Committee does not perform any function in respect of entities where the Company does not have the capacity to determine the outcome of decisions in relation to financial and operating policies. These entities include the Pinnacle Affiliates, the boards of which are responsible for audit, compliance and risk oversight.

During the 2017 financial year, the Audit Compliance and Risk Management Committee met 4 times with all members attending.

Further details of the Audit Compliance and Risk Management Committee's role are set out in the Audit Compliance and Risk Management Committee charter which is available on the Company's website.

#### **4.2 Senior Management Assurance**

For the year ended 30 June 2017, the Board has received the appropriate reports and assurances from the chief executive officer (Mr Ian Macoun) and chief financial officer (Mr Alex Ihlenfeldt) in respect of the 2017 financial statements and the effectiveness of the Company's management of its material business risks. The Board has received written certification from the chief executive officer and the chief financial officer that, in relation to the Company's financial reporting processes, the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### **4.3 Participation of External Auditors**

The performance of the external auditor is reviewed annually. PricewaterhouseCoopers (appointed in 2002) is the Group's auditor. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years. The last rotation occurred in the 2014 financial year.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the 2017 Annual Report. The external auditors provide a declaration of their independence to the Audit Compliance and Risk Management Committee.

The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## 5 Continuous Disclosure

The Company is committed to giving all shareholders timely and equal access to information concerning the Company. The Company's Continuous Disclosure Policy is available on the Company's website.

The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each meeting of the Board. The Board has appointed the Group Disclosure Officers to assist it in meeting these obligations. The Board has specific responsibility for disclosure in relation to the following matters:

- > financial results;
- > dividends;
- > result outlooks, including a material upgrade or downgrade to the Group's expected results;
- > a material change to an Affiliate which the board considers to be market sensitive information;
- > resignations and appointments of directors and key personnel;
- > material changes to employment, service and consultancy agreements with the Managing Director and any director; and
- > key strategic decisions.

All information disclosed to the ASX is made available via the Company's website. This includes ASX announcements, annual reports and half-year reports, notice of members' meetings, briefings by the Managing Director, media releases and material presented at investor, media and analyst briefings.

## 6 Respecting the Rights of Shareholders

### 6.1 Publication of Information

The Group strives to ensure that Company announcements are made in a manner which is factual, timely, clear and objective, so as not to omit any information material to decisions of shareholders and potential investors in the Company.

Information concerning the Company and the Group, including copies of announcements made through the ASX, investor presentations and the annual report and half yearly report, is made available to shareholders and prospective investors in the Company via the Company's website.

### 6.2 Investor Relations Program

The Group's investor relations are the responsibility of the Managing Director, in conjunction with the Chairman as appropriate.

### 6.3 Participation of shareholders at meetings

The Board promotes effective communication with shareholders and encourages their participation at general meetings, and in particular the annual general meeting. The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. The Board has adopted, as part of its Board Charter, procedures to assist the Company to deliver effective shareholder communication.

Shareholder participation is encouraged as follows:

- > The annual report is distributed to all shareholders according to their stated or inferred preferences;
- > Proposed major changes in the Group which may impact on share ownership rights and the removal and appointment of directors are submitted to a vote of shareholders at a general meeting;
- > The external auditors attend the annual general meeting and are available to answer questions from shareholders on the conduct of the audit and the preparation and content of the audit report;
- > The half yearly report contains summarised financial information and a review of the operations of the Group during the period.

#### **6.4 Electronic communications**

The Company has a continuing commitment to electronic communication with shareholders and stakeholders generally including via its website. Shareholders may elect to receive information from the Company's share registry electronically. Electronic on-line voting is made available for shareholders both for annual general meetings and extraordinary general meetings.

## **7 Recognising and Managing Risk**

### **7.1 Risk Management Committee**

The Audit, Compliance and Risk Management Committee is responsible for overseeing and managing risk. Information about the composition and role of this committee has been provided at paragraph 4.1 above.

### **7.2 Annual review of Risk Management Framework**

During the 2017 financial year, and following the PIML Acquisition, the risk framework for the Company and its wholly owned subsidiaries was reviewed and updated. The effectiveness of the risk framework, the risks facing the Company and the risk action plans in place to mitigate those risks is a standing agenda item for the Audit, Compliance and Risk Management Committee.

Risk management for the Pinnacle Affiliates is the responsibility of the boards of each respective Pinnacle Affiliate.

### **7.3 Internal Audit**

During the 2017 financial year, the Group did not have an internal audit function. Instead:

- > the Company's internal compliance function was responsible for monitoring internal process and ensuring regulatory compliance;
- > external audit services were engaged in respect of financial reporting.

