



## Pinnacle Investment Management Group Limited

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### Board Charter Audit, Compliance and Risk Management Committee Charter Remuneration and Nominations Committee Charter

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#### Document Control

<b>Owner</b>	Company Secretary
<b>Approval</b>	PNI Board
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## 1 BOARD CHARTER

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### 1.1 Introduction

This charter sets out the role, responsibilities, structure and processes of Pinnacle Investment Management Group Limited's (**Company**) board of directors (**Board**). This charter is in addition to matters required by law, the ASX Listing Rules and the Company's constitution.

### 1.2 Guiding principle

The Board will, in carrying out its function and exercising its powers, at all times:

- (a) act honestly, conscientiously and fairly;
- (b) in accordance with the duties and obligations imposed on it by the Company's constitution and the law; and
- (c) have due regard to the Company's corporate responsibility objectives, the importance of the Company's relationships with all its stakeholders and the communities and environments in which it operates.

### 1.3 Role

The Board's role is to:

- (a) provide leadership, strategic guidance and set financial targets for the Company and its wholly owned subsidiaries (**Group**);
- (b) monitor the implementation and execution by management of strategy and of performance against financial targets;
- (c) appoint and oversee the performance of the Chairman and Managing Director; and
- (d) be accountable to shareholders for the performance of the Group.

In fulfilling its role, the Board is committed to excellence in governance standards.

### 1.4 Responsibilities

The key responsibilities of the Board are:

- (a) approving corporate strategy and performance objectives;
- (b) approving the Group's budget and financial statements and monitoring financial performance against forecasts;
- (c) determining dividend policy and the amount and timing of any dividends;
- (d) capital management, including the issuing or cancellation of new securities;
- (e) oversight of the Group's overall significant risks, including its risk management, internal compliance, control and accountability systems;
- (f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (g) oversight of the overall corporate governance of the Group;
- (h) oversight of the Board's committees;
- (i) maintaining an ongoing dialogue with the Group's auditors and, where appropriate, principal regulators, to provide reasonable assurance of compliance with all regulatory requirements;

- (j) considering the social, ethical and environmental impact of the Group's activities and monitoring sustainability practices;
- (k) on the recommendation of the ACRMC, selecting, appointing and terminating the external auditor (including associated recommendations to shareholders for approval);
- (l) reviewing and approving non-executive directors' Board and committee fees, subject to the Board fee pool being approved by shareholders;
- (m) selecting, appointing and determining terms of appointment of the Managing Director;
- (n) 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;
- (o) reviewing succession plans for the Managing Director and senior executives;
- (p) considering and approving the Group's remuneration policy.

### **1.5 Delegation of authority**

The Board may establish committees to assist it in carrying out its function. Each committee will adopt a charter setting out the scope of its responsibility and relevant administrative and procedural arrangements.

The committees established and subsisting at the date of this document are:

- (a) Audit Compliance and Risk Management Committee; and
- (b) Remuneration and Nominations Committee.

The Board has also 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 matter not specifically reserved to the Board is deemed to have been delegated to the Managing Director.

### **1.6 Board size and composition**

The composition of the Board is determined according to the following principles:

- (a) the Board should comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its businesses, and from a diverse range of backgrounds, including gender;
- (b) the size of the Board will be determined in accordance with the Company's constitution;
- (c) the number of directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- (d) the Managing Director should not be the Chairman;
- (e) a majority of the Board must be non-executive directors at least three of whom should also be independent; and
- (f) non-executive directors should be engaged through a formal letter of appointment and participate in a formal induction process.

### **1.7 Chairman**

The Chairman of the Board is a director who has been appointed by the other directors in accordance with the Company's constitution. 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 the matters identified below:

- (a) to work with the Board and Managing Director to grow the sustainable per share value of the business and to be accountable to shareholders;
- (b) to ensure that the Board meets regularly, functions effectively and efficiently and to provide leadership in relation to all aspects of the business of the Board;
- (c) to take a leading role in determining the structure and composition of the Board and to oversee the induction and development of directors;
- (d) to take the chair at meetings, to determine the order of the agenda, ensure that the board receives accurate, timely and clear information, to direct discussions towards the emergence of a consensus view and to ensure accurate minutes are maintained;
- (e) to represent the Group (together with the Managing Director as appropriate) to the public and all stakeholders;
- (f) to regularly review the contribution of the members of the Board and to ensure all directors are involved in the Board's work and decision making process;
- (g) to monitor the performance of, and to mentor, advise and support, the Managing Director;
- (h) to ensure that the Managing Director has in place a high quality executive management team; and
- (i) to communicate 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.

