

# PACIFIC CURRENT GROUP

## Corporate Governance Statement

as at 30 August 2016

The ASX Corporate Governance Council has published the 3rd edition of the Councils' corporate governance principles and recommendations ("ASX Principles") setting out what it considers to be best practice in conducting the business of a listed entity. The Board considers and applies the ASX Principles taking into account the circumstances of the Company. Where the Company's practices depart from a Recommendation, the Corporate Governance Statement identifies the area of divergence and the reasons for divergence and any alternative practices adopted by the Company.

The practices detailed in the 2016 Corporate Governance Statement and the documents referred to in it are available on the Company's website at <http://paccurrent.com/shareholders/corporate-governance/>. The Corporate Governance Statement has been approved by the Board and is current as at 2016.

The ASX Principles set out recommended practice in the form of eight principles:

1. Lay solid foundations for management and oversight.
2. Structure the Board to add value.
3. Act ethically and responsibly.
4. Safeguard integrity in corporate reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of security holders.
7. Recognise and manage risk.
8. Remunerate fairly and responsibly.

This Corporate Governance Statement

- is current as at 30 August 2016 and has been approved by the Board; and
- Pacific Current Group has posted copies of its governance policies, charters and procedures on its website at:

<http://paccurrent.com/shareholders/corporate-governance/>

### **Principle 1: Lay solid foundations for management and oversight**

#### *Role of the Board and senior executives*

The Board's role is to govern Pacific Current Group rather than to manage it. The Board recognises the importance of clearly delineating between its role and the role of management and has adopted a formal statement of matters reserved to itself and a list of limitations of management in its Board Charter. It is the responsibility of the Board to oversee the activities of management.

The main task of the Board is to effectively represent and promote the interest of shareholders with a view to adding long-term value to Pacific Current Group's shares. The Board must also ensure that Pacific Current Group complies with all of its contractual, statutory and other legal obligations, including the requirements of any regulatory body. The Board is accountable to security holders for the successful operations of Pacific Current Group.

It is the role of senior executives to manage Pacific Current Group in accordance with the direction and delegations of the Board. The Board is responsible for overseeing the activities of senior executives in carrying out these delegated duties.

Full details of the Board and senior executives' roles and responsibilities are contained in the Board Charter, a copy of which is included in the corporate governance section of Pacific Current Group's website.

#### *New directors and executives*

Pacific Current Group enters into a written agreement with each Director and Senior Executive setting out the key terms, conditions and responsibilities of their position.

Each director has the right of access to all Pacific Current Group information and to Pacific Current Group's executives. The Board (collectively and individually, but subject to informing the Chairman) has the right to seek independent professional advice from a suitably qualified advisor, at Pacific Current Group's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Background checks are carried out on all new Pacific Current Group directors and employees. These checks

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include: gaining character references; confirming that person's experience and education; a police check; and a bankruptcy check. Shareholders are provided with all material information in Pacific Current Group's possession relevant to a decision on whether or not to elect or re-elect a director.

## *Role of the company secretary*

As required by the ASX Principles, Pacific Current Group's Company Secretary is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each director is able to communicate with the company secretary via email and telephone. The role and responsibilities of the company secretary is set out in his employment agreement.

## *Diversity policy*

Pacific Current Group is committed to developing a corporate culture that is conducive to the appointment of well qualified employees, senior executives and Board candidates and to the achievement of appropriate diversity. Pacific Current Group believes this will maximise the potential for meeting its corporate goals. The Board has a diversity policy, a copy of which is contained in the corporate governance section on Pacific Current Group's website. This policy requires the setting of measurable objectives in relation to diversity at the company.

The measurable objectives relating to gender diversity at 30 August 2016 were:

1. Minimum of one female director on the Board:  
Ms Melda Donnelly has served on the Board since March 2012. Details of her qualifications may be found in the director profiles in the Directors' Report of Pacific Current Group's Annual Report. There are currently nine board members.
2. Target of 20% senior executives\* to be female:  
There was one female senior executive as at 30 August 2016, representing 11% of the total.
3. At least 35% of managers\*\* to be female:  
66% of managers at Pacific Current Group were female as at 30 August 2016.

The representation of women across the organisation as a whole is 52%.

\* "senior executive" is defined as members of the executive management team

\*\* "managers" is defined as those not in the senior executive team that have other employees reporting to them

## *Board performance evaluation*

The board charter provides for the undertaking of annual Board and Board committee performance evaluation. During the financial year, the Pacific Current Group directors completed an evaluation questionnaire and the Chairman evaluated the results. The Chairman also completed an evaluation questionnaire and discussed the results with the Chair of the Nomination Committee. The Board will discuss the results of the review and consider further actions on matters relating to process and priorities

## *Senior executive's performance review*

The Board conducts an annual review of the performance of senior executives against pre-determined qualitative and quantitative key performance indicators ("KPIs"). This review was completed in July 2016, at which time new KPIs were set.

