

# Altium Limited Corporate Governance Statement



This Corporate Governance Statement has been prepared in accordance with **Corporate Governance Principles and Recommendations (3rd Edition)**, **ASX Corporate Governance Council** and was current as at 19 September 2017, the date approved by the Board of Directors of Altium Limited. All Policy and Charter Documents were reviewed during the period with any revisions approved on the 19 September 2017. The Company's ASX Appendix 4G has been lodged with the ASX and is also on the Company's website at:

[www.altium.com/company/investor-relations/publications-and-reports/key-documents](http://www.altium.com/company/investor-relations/publications-and-reports/key-documents)

ASX Corporate Governance Council Principles and Recommendations (3 <sup>rd</sup> Edition)	Compliance by Altium
<p><b>Principle 1 – Lay solid foundations for management and oversight</b></p> <p><i>A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated</i></p>	
<p><b>Recommendation 1.1</b></p> <p>A listed entity should disclose the respective roles and responsibilities of its board and management; and those matters expressly reserved to the board and those delegated to management.</p>	<p>Altium's Board is responsible for promoting the success of the group as a leading global developer and supplier of electronic product development solutions; and as a commercial entity listed on the ASX. The <b>Board Charter</b> available at <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a>, outlines its functions and responsibilities, which include the review and approval of corporate strategy, budgets and financial plans, monitoring organisational performance, and achievement of the group's strategic goals and objectives.</p> <p>The relationship between the Board and senior executives is critical to the group's long-term success. The Directors are responsible to shareholders for the performance of the group and seek to balance competing objectives in the best interests of the group as a whole. Their focus is to align the interests of the shareholders, employees and customers and to ensure that the group is appropriately managed.</p> <p>Day-to-day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer (CEO) and senior executives.</p> <p>All senior executives report to the CEO who conducts annual performance reviews. Performance reviews were conducted throughout the financial year. Executive performance is measured against a number of indicators including performance against budgets, achievement of financial long-term and short-term goals as well as organisational development, talent and attrition management, personal development and contribution to organisational design. In addition to annual reviews, informal monitoring and reviews occur on a regular basis with issues addressed as and when they arise. Various tools, including consultative and systemic support, access to resources, coaching, and mentoring opportunities are made available in the ongoing development of senior executives.</p>
<p><b>Recommendation 1.2</b></p> <p>A listed entity should:</p>	<p>One of the responsibilities of the <b>Human Resources Committee</b> is to identify and make recommendations to the Board for the appointment of new Board candidates, having regard to their skills, experience and expertise. The Board assesses the candidate against a range of criteria including background, experience, professional skills, personal qualities, potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met</p>

ASX Corporate Governance Council Principles and Recommendations (3 <sup>rd</sup> Edition)	Compliance by Altium
<p>a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and</p> <p>b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>and the Board appoints the candidate as a Director, that Director will retire at the following Annual General Meeting and be eligible for election by shareholders.</p> <p>In doing so, the Board ensures appropriate background checks are undertaken in relation to that potential Board candidate. Any material information concerning that Board candidate will subsequently be disclosed to Altium shareholders in the notice of meeting as part of the election or re-election process of that Board candidate.</p> <p>The Human Resources Charter is available on the Altium website at:  <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a></p>
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>All Altium directors and senior executives have entered into written appointment agreements which detail their individual duties and responsibilities.</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>• the non-executive directors have each executed a letter of appointment setting out the terms and conditions of their appointment; and</li> <li>• the executive director and senior executives of Altium have entered into service contracts, setting out the terms and conditions of their employment.</li> </ul>
<p><b>Recommendation 1.4</b></p> <p>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.</p>	<p>The Company Secretaries report directly to the Chair, and are appointed by the Board. As the chief administrative officers of the company ensuring all relevant business is brought to the Board and following through the implementation of all Board decisions. The role of the Company Secretary is to act in good faith, with care and diligence to:</p> <ul style="list-style-type: none"> <li>• ensure the company abides by its constitution, the provisions of the Corporations Act 2001 and the ASX Listing Rules;</li> <li>• ensure the necessary company registers are established and maintained as required by the Corporations Act 2001;</li> <li>• undertake the preparation and filing of all relevant ASIC filings within appropriate time limits;</li> <li>• supervise the organisation of all Board and shareholder meetings via the preparation of notices, agendas, proxy documentation, minutes, etc.;</li> <li>• keep abreast of current protocols and procedures in order to advise the Chairman and Board as required;</li> <li>• supervise the issue of share and option allotment notifications; and</li> <li>• liaise with the ASX and ASIC on behalf of the group.</li> </ul>

**Recommendation 1.5**

A listed entity should:

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

Altium has a **Diversity Policy** which although not setting specific quotas, encourages diversity in gender, ethnicity, age and religion in recruitment and promotion. It is difficult for the company to set measurable goals in terms of gender due to the nature of the business restricting the available talent pool. Whilst always maintaining the highest standards with regards to offering equal opportunities to all employees and potential employees, the company is limited at times by the lack of qualified candidates. In order to address the issue and remove barriers to individual career progression Altium offers flexible working hours and training opportunities to all employees. Altium also has a graduate employment program and supports a number of student/university programs designed to foster a potential talent pool of future employees.