## **1.8 Managing Director**

The Managing Director's role includes the matters identified below:

- (a) directs the business for the purpose of growing shareholder value;
- (b) proposes strategy for endorsement by the Board;
- (c) prepares business plans and reports against these;
- (d) has responsibility for the day to day operations of the Group;
- (e) ensures the Board is kept abreast of the major matters affecting the business;
- (f) ensures that the reporting systems set by the Board are complied with;
- (g) attracts, retains, and develops staff
- (h) develops and maintains investor relations and major client relationships;
- (i) works to achieve superior client outcomes versus benchmarks;
- (j) leads key recruitment initiatives;
- (k) implements the Board's diversity policy; and
- (l) in conjunction with senior executives, reviews operations of the business, staff engagement, financial performance and management, strategy implementation, client service, systems and processes.

## **1.9 Company Secretary**

The Company Secretary is accountable to the Board, through the Chairman, and is responsible for the coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies, the Australian Securities Exchange (**ASX**) and all statutory and other filings.

The Board will appoint at least one Company Secretary. Appointment and removal of a Company Secretary will be subject to Board approval.

All directors shall have direct access to the Company Secretary.

## **1.10 Independence of Directors**

The Board has adopted the definition of independence contained in Box 2.3 of the 3<sup>rd</sup> edition of the ASX Corporate Governance Principles and Recommendations (**ASX Principles**).

The Board will regularly assess the independence of each director in the light of the interests disclosed by them and each director will provide the Board with all relevant information for this purpose. The independence of directors will be disclosed in the annual report.

## **1.11 Performance review and evaluation**

The Board will establish a policy and guidelines regarding Board renewal and succession planning. The policy shall include a framework for the ongoing review and assessment of the performance of the Board, its committees and its individual directors annually.

The performance of the Chairman is reviewed and assessed by the other directors after review by the Remuneration and Nominations Committee.

## **1.12 Board Meetings**

Board meetings are normally held quarterly, together with two additional board meetings in respect of a review of the half year and full year financial results. The Chairman of the Board is responsible, in conjunction with the Managing Director and Company Secretary, for setting the agenda. This includes being satisfied that the agendas are appropriate and serve the broad strategic direction set by the Board.

Members of executive management are invited to attend Board meetings and senior executives are available to be contacted by directors between meetings.

## **1.13 Ethical standards and values**

All directors and officers of the Company and each other company in the Group must act with the utmost integrity, respect and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and, where possible, to act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company.

All directors, officer and employees must comply with the Group's Code of Conduct available on the Company's website in the exercise of their duties.

## **1.14 Dealings in Securities**

Company policy prohibits any dealing in, or procuring the dealing in, securities except in accordance with the Company's PNI Securities Trading Policy, a copy of which is available on the Company's website.

### **1.15 Communication with Shareholders**

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs and in accordance with the Group's Continuous Disclosure policy, available on the Company's website.

Information concerning the Company and the Group, including copies of announcements made through the ASX and the annual report and half-yearly report, is made available to shareholders and prospective investors in the Company on the Company's website. The Company has a continuing commitment to electronic communication with shareholders and stakeholders generally including via its website.

## **2 AUDIT, COMPLIANCE AND RISK MANAGEMENT COMMITTEE CHARTER**

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### **2.1 Role**

The Audit, Compliance and Risk Management Committee (**ACRMC**) has been established by the Board to advise and report on the establishment and maintenance of a framework of internal compliance and appropriate risk management for the Group.

It also gives the Board additional assurance regarding the quality, integrity and reliability of financial information prepared for use by the Board, the Group and by stakeholders.

The Committee's role is advisory only. It does not have authority to make decisions reserved to the Board unless an express delegation has been made. An express delegation is made under the terms of this charter in respect of the items at paragraph 2.2.

### **2.2 Scope of responsibility**

The ACRMC has responsibility for:

- (a) approving and monitoring the establishment of an appropriate internal compliance and risk framework;
- (b) approving and overseeing capital management and treasury policy proposed by management;
- (c) overseeing business continuity planning;
- (d) reviewing reports on any material defalcations, frauds and thefts from the Group;
- (e) reviewing reports on the adequacy of insurance coverage;
- (f) monitoring compliance with relevant legislative and regulatory requirements, including state and federal taxation requirements;
- (g) reviewing significant transactions which are not a normal part of the Group's business;
- (h) reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;
- (i) 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;
- (j) reviewing management processes supporting external reporting;
- (k) 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;
- (l) reviewing the disclosures in the financial statements;
- (m) reviewing recent regulatory and professional pronouncements and understanding their impact on the financial statements, as advised by the Chief Financial Officer;
- (n) making recommendations to the Board in relation to the adoption and approval of the Company's financial statements and other financial information distributed externally;
- (o) 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; and
- (p) reviewing and monitoring compliance with the Group's Code of Conduct.