## **Principle 2: Structure of the Board to add value**

### *Governance committee*

The Board established a nomination committee in 2004 which on 27 May 2015 was re-named the governance committee and now also assists the Board with its governance responsibilities. This committee helps to achieve a structured Board that adds value to Pacific Current Group, by ensuring an appropriate mix of skills are present on the Board to enable it to discharge its duties and responsibilities effectively, at all times.

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During the financial year, the members of the governance committee were:

Director	Role	Non-executive	Independent
Melda Donnelly	Chair	✓	✓
Michael Fitzpatrick	Member	✓	x*
Gilles Guerin	Member	✓	✓

\* Mr Fitzpatrick is a substantial shareholder of Pacific Current Group and as such he does not meet the ASX Principles' criteria for independence

The Chair of the governance committee is an independent non-executive director. The governance committee's charter and a description of the process for selection and appointment of new directors are both available in the corporate governance section of Pacific Current Group's website.

Details of attendance at nomination committee meetings are included in the Directors' Report of Pacific Current Group's Annual Report, a copy of which can be found at:

<http://paccurrent.com/shareholders/document-library/>

## Board skills matrix

Pacific Current Group developed a board skills matrix in June 2015, to identify any gaps in its collective skills or experience that might be addressed by professional development initiatives and/ or the addition of a new board member.

A summary of that matrix is detailed below (disclosure is on a collective basis and the skills of individual directors remain confidential, as provided for in the ASX Principles).

Skills or experience	No of board members with skill/experience
Length in office	See composition chart below
Funds management	8
Listed experience	9
M&A	7
Global Experience	7
Company Management	9
Regulatory Experience	7
Legal Qualifications	2
Financial literacy	9
Finance qualifications	7
Sales / Distribution / Marketing	5
Corp Governance / Risk Management	6
Technology	3

## Board composition and independence

Director	Role	Non-Executive	Independent	Tenure (yrs.)
Mr Michael Fitzpatrick	Chairman	✓	x*	11
Mr Tony Robinson	Executive Director	x	x**	1
Mr Peter Kennedy	Director	✓	✓^	13
Ms Melda Donnelly	Director	✓	✓	4
Mr Jeff Vincent	Director	✓	✓	1.5
Mr Gilles Guerin	Director	✓	✓	1.5
Mr Tim Carver	Director	✓	x^^	1.5
Mr Paul Greenwood	Executive Director	x	x	1.5
Mr Joseph Ferragina	Finance Director & COO	x	x	1

\* Mr Fitzpatrick is a substantial shareholder of Pacific Current Group and as such he does not meet the ASX Principles' criteria for independence

\*\* Mr Robinson was a non-executive and considered independent until 30 April 2016, when he became an Executive Director.

^ Mr Kennedy has been deemed by the Board to be independent despite his tenure (as provided for in the ASX Principles)

^^ Mr Carver has been deemed by the Board to not be independent as a result of having been an executive, as he was CEO/Executive Director in the past year

The Board is made up of a majority of non-executive directors, which it considers enables adequate

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independent decision making. During the year, Pacific Current Group had a majority of independent directors until 30 April 2016, when as a result of Mr Robinson becoming an executive director, it was deemed that Mr Robinson was no longer independent as he is now acting in an executive capacity.

Mr Fitzpatrick, a non-executive director and Chairman, is a major shareholder of Pacific Current Group. His experience and knowledge of Pacific Current Group make his contribution to the Board such that the Board has deemed it appropriate for him to remain as Chairman.

Despite Mr Kennedy's tenure, the Board has deemed him to be independent, as provided for in the ASX principles.

From 30 June 2015 until 30 April 2016, Pacific Current Group's Chief Executive Officer was Tim Carver. On 30 April 2016, Mr Carver became a non-executive director of Pacific Current Group. On 30 April 2016, the role of Chief Executive Officer was split between Mr Robinson, focusing on the Australian business and investor relations, with Mr Greenwood becoming president of North American and operational control of the US business. Pacific Current Group's Chairman and Executive Directors have separate roles. The division of responsibilities between the Chairman and the Executive Directors sharing the CEO role are set out in the board charter, a copy of which can be found on the Company's website.