Altiums' efforts to foster diversity in the employee population continued in FY17 with the appointment of two women to the board and with a 5% increase in women employees in the US offices.

Altium supports the AICD 30% Club and its goal that ASX 200 Companies have 30% Female representation on the board by 2018. Altium has 40% female representation on the board.

A copy of the Diversity Policy is available on the Altium website:

[www.altium.com/company/investor-relations/publications-and-reports/key-documents](http://www.altium.com/company/investor-relations/publications-and-reports/key-documents)

The following table provides details of employee numbers;

Category	Number of Full Time employees as at 30 June 2017	Percentage
<b>Australia</b>		
Total Employees	22	100%
Female Employees	7	31.8%
<b>Globally</b>		
Total Employees	552	100%
Female Employees	163	29.5%
Senior Female Executives*	1	20.0%
Female Board Members	2	40%

Note: An Executive is defined as anyone classed as a Vice President or higher who reports directly to the CEO. Altium does not qualify as a 'relevant employer'.

**Recommendation 1.6**

A listed entity should:

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

The Board continually assesses its collective performance, the performance of the Chairman and of its committees. The Chairman also continually undertakes assessment of individual Director performance. Any concerns arising out of these assessments are raised with the Director concerned. The Board prefers to continually monitor performance so that it can immediately address any issues as and when they arise. This practice occurred during the reporting period.

From time to time the Board conducts a performance review of itself led by an external consultant. This was last done in FY 2016.

**Recommendation 1.7**

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

All senior executives report to the CEO who conducts performance reviews. Performance reviews were conducted throughout the financial year. Executive performance is measured against a number of indicators including performance against budgets, achievement of financial long-term and short-term goals as well as organisational development, talent and attrition management, personal development and contribution to strategic planning. In addition to annual reviews, informal monitoring and reviews occur on a regular basis with issues addressed as and when they arise. Various tools, including consultative and systemic support, access to resources, coaching, and mentoring opportunities are made available in the ongoing development of senior executives.

**Principle 2 – Structure the board to add value**

*A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively*

**Recommendation 2.1**

The board of a listed entity should:

- a) have a nomination committee which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director; and disclose
  - 3) the charter of the committee;
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Nomination Committee function is performed by **Altium's Human Resources Committee**. The committee has 4 non-executive members of whom the majority are independent. The members at the date of this report are:

Human Resources Committee			Committee Meetings - FY 2017	
Director Name	Independent Status	Date Appointed	Held	Attended
Dr David Warren Appointed Chair 29 November 2012	-	15-Jul-05	3	3
Samuel Weiss	Independent	25-Feb-09	3	3
Raelene Murphy*	Independent	21-Sept-16*	1	1
Lynn Mickleburgh**	Independent	1-Mar-17	1	1

The Chair of the Committee, Dr David Warren is a Founder of the Company and a long-time executive who stepped down from full time employment in 2004 and ceased to be a substantial shareholder of the Altium in 2013. The board believe that he carries out his director duties with complete independent, unbiased diligence acting at all times in the best interests of the company and its shareholders.

\* Raelene Murphy was appointed as a Non- executive director on 21 September 2016 she was appointed to the HR Committee 17 Nov 16

\*\*Lynn Mickleburgh was appointed as a Non-executive director and Audit and HR Committee member on 1 March 2017

The main responsibilities of the committee are to:

- identify the necessary and desirable competencies of directors;
- determine appropriate size of the Board to encourage efficient decision-making;
- develop and review the process for the selection, appointment and re-election of directors;
- identify and recommend new Board candidates, with regard to their skills, experience and expertise;
- oversee the process for evaluating the performance of the Board, Board committees, and directors individually;
- review Board and senior executive succession plans and processes;