The responsibilities of the ACRMC apply only to the Group and its wholly owned entities. The ACRMC does not perform any function in respect of the boutique funds management entities in which the Company holds a minority shareholding. Audit, compliance and risk management oversight for these entities is performed by the boards of those entities.

### 2.3 Composition of ACRMC

All members of the ACRMC must be non-executive directors or experts and must comprise:

- (a) at least three members; and
- (b) a majority of independent non-executive directors, one of whom will act as Chair.

The Chair of the ACRMC should not be the Chairman of the Board and should have significant and relevant experience in accounting, finance and and/or as a member of an audit committee. The Company Secretary will be the secretary of the ACRMC.

All members of the committee shall have a working familiarity with financial reporting practices and Corporations Act requirements.

### 2.4 Meetings

Meetings are to be held at least four times during each year and more often as required. Meetings should correspond with the Company's financial reporting cycle.

The Chairman or the ACRMC, the Chairman of the Board or the Company Secretary may call a meeting of the committee or may request a member to call a meeting. The ACRMC may invite senior executives or the external auditor to attend meetings as it deems appropriate. Other directors of the Board are entitled to attend ACRMC meetings.

Should the Chair of the ACRMC be absent from any meeting another member of the ACRMC shall chair that meeting. A quorum of any meeting will be two members including the Chair.

The agenda and supporting documentation will be circulated to all Board members within a reasonable period in advance of each meeting. The Secretary of the ACRMC will circulate minutes of meetings to members of the Committee and the Board and will also include the minutes in the papers for the next Board meeting.

Business is considered as the ACRMC may determine in order to efficiently perform the role set out under this charter. The ACRMC may adopt such rules and practices as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the Company's constitution, this charter (as amended from time to time) or any resolution of the Board.

### 2.5 External auditor selection criteria

The external auditors are selected according to criteria set by the ACRMC but having regard to the definitions of independence contained in the ASX Principles and regulatory guidance given by ASIC.

### 2.6 ACRMC interaction with external auditor

The Committee will meet with the external auditors:

- (a) **(during the year)** to review the external audit plan, changes to accounting policies adopted during the year and the proposed fees for audit work;
- (b) **(prior to announcement of results)** to review the pro-forma half-yearly and pro-forma preliminary final report prior to lodgement of those documents with the ASX, any significant adjustments required as a result of the audit and to make the necessary recommendation to the Board for the approval and adoption of these documents;
- (c) **(half-year review and year-end reporting)** to review:
  - (i) the results and findings of the audit, the adequacy of accounting, financial and operating controls, and to monitor the implementation of any recommendations made; and

- (ii) the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval and adoption of the financial report; and
- (d) **(as required)** to organise, review and report on any special reviews or investigations deemed necessary by the Board.

## **2.7 Management Representation Letters**

Each of the Managing Director and Chief Financial Officer must provide the Board and external auditors (as applicable) with:

- (a) management representation letters; and
- (b) management representation letters and certificates in accordance with s.295 Corporations Act 2001 (**Corporations Act**)

when presenting the half yearly and annual financial statements for formal adoption and approval respectively.

## **2.8 ACRMC compliance monitoring**

The ACRMC monitors the processes and systems by which management ensures compliance with laws and regulations affecting the Group.

Compliance monitoring performed in relation to the Company's wholly owned subsidiaries and boutiques is reported to the Committee on an exceptions basis and provided quarterly as an appendix to the ACRMC papers. Reports so received by the Committee should then be provided by the Committee to the Board in the next meeting pack.

## **2.9 Risk monitoring**

The Board has the responsibility for the maintenance of the strategy of the Company which includes the identification of significant business risks. This responsibility is fulfilled by the ACRMC which reviews the major risks affecting each business segment and monitors compliance with strategies to mitigate these risks and reports to the Board following each meeting.

Risk management and monitoring performed by the Company in relation to its wholly owned subsidiaries and boutiques is reported to the Committee on an exceptions basis and is provided to the ACRMC in summary form quarterly.