## *Board induction and professional development*

In order for a new director to participate fully and actively in Board decision-making at the earliest opportunity, an induction process is carried out immediately after appointment. Where possible, this includes meetings with key executives, tours of the premises and an induction package and presentations. Information conveyed to new directors includes:

- details of the role and responsibilities of a director;
- details of all relevant legal requirements;
- access to a copy of the board and committee charters;
- background information on and contact information for key people in the organisation;
- an analysis of Pacific Current Group; and
- a copy of the constitution of Pacific Current Group.

In order to achieve continuing improvement in Board performance, all directors are able to undergo continual professional development. Specifically, directors are provided with the resources and training to address skills gaps wherever they are identified.

## **Principle 3: Act ethically and responsibly**

### *Code of conduct*

To ensure that Pacific Current Group maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, the Board has established a code of conduct for management and employees and a code of ethical conduct for the Board ("Codes"). The Codes act as a guide for compliance with legal and other obligations that Pacific Current Group have in respect of stakeholders. The Codes govern all Pacific Current Group commercial operations and the conduct of the Board, employees, consultants, contractors, advisors and Pacific Current Group representatives.

The Codes also outline the responsibility and accountability of individuals for reporting and investigating unethical practices and can be viewed in the corporate governance section of Pacific Current Group's website.

Pacific Current Group has a securities trading policy, under which directors and employees and their associates may only trade in Pacific Current Group's securities during specific trading windows. This policy can also be viewed in the corporate governance section of Pacific Current Group's website.

## **Principle 4: Safeguard integrity in financial reporting**

The Board has established an audit and risk committee. The audit and risk committee has a formal charter, which can be found in the corporate governance section of Pacific Current Group's website.

During the financial year, the members of the audit and risk committee were:

Director	Role	Non-executive	Independent
Peter Kennedy	Chair	✓	✓
Michael Fitzpatrick	Member	✓	x*
Melda Donnelly	Member	✓	✓

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Jeff Vincent	Member	✓	✓
Tony Robinson	Member	✓	✓^

\*Mr Fitzpatrick is a substantial shareholder of Pacific Current Group and as such he does not meet the ASX Principles' criteria for independence.

^Mr Robinson was a non-executive director and independent when he was a member of the Committee. When Mr Robinson become an Executive Director, he ceased to be a member of the Committee

All members of the audit and risk committee can critically evaluate financial statements and are financially literate. Details of members' qualifications may be found in the director profiles of the Directors' Report of Pacific Current Group's Annual Report on the Company's website.

Details of attendance at audit and risk committee meetings are also included in the Directors' Report.

## *S295A declaration and relating ASX Principles declaration*

The Executive Directors (Mr Robinson and Mr Greenwood, who perform the CEO function) and CFO have provided the Board with a declaration in accordance with S295A of the *Corporations Act 2001* and also declared that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## *Auditors and annual general meeting*

Pacific Current Group's external auditor is Deloitte. The audit and risk committee oversees the effectiveness and performance of Deloitte and ensures the lead audit partner rotates after a maximum of five years.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners may be found in the corporate governance section of Pacific Current Group's website.

A representative of Deloitte attends Pacific Current Group's annual general meeting should any security holders have questions in relation to the audit.

## **Principle 5: Make timely and balanced disclosure**

The Board has established a continuous disclosure policy to ensure compliance with ASX Listing Rules disclosure requirements. This policy is located in the corporate governance section of Pacific Current Group's website.

The Board has designated the Pacific Current Group Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules*, Pacific Current Group immediately notifies the ASX of information:

- concerning the Pacific Current Group that a reasonable person would expect to have a material effect on the price or value of Pacific Current Group's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of Pacific Current Group's securities.

Upon confirmation of receipt from the ASX, Pacific Current Group posts all information disclosed in accordance with this policy on Pacific Current Group's website in an area accessible by the public.

To enhance clarity and balance of reporting and to enable investors to make an informed assessment of Pacific Current Group's performance, financial results are accompanied by a commentary.

## **Principle 6: Respect the rights of security holders**

### *Website*

Pacific Current Group has a comprehensive corporate governance section of its website, where security holders can access all corporate governance information.

### *Investor relations program*

Joseph Ferragina, Finance Director and COO co-ordinates Pacific Current Group's annual investor relations program.

This involves bi-annual roadshows, during which Mr Ferragina and Pacific Current Group's

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Executive Directors, Mr Robinson and Mr Greenwood will meet with key investors. The program also involves regular dialogue with investors either directly (via email or telephone) or through investment analysts. Pacific Current Group also provides quarterly funds under management updates to the market and on its website.