	<ul style="list-style-type: none"> <li>• maintain awareness of each director's tenure, to maintain an appropriate balance of skills, experience and expertise;</li> <li>• determine broad policy for the remuneration of Altium's Chairman, CEO and senior executives;</li> <li>• review incentive schemes and equity based remuneration, including consideration of performance thresholds and regulatory and market requirements;</li> <li>• within the terms of the agreed policy, recommending the total remuneration packages for the CEO and Executive Directors to the Board and advise on the total remuneration packages of senior executives in consultation with the CEO;</li> <li>• determine the policy for and scope of superannuation arrangements, service agreements for senior executives, termination payments and compensation commitments;</li> <li>• ensure Altium's human resources strategy, policies and procedures are appropriate to the company's needs are clearly designed and executed;</li> <li>• review and monitor the effectiveness of Altium's health and safety processes and procedures;</li> <li>• keep informed of changes to relevant legislation and ensure statutory requirements are implemented in a timely manner.</li> </ul> <p>The Committee has established criteria for Board independence and conducts an annual review of Director's independence. In addition, all transactions between the Company and Directors, or any interests associated with the Directors, are reviewed to ensure the structure and terms of the transaction are in compliance with the Corporations Act 2001 and appropriately disclosed.</p> <p>The Human Resources Charter is available at <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a></p>
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**Recommendation 2.2**

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

The Altium Board whilst small, has an extensive, diverse, complementary skill set. During FY15 the Board took part in an external independent review in order to formalise a board skills matrix and to identify any perceived gaps to ensure that Altium's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board. The Board reviewed the Board Skills Matrix in August 2017 and updated the Matrix accordingly.

A summary of this review was condensed into the Board Skills Matrix below;

2017 BOARD SKILLS MATRIX	SKILLS & EXPERIENCE AMONGST CURRENT DIRECTORS	DESIRED SKILLS & EXPERIENCE
<b>Personal Skills</b> Enquiring Mind Ability to work collaboratively Experience & Wisdom Culture & Values	✓	
<b>Software and Technology</b> Engineering EDA industry knowledge Product Management	✓	
<b>Finance</b> Mergers & Acquisitions Investor Relations Audit & advisory relationship management	✓	
<b>Strategy</b> Vision Communications International	✓	
<b>Organisation</b> Leadership Remuneration Talent management Insight	✓	
<b>Board</b> Succession Planning Diversity	✓	

of the listed criteria, at least one member of the board and in most cases more than one have the requisite skill set.

A copy of the Board Skills Matrix is available on the Altium website:

[www.altium.com/company/investor-relations/publications-and-reports/key-documents](http://www.altium.com/company/investor-relations/publications-and-reports/key-documents)

**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 **Corporate Governance Principles and Recommendations (3rd Edition)**, *ASX Corporate Governance Council* at page 16 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

The Board believes that to add value, a Director needs to have knowledge either of the group or the highly technical industry in which the group operates, while bringing independent views and judgment to the Board's deliberations. Samuel Weiss (Chairman), Raelene Murphy (Chair of the Audit and Remuneration Committee) and Lynn Mickleburgh are considered independent Directors

Whilst the Board has adopted AASB standard 1031 to determine materiality, it also considers specific factors such as Directors' shareholdings, length of service and relationships with key advisers when undertaking an annual determination of each Director's independent status. Apart from the Chief Executive, the Board considers Non-Executive Director Dr David Warren not to be independent due to his length of service as an executive with the group. However, David has not held an executive position with the company since 2004 and ceased to be a substantial shareholder on the 25th Oct 2013. He continues to demonstrate his ability to maintain the best interests of Altium at all times and to act with clear independent judgement.

Director Independence			
Name	Position	Independence	Date Appointed
Samuel Weiss	Chairman, Non-executive Director	Independent	1-Jan-07
Aram Mirkazemi	Chief Executive Officer, Executive Director	-	Director - 16 October 2012 CEO - 16 January 2014
Dr David Warren	Non-executive Director	-	4-Dec-91
Raelene Murphy	Non-executive Director	Independent	21-Sept-16
Lynn Mickleburgh	Non-executive Director	Independent	1-Mar-17

**Recommendation 2.4**

A majority of the board of a listed entity should be independent directors.

Altium currently has 3 Non-executive Independent directors (Sam Weiss, Raelene Murphy and Lynn Mickleburgh), 1 Non-executive director (David Warren) and 1 Executive Director (Aram Mirkazemi). All board members act with independent thought in the best interests of the company.

**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.

Mr Samuel Weiss, the Chairperson of the Board is an independent, non-executive director. His position is separate from that of the CEO of Altium, Mr Aram Mirkazemi.

**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.

Upon appointment, new Directors are provided with an induction manual which advises them of the group structure, products, policies, procedures and guidelines. The new Director undertakes an orientation process in close consultation with the Chairman and Company Secretaries who are on hand to answer questions and tailor the orientation towards the specific needs of each Director. With written approval from either the Chairman or Company Secretary, the Board supports and encourages Directors to seek any relevant training to enhance their contribution to the Board. Training may also be recommended by the Board or by the Human Resources Committee to further extend the skills of Board members.