## **2.10 Reporting to the Board**

The ACRMC Chair must regularly report the committee's findings to the Board and include recommendations on any specific decisions or actions the Board should consider. The minutes of each meeting and any report from the ACRMC Chair will be tabled at the next Board meeting.

## **2.11 Review of the Committee's Performance**

The performance of the ACRMC will be reviewed at least every two years. The review may be undertaken separately or as a component of a Board performance review. Comment will be sought from all members of the Board who may recommend proposed changes to the duties of the ACRMC.

## **2.12 Changes to the Charter**

The ACRMC will review this charter annually or as often as it considers necessary. The Board may change this charter from time to time by resolution.

### 3 REMUNERATION AND NOMINATIONS COMMITTEE CHARTER

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#### 3.1 Role

The Remuneration and Nominations Committee (**Remuneration Committee**) is a committee of the Company established to assist the Board and make recommendations to it in relation to the matters with which it is charged with responsibility under this charter.

#### 3.2 Scope of Responsibility

The Remuneration and Nominations Committee has responsibility for:

- (a) 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 acknowledges 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 against which individual 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 protect the business and do not commit the Group to making payments in the event of non-performance;
- (b) reviewing executive remuneration and incentives and making recommendations to the Board in relation to share option schemes and equity participation plans;
- (c) 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;
- (d) 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;
- (e) setting the entitlements and expenses policy for the Chairman, non-executive directors and the Managing Director;
- (f) ensuring the Group's remuneration policies and practices comply with the provisions of the ASX Listing Rules and the Corporations Act and have regard to the ASX Principles;
- (g) 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;

- (h) recommending and providing relevant assurances through the ACRMC to the Board for approval of the remuneration report to be included in the annual directors' report;
- (i) facilitating the review of individual director's performance and of the Board annually;
- (j) making recommendations to the Board concerning the appointment of new directors and to the extent delegated to it by the Board, the Managing Director;
- (k) 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;
- (l) establishing procedures, for recommendation to the Chairman, for the proper oversight of the Board and management;
- (m) preparing, recommending for approval by the Board and overseeing the implementation of the Company's diversity policy; and
- (n) on an annual basis, reviewing the proportion of women who are employed by the Company and submitting a report to the Board outlining its findings.

### **3.3 Remuneration Committee Size and Composition**

All members of the Remuneration Committee must be non-executive directors and will comprise:

- (a) at least three members; and
- (b) a majority of independent directors, one of whom will act as Chair.

### **3.4 Remuneration Committee Meetings**

The Remuneration Committee will meet as often as it considers necessary, but not less than twice per annum.

The Chairman of the Remuneration Committee or the Chairman of the Board may call a meeting of the Remuneration Committee or may request a member or the secretary to call a meeting. The Remuneration Committee may invite senior executives to attend meetings as they deem appropriate. Other directors of the Board are entitled to attend the Remuneration Committee.

Should the Chair of the Committee be absent from any meeting of the Committee, the members of the Committee present at the meeting shall appoint one of their number to be chairman of that meeting. A quorum of any meeting will be two members including the Chair.

The agenda and supporting documentation will be circulated to the Committee members and the Board within a reasonable period in advance of the meeting.

Business is considered as the Remuneration Committee may determine in order to efficiently perform the role set out under this charter. The Remuneration Committee may adopt such rules and practices as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the Company's constitution, this charter (as amended from time to time) or any resolution of the Board.

### **3.5 Reporting**

The Remuneration Committee Chair must regularly report the committee's findings to the Board after each committee meeting and include recommendations on any specific decisions or actions the Board should consider.

The Remuneration Committee must keep minutes of its meetings. The minutes of each meeting and any report from the Remuneration Committee Chair will be tabled at the next Board meeting.

### **3.6 Access to information and independent advice**

The Remuneration Committee may seek any information it considers necessary to fulfil its responsibilities.

The Remuneration Committee has access to management and may seek explanations and information from management, at the Company's cost.

The Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost. The Remuneration Committee may meet with external advisers without management being present.

### **3.7 Review of the Committee's Performance**

The performance of the Remuneration Committee will be reviewed at least every two years. The review may be undertaken separately or as a component of a Board performance review.

Comment will be sought from all members of the Board who may recommend proposed changes to the duties of the Committee.

### **3.8 Changes to the Charter**

The Remuneration Committee will review this charter annually or as often as it considers necessary.

The Board may change this charter from time to time by resolution.