In addition to the regular risk monitoring and reporting to the Audit Compliance and Risk Management Committee, the Board receives regular updates from management on the key risk areas of the Group. The Board also receives periodic written assurances from the Managing Director and the Chief Financial Officer that the information they provide to the Board with regard to the integrity of the financial statements is based on a robust and appropriate system of risk management and internal control and that this system is operating effectively in relation to financial reporting risks.

## **7.4 Economic, Environmental and Social Sustainability Risks**

The Company's exposure to economic sustainability risks is the most material risk that it faces. It is also the risk of which the Board is most mindful with consideration of the economic environment in which the Company operates being an ongoing part of strategic thinking.

The Company's operations do not expose it to any material environmental risks, nor does it operate in any industry where it has the potential to damage ecosystems. However, the Company may have an indirect exposure to environmental risks if the Pinnacle Affiliates have a material investment exposure to some industries. The responsibility for monitoring such exposures belongs to their respective investment committees or boards.

The Company's exposure to social sustainability risks are managed through its internal policies and practices in relation to workplace conduct, whistle blower procedures, use of technology and social media, dispute resolution and management of client confidential data.

## **8 Fair and Responsible Remuneration**

### **8.1 Remuneration Committee**

The Remuneration and Nominations Committee is responsible for overseeing remuneration for the Company and its wholly owned subsidiaries. Relevant information is provided at paragraph 2.1 above.

### **8.2 Remuneration Policies and Practices**

Remuneration arrangements, policies and practices for non-executive directors, executive directors and senior executives are disclosed in the Group's remuneration report in the Annual Report.

There are no schemes in place for retirement benefits for non-executive directors, other than superannuation.

The Group's LTI arrangements require Senior Executives to remain with the Group over a period of time to receive the full benefit of these arrangements. In particular, if a Senior Executive resigns or is terminated for cause before prescribed service terms, the benefit of their equity awards is forfeited. These mechanisms serve to discourage Senior Executives from departing the Group and reduce the risk of the Company losing key staff members.

### **8.3 'At Risk' Remuneration**

The Company prohibits staff members (including Key Management Personnel) who are participants in equity based remuneration and LTI schemes from taking derivative positions or otherwise limiting their economic risk in respect of their participation in the scheme. Further information on LTI is set out in the remuneration report in the Annual Report.

## Summary

The Group's compliance with the ASX Principles during the 2017 financial year is summarised in the table below:

	ASX Principle	Comply / Non Comply	Section
<b>Principle 1:</b>	<b>Lay solid foundations for management and oversight</b>		
Recommendation 1.1	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of the board, the chair and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	Comply	1.1
Recommendation 1.2	A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>	Comply	1.2
Recommendation 1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Comply	1.3
Recommendation 1.4	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	Comply	1.4
Recommendation 1.5	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for 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;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</li> </ul>	Comply	1.5

	<p>(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</p> <p>(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.</p>		
Recommendation 1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Comply	1.6
Recommendation 1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Comply	1.7
<b>Principle 2</b>	<b>Structure the Board to add value</b>		
Recommendation 2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p>	Comply	2.1

	meetings;  (b) or, 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, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.		
Recommendation 2.2	A listed entity should have and disclose a statement as to the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Comply	2.2
Recommendation 2.3	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.	Comply	2.3
Recommendation 2.4	A majority of the board of a listed entity should be independent directors.	Non-Comply	2.4
Recommendation 2.5	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.	Comply	2.5
Recommendation 2.6	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.	Comply	2.6
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>		
Recommendation 3.1	A listed entity should:  (a) have a code of conduct for its directors, senior executives and employees; and  (b) disclose that code or a summary of it.	Comply	3

Principle 4	Safeguard integrity in financial reporting		
Recommendation 4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(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</li> </ol> <p>(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.</p>	Comply	4.1
Recommendation 4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity 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 entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Comply	4.2
Recommendation 4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Comply	4.3

<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>		
Recommendation 5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	Comply	5
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>		
Recommendation 6.1	A listed entity should provide information about itself and its governance to investors via its website.	Comply	6.1
Recommendation 6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Comply	6.2
Recommendation 6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Comply	6.3
Recommendation 6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Comply	6.4
<b>Principle 7</b>	<b>Recognise and manage risk</b>		
Recommendation 7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(b) if it does not have a committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's</p>	Comply	7.1

	risk management framework.		
Recommendation 7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>	Comply	7.2
Recommendation 7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Comply	7.3
Recommendation 7.4	A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks.	Comply	7.4
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
Recommendation 8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for</p>	Comply	8.1

	setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
Recommendation 8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Comply	8.2
Recommendation 8.3	A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> <li>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	Comply	8.3