**Principle 3 – Act ethically and responsibly**

*A listed entity should act ethically and responsibly*

<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have a code of conduct for its directors, senior executives and employees; and</li> <li>b) disclose that code or a summary of it.</li> </ul>	<p>Altium is committed to conducting business with honesty and integrity and the conduct of every employee is vital in achieving this aim. Altium Limited's Code of Conduct - available at <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a> - provides a code for the appropriate behaviour expected from all Altium employees. The code is annually reviewed and updated if necessary to reflect the highest standards of behaviour, professionalism and practice necessary to maintain the group's integrity. It is not intended to cover all issues that may arise, but rather to provide a framework within which employees can address ethical issues that may arise through the daily business of the group.</p> <p>Employees are expected to perform the duties associated with their position to the best of their ability in a diligent, impartial and conscientious manner. This includes compliance with group policies, legislative and industrial obligations.</p>
<p><b>Principle 4 – Safeguard integrity in corporate reporting</b></p> <p><i>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</i></p>	
<p><b>Recommendation 4.1</b></p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> <li>a) have an audit committee which: <ul 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> </ul> and disclose: <ul 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> </ul> </li> <li>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.</li> </ul>	<p>Altium has an <b>Audit and Risk Management Committee</b> comprised of 4 Non-executive Directors of which the majority, including the Chairman, are independent. The Chairman, a qualified Chartered Accountant, is not the Chairman of the Board. The Audit and Risk Management Committee has adopted a charter available at <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a></p> <p>The key role of the Audit and Risk Management Committee is to help the Board fulfil its corporate governance and oversight responsibilities covering the group's financial reporting, internal control systems, risk management system and the external audit functions. The role of the committee is not to absolve the individual Board Directors from their responsibilities, but rather to assist them in discharging their responsibility to exercise due care, diligence and skill in relation to the group.</p> <p>The specific responsibilities outlined in its charter include reporting to the Board on all financial information published by the group or released to the market, assisting the Board in reviewing the effectiveness of the group's internal control environment, recommending to the Board the appointment, removal and remuneration of the external auditor, reviewing the terms of that engagement and the scope and quality of the audit, and reviewing group insurance matters.</p> <p>When appropriate, the Audit and Risk Management Committee may invite non-committee members to attend meetings to provide information or advice on matters before the committee. The committee also meets from time to time with the external auditor independently of management, to encourage free and open discussion. The composition, operations and responsibilities of the committee are consistent with best practice recommendations.</p> <p>The Committee met 6 times across the reporting period. Further details on meetings of the Committee and directors attendance is disclosed in the 'Meetings of directors' section of the Directors' Report which is available on the Altium website at: <a href="http://www.altium.com/company/investor-relations/publications-and-reports/financial-reports">www.altium.com/company/investor-relations/publications-and-reports/financial-reports</a></p>



	<p>The committee requires a minimum of three members; the members at the date of this report are:</p> <table><tr><th colspan="3">The Audit and Risk Management Committee</th><th colspan="2">Audit &amp; Risk Meetings FY17</th></tr><tr><th>Director Name</th><th>Independent Status</th><th>Date Appointed</th><th>Held</th><th>Attended</th></tr><tr><td>Raelene Murphy* – Chairman Appointed Chairman 28 Feb 2017</td><td>Independent</td><td>17-Nov-16</td><td>5</td><td>5</td></tr><tr><td>Samuel Weiss</td><td>Independent</td><td>23-Jul-07</td><td>6</td><td>6</td></tr><tr><td>Dr David Warren</td><td>Not independent</td><td>3-Feb-10</td><td>5</td><td>5</td></tr><tr><td>Lynn Mickleburgh**</td><td>Independent</td><td>1-Mar-17</td><td>2</td><td>2</td></tr></table> <p>The qualifications of each director are disclosed in the Directors report.</p> <p>* Raelene Murphy was appointed as a Non- executive director on 21 September 2016 she was appointed to the Audit Committee 17 Nov 16</p> <p>**Lynn Mickleburgh was appointed as a Non-executive director and Audit and HR Committee member on 1 March 2017</p>	The Audit and Risk Management Committee			Audit & Risk Meetings FY17		Director Name	Independent Status	Date Appointed	Held	Attended	Raelene Murphy* – Chairman Appointed Chairman 28 Feb 2017	Independent	17-Nov-16	5	5	Samuel Weiss	Independent	23-Jul-07	6	6	Dr David Warren	Not independent	3-Feb-10	5	5	Lynn Mickleburgh**	Independent	1-Mar-17	2	2
The Audit and Risk Management Committee			Audit & Risk Meetings FY17																												
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<p><b>Recommendation 4.2</b></p> <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, in their opinion, 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>	<p>In relation to the financial statements for the financial year ended 30 June 2017 and the half-year ended 31 December 2016, the Company’s CEO and CFO have provided the Board with declarations, that in their opinion:</p> <ul style="list-style-type: none"><li>the financial records of the Company have been properly maintained;</li><li>the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company; and</li><li>has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</li></ul>																														
<p><b>Recommendation 4.3</b></p> <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>	<p>Altium’s auditors, PricewaterhouseCoopers are required to attend Altium Limited’s Annual General Meeting and be available to answer questions about the audit and audit report.</p>																														
<p><b>Principle 5 – make timely and balanced disclosure</b></p> <p><i>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities</i></p>																															

<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>b) disclose that policy or a summary of it.</li> </ul>	<p>The Board has adopted a Continuous Disclosure Policy. The continuous disclosure provisions of the Corporations Act 2001 and the listing rules mean that criminal and civil liabilities could be imposed on Altium Limited and its officers if material information is not released to the market in accordance with the ASX listing rules.</p> <p>The group has established written policies, and procedures on information disclosure. The focus of these procedures is on continuous disclosure and improving access to information for all investors.</p> <p>The Continuous Disclosure Policy is available at <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a></p> <p>The Board has nominated the Chairman and CEO to have responsibility for:</p> <ul style="list-style-type: none"> <li>• ensuring compliance with ASX Listing rules and the Corporations Act 2001 continuous disclosure requirements;</li> <li>• overseeing and coordinating disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and the public; and</li> <li>• educating Directors and staff on the group’s disclosure policies and procedures, and raising awareness of the principles underlying continuous disclosure.</li> </ul> <p>Following changes to the Corporations Act 2001, Altium now predominantly uses an on-line Annual Financial Report, with printed copies only sent to shareholders who have specifically requested one. All other Shareholders will continue to receive a notice of meeting and proxy form along with a notification of the electronic link to the on-line version of the Annual Financial Report.</p> <p>In addition, all group announcements, media briefings, press releases and financial reports are available on Altium Limited’s website <a href="http://www.altium.com">www.altium.com</a></p>		
<p><b>Principle 6 – Respect the rights of security holders</b></p> <p><i>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</i></p>			
<p><b>Recommendation 6.1</b></p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>Relevant Governance sections of the Altium website (<a href="http://www.altium.com">www.altium.com</a>) are found under the COMPANY tab and include:</p> <table border="1" data-bbox="748 1129 1872 1560"> <tr> <td data-bbox="748 1129 1308 1560"> <p><b>ABOUT ALTium</b></p> <ul style="list-style-type: none"> <li>• About Us</li> <li>• Our History</li> <li>• Our Industry</li> <li>• Altium in a Snapshot</li> <li>• Altium Leadership</li> </ul> <p><b>INVESTOR RELATIONS</b></p> <p><b>Investor News</b></p> <ul style="list-style-type: none"> <li>• Market Announcements</li> <li>• Financial Calendar</li> <li>• AGM Info</li> </ul> </td><td data-bbox="1308 1129 1872 1560"> <p><b>Publications and Reports</b></p> <ul style="list-style-type: none"> <li>• Financial Reports</li> <li>• Annual Reports</li> <li>• Presentations</li> <li>• Key Documents – includes all Governance Charters &amp; Policies</li> </ul> <p><b>Investor Center</b></p> <ul style="list-style-type: none"> <li>• FAQ</li> <li>• Share Registry</li> <li>• Dividends</li> <li>• Advisers</li> </ul> </td></tr> </table>	<p><b>ABOUT ALTium</b></p> <ul style="list-style-type: none"> <li>• About Us</li> <li>• Our History</li> <li>• Our Industry</li> <li>• Altium in a Snapshot</li> <li>• Altium Leadership</li> </ul> <p><b>INVESTOR RELATIONS</b></p> <p><b>Investor News</b></p> <ul style="list-style-type: none"> <li>• Market Announcements</li> <li>• Financial Calendar</li> <li>• AGM Info</li> </ul>	<p><b>Publications and Reports</b></p> <ul style="list-style-type: none"> <li>• Financial Reports</li> <li>• Annual Reports</li> <li>• Presentations</li> <li>• Key Documents – includes all Governance Charters &amp; Policies</li> </ul> <p><b>Investor Center</b></p> <ul style="list-style-type: none"> <li>• FAQ</li> <li>• Share Registry</li> <li>• Dividends</li> <li>• Advisers</li> </ul>
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<p><b>Recommendation 6.2</b></p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>Altium has a <b>Communication Policy</b> designed to assist in maintaining, and increasing, investor confidence and satisfaction in the accessibility of company information. Altium aims to achieve this by communicating effectively with shareholders, giving timely access to balanced and understandable information and making it easy for them to participate in general meetings, whilst adhering to the ASX Listing rules and Corporations Act 2001 continuous disclosure requirements. The objective of the policy is to concisely and accurately communicate to shareholders:</p> <ul style="list-style-type: none"> <li>• our strategy;</li> <li>• how we implement that strategy; and</li> <li>• the financial results consequent upon our strategy and its implementation.</li> </ul> <p>The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs through the use of company announcements, investor updates, financial releases, the Annual Financial Report and Annual General Meeting.</p> <p>Policy available at: <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a></p> <p>The following Altium contacts are available to investors:</p> <p><b>Ms Kim Besharati</b>  <b>VP Investor Relations &amp; Corporate Affairs</b>  <b>Company Secretary</b>  Phone: +1 858 864 1513  Mobile: +1 760 828 3567</p> <p><b>Ms Alison Raffin</b>  <b>Company Secretary</b>  PH: +612 9410 1005  Email: <a href="mailto:investor.relations@altium.com">investor.relations@altium.com</a></p>
<p><b>Recommendation 6.3</b></p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>Altium shareholders are encouraged to attend general meetings, and notice of such meetings will be given in accordance with the Altium Constitution, the Corporations Act 2001 (Cth), and the ASX Listing Rules.</p> <p>As set out in the Altium Constitution, shareholders may:</p> <ul style="list-style-type: none"> <li>• attend meetings in person;</li> <li>• appoint a proxy, attorney or representative to vote on their behalf;</li> </ul> <p>Meetings are held in the Sydney CBD in a central location with access to numerous forms of public transport.</p>
<p><b>Recommendation 6.4</b></p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>Altium Shareholders may elect to receive information electronically from Altium and its registry (<a href="http://www-au.computershare.com/investor">www-au.computershare.com/investor</a>) unless a hard copy is required to be posted under the Corporations Act 2001 (Cth), ASX Listing Rules or Altium Constitution. Otherwise, Altium and its registry will communicate by post with shareholders who have not elected to receive information electronically. All company announcements will be electronically available through both the ASX Announcements platform and the company website <a href="http://www.altium.com">www.altium.com</a>. Recordings of Investor conference calls will be placed on the company's website. Shareholders can email the Company via <a href="mailto:investor.relations@altium.com">investor.relations@altium.com</a></p>

**Principle 7 – Recognise and manage risk**

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

**Recommendation 7.1**

The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director, and disclose:
  - 3) the charter of the committee;
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board has appointed an Audit and Risk Management Committee to be responsible for ensuring there are adequate policies in place in relation to risk management, compliance and internal control systems. The charter of the Audit and Risk Management Committee is available at; [www.altium.com/company/investor-relations/publications-and-reports/key-documents](http://www.altium.com/company/investor-relations/publications-and-reports/key-documents)

The Audit and Risk Management Committee			Audit & Risk Meetings FY17	
Director Name	Independent Status	Date Appointed	Held	Attended
Raelene Murphy* – Chairman Appointed Chairman 28 Feb 2017	Independent	21-Sept-16	5	5
Samuel Weiss	Independent	23-Jul-07	6	6
<b>Dr David Warren</b>	Not independent	3-Feb-10	6	5
Lynn Mickleburgh**	Independent	1-Mar-17	2	2

\* Raelene Murphy was appointed as a Non- executive director on 21 September 2016 she was appointed to the Audit Committee 17 Nov 16

\*\*Lynn Mickleburgh was appointed as a Non-executive director and Audit and HR Committee member on 1 March 2017

The Committee comprises 4 Non-executive directors Raelene Murphy, Samuel Weiss, David Warren and Lynn Mickleburgh.

The Committee is chaired by independent director Raelene Murphy who is a fellow of the Institute of Chartered Accountants and the Institute of Company Directors.

The committee is committed to the identification; monitoring and management of risks associated with its business activities, and is embedding in its management and reporting systems a number of risk management controls.

These include:

- guidelines and limits for approval of capital expenditure and investments;
- a group regulatory compliance program supported by approved guidelines and standards covering such key areas as occupational health and safety, finance, legal and insurance;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- a formal planning process of product development and upgrade programs for a one to two-year horizon;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for IT infrastructure within the group

<p><b>Recommendation 7.2</b></p> <p>The board or a committee of the board should:</p> <ul style="list-style-type: none"> <li>a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	<p>In accordance with the Committee Charter, the Audit and Risk Management Committee has reviewed the Risk framework during the period and found it to be sound.</p>
<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>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.</li> </ul>	<p>Altium does not have an internal audit function. However, as set out in the Audit and Risk Committee Charter, the Committee has responsibility to ensure that Altium has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The Committee is also responsible for conducting investigations of breaches or potential breaches of these internal controls.</p> <p>In addition, the Audit and Risk Committee has prepared a risk profile which describes the material risks facing Altium, and assessed and ensured that there are internal controls in place for determining and managing key risks.</p> <p>The Committee works closely with the External Auditors and Finance team to ensure that internal controls are constantly monitored and reviewed to ensure their continued effectiveness. Further, the company uses Grant Thornton for its international subsidiaries where local statutory audits are required.</p> <p>PWC has conducted an independent audit on our Share Registry, Computershare Investor Services Pty Limited and produced an assurance report regarding the design and operating effectiveness of Computershare's internal controls in accordance with ASX Rule 5.23.1 for the period 1 Jul 2016 - 30 June 2017.</p>
<p><b>Recommendation 7.4</b></p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Factors that may impact sales growth include foreign currency fluctuations, delays in product development, commercial viability of new products, delays in the establishment of a high-performance sales organisation and the global economy.</p> <p>The major currency risk is the EUR/USD due to the large proportion of sales made in Europe. A depreciation of the EUR against the USD would have a negative impact on group sales and revenue.</p> <p>The timing of new product releases is a key factor in new license and subscription growth. New technology in releases carry inherent risks of delay and quality. Forward planning of the technology requirements for each release and disciplined project management and quality assurance processes mitigate these risks.</p> <p>As the company diversifies its product base the risk of the commercial viability of new products increases. This risk will be mitigated through in depth market research, as well as continued investment in R&amp;D and a nimble approach to product development to keep pace with market demands.</p> <p>Sales of PCB and TASKING software solutions require lengthy lead times and sophisticated engagement with customers. Failure to recruit, hire and train the Altium direct sales force, the new enterprise solution sales team and re-seller partners in a timely and effective manner could reduce revenue growth. This risk is mitigated through the due diligence process prior to appointing a new sales representative or reseller and comprehensive training, upon appointment and continuously thereafter.</p> <p>New financial risks can arise from expanding the geographic reach of the company, broadening the customer base through acquired product lines or new services, and inheriting new or unique contract terms through merger and acquisition activity</p>

**Principle 8 – Remunerate fairly and responsibly**

*A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.*

**Recommendation 8.1**

The board of a listed entity should:

- a) have a remuneration committee which:
  - 1) has at least three members, a majority of whom are independent directors; and
  - 2) is chaired by an independent director, and disclose:
  - 3) the charter of the committee;
  - 4) the members of the committee; and
  - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Remuneration at Altium is reviewed by the **Human Resources Committee**, which comprises 4 non-executive directors the majority of whom are independent. Although the Chair of the committee is not classed as independent, the board are comfortable that as Dr Warren has not been an Altium executive since 2004 and ceased to be a substantial shareholder in October 2013 and continues to prove himself capable of clear independent decision making in the best interest of the company, he is a suitable candidate for the position of chair. Further, due to the small size of the Altium board and the industry and people management experience held by Dr Warren he is the director most suited to this role.

The members of the Human Resources Committee at the date of this report are:

Human Resources Committee		Committee Meetings - FY 2017		
Director Name	Independent Status	Date Appointed	Held	Attended
Dr David Warren Appointed Chair 29/11/2012	-	15-Jul-05	3	3
Samuel Weiss	Independent	25-Feb-09	3	3
Raelene Murphy	Independent	17-Nov-16	1	1
Lynn Mickleburgh	Independent	1-Mar-17	1	1

\* Raelene Murphy was appointed as a Non- executive director on 21 September 2016 she was appointed to the HR Committee 17 Nov 16

\*\*Lynn Mickleburgh was appointed as a Non-executive director and Audit and HR Committee member on 1 March 2017

The Human Resources Charter is available at [www.altium.com/company/investor-relations/publications-and-reports/key-documents](http://www.altium.com/company/investor-relations/publications-and-reports/key-documents).

The main responsibilities of the committee are to:

- identify the necessary and desirable competencies of directors;
- determine appropriate size of the Board to encourage efficient decision-making;
- develop and review the process for the selection, appointment and re-election of directors;
- identify and recommend new Board candidates, with regard to their skills, experience and expertise;
- oversee the process for evaluating the performance of the Board, Board committees, and directors individually;
- review Board and senior executive succession plans and processes;
- maintain awareness of each director's tenure, to maintain an appropriate balance of skills, experience and expertise;
- determine broad policy for the remuneration of Altium's Chairman, CEO and senior executives;
- review incentive schemes and equity based remuneration, including consideration of performance thresholds and regulatory and market requirements;
- within the terms of the agreed policy, recommending the total remuneration packages for the CEO and Executive Directors to the Board and advise on the total remuneration packages of senior executives in consultation with the CEO;

	<ul style="list-style-type: none"> <li>determine the policy for and scope of superannuation arrangements, service agreements for senior executives, termination payments and compensation commitments;</li> <li>ensure Altium's human resources strategy, policies and procedures are appropriate to the company's needs are clearly designed and executed;</li> <li>review and monitor the effectiveness of Altium's health and safety processes and procedures;</li> <li>keep informed of changes to relevant legislation and ensure statutory requirements are implemented in a timely manner.</li> </ul>
<p><b>Recommendation 8.2</b></p> <p>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.</p>	<p><b>Non-executive Directors' remuneration</b></p> <p>The group's Non-Executive Directors receive fees for their services and the reimbursement of reasonable expenses. The fees paid to the group's Non-Executive Directors reflect the demands on, and the responsibilities of those Directors. The advice of independent remuneration consultants is taken to ensure that the Directors' fees are in line with market standards.</p> <p><b>Executive Directors' and senior executives' remuneration</b></p> <p>The structure and disclosure of the group's remuneration policies for Executive Directors and senior executives are outlined in the Directors' report.</p> <p>An annual Board review of the current levels of Non-Executive Directors' fees determined that there should be an increase in Non-Executive Director fees. The following ordinary resolution was approved by Shareholders at the 2015 Annual General Meeting.</p> <p><i>'In line with Australian Securities Exchange (ASX) Listing Rule 10.17, the total aggregate amount of directors' fees payable to all of Altium's non-executive directors is increased by \$800,000 per annum, from the existing \$700,000 per annum (approved by shareholders at the 2007 AGM) to a maximum sum not exceeding \$1,500,000 per annum to cover future Board fees payable to non-executive directors of the Company and allow for growth and renewal of the Board.'</i></p> <p>The Directors' remuneration is outlined in the remuneration report.</p> <p>The Altium Constitution does not require Directors to hold an Altium share qualification</p> <p>Full remuneration disclosure can be found in the Remuneration Report in the Company's 2017 Year End Accounts.</p>
<p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>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</p> <p>b) disclose that policy or a summary of it.</p>	<p>Altium has implemented a <b>Director &amp; Employee Share Trading Policy</b> for all staff and directors available at <a href="http://www.altium.com/company/investor-relations/publications-and-reports/key-documents">www.altium.com/company/investor-relations/publications-and-reports/key-documents</a>,</p> <p>The aim of this policy is to ensure that all Altium directors and employees are aware that the law places restrictions on persons trading shares whilst in the possession of unpublished price-sensitive information. This policy was revised on 10 July 2017 and released to the market on this date.</p> <p>Directors and Designated Officers cannot trade in specified '<b>Blackout Periods</b>', unless they have written consent from the Board.</p> <p><b>'Blackout Periods'</b> will be the periods determined by the Board from time to time and ordinarily will be from:</p> <ul style="list-style-type: none"> <li>The end of the Half Year until the release of the Audited Half Year Financial Results Announcement to the ASX</li> <li>The end of the Full Year to the release of the Audited Annual Financial Results Announcement to the ASX</li> </ul> <p>The Board may change the Blackout Periods at any time by giving employees written notice of the change.</p>

	<p>Even outside of Blackout Periods, all Designated Officers and Employees are prohibited from trading at ANY TIME they have access to Inside Information.</p> <p><b>Derivatives and securities lending prohibited</b></p> <ol style="list-style-type: none"><li>1. Designated Officers must not deal in options, hedges, and derivatives or like instruments which limit exposure to the market price of Company Securities (“Derivative”) or create or give a mortgage, or security or other right to a lender or financier (“Security Interest”) over any Company Securities. Any Derivative held or Security Interest existing prior to the date this provision was adopted is excluded from the operation of this Policy but should be disclosed to the Company Secretary.</li><li>2. Employees must not at any time enter into a transaction (e.g. a derivative) that operates or is intended to operate to limit the economic risk of holdings of unvested Company Securities or vested Company Securities which are subject to holding locks and were or may be delivered to the Employee or their nominee under an employee incentive plan.</li></ol>
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