## *Communications with security holders and their participation at meetings*

Pacific Current Group respects the rights of its security holders and to facilitate the effective exercise of those rights Pacific Current Group is committed to:

- communicating effectively with security holders through releases to the market via ASX, Pacific Current Group's website, information mailed to security holders and general meetings of Pacific Current Group;
- giving security holders ready access to balanced and understandable information about Pacific Current Group and corporate proposals;
- making it easy for security holders to participate in general meetings of Pacific Current Group;
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report; and
- making available a telephone number and electronic query service on Pacific Current Group's website for security holders to make enquiries.

The shareholder communications policy is published on Pacific Current Group's website.

## **Principle 7: Recognise and manage risk**

### *Audit and risk committee*

The audit and risk committee is responsible for establishing policies on risk oversight and management. The audit and risk committee has a formal charter, which can be found in the corporate governance section of Pacific Current Group's website.

Details on the members of the audit and risk committee are detailed under commentary on Principle 4 above.

Details of attendance at audit and risk committee meetings are included in the Directors' Report of Pacific Current Group's Annual Report on Pacific Current Group's website.

### *Risk management framework*

A summary of Pacific Current Group's risk management and internal compliance and control system is available on Pacific Current Group's website.

Pacific Current Group has designed and implemented a risk management and internal control system to manage Pacific Current Group's material business risks. Risk is managed on an enterprise wide basis, with risks being reviewed across the whole group of companies, as well as risks arising from key stakeholder relationships and external events. Work to enhance the existing risk management framework continues.

Pacific Current Group does not have an independent internal audit function.

### *Material economic, environmental and social sustainability risk*

Pacific Current Group is exposed to the volatility of global financial markets, a systemic risk of being a funds management business. As a means of mitigating this risk, Pacific Current Group is strategically identifying diversification investment opportunities as they arise that are not necessarily linked to market movements or to the performance of the existing portfolio. The Board feels that security holders of Pacific Current Group invest in the Company knowing this inherent economic risk, as it applies across the entire funds management sector.

Pacific Current Group is not exposed to material environmental and social sustainability risks.

## **Principle 8: Remunerate fairly and responsibly**

### *Remuneration committee*

The Board has established a remuneration committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements. The role of the remuneration committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate

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remuneration levels and incentive policies for employees.

During the financial year, the members of the remuneration committee were:

Director	Role	Non-Executive	Independent
Peter Kennedy	Member	✓	✓
Michael Fitzpatrick	Member	✓	×
Gilles Guerin	Member	✓	✓
Tony Robinson	Member	✓	✓ <sup>^</sup>
Jeff Vincent	Chair	✓	✓

<sup>^</sup> Mr Robinson was a non-executive director and independent when he was a member of the Committee. When Mr Robinson became an Executive Director, he ceased to be a member of the Committee

The remuneration committee has a formal charter which is available on the website of Pacific Current Group in the corporate governance section.

The Board has endorsed the following senior executive remuneration policy and the non-executive director remuneration policy.

## *Board and senior executive remuneration policy*

Pacific Current Group is committed to remunerating its senior executives in a manner that is market- competitive and consistent with best practice, as well as supporting the interests of security holders. Consequently, under the senior executive remuneration policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Pacific Current Group performance;
- participation in Pacific Current Group long term incentive plan (“LTI Plan”) and
- statutory superannuation (for those employed in Australia).

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, Pacific Current Group aims to align the interests of senior executives with those of security holders and enhance Pacific Current Group performance. The amount of remuneration, including both monetary and non-monetary components, for each of the Key Management Personnel during the year (discounting accumulated entitlements) is detailed in the Directors’ Report of Pacific Current Group’s Annual Report.

The value of shares, performance rights and options granted to senior executives has been calculated using the Binomial method.

The objective behind using this remuneration structure is to drive improved Pacific Current Group performance and thereby increase shareholder value as well as aligning the interests of executives and security holders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments. This discretion is exercised on the following basis:

- retaining and motivating key executives;
- attracting quality management to Pacific Current Group; and
- allowing executives to share the rewards of the success of Pacific Current Group through performance incentives.

The current number of shares and performance rights issued under the LTI plan are reasonable in relation to the existing capitalisation of Pacific Current Group and all payments under the plan are made in accordance with thresholds set in plans approved by security holders.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by security holders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in the option scheme of Pacific Current Group. Non-executive directors are entitled to statutory superannuation.

The payment to directors is based on a workload criterion. Consequently, all non-executive directors, except the chairman of a committee receive a fixed amount plus a load for committee membership

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and committee chairing. The chairman receives an extra loading given the duties and extra time associated with the position.

## *Current director remuneration*

The aggregate amount of remuneration paid to non-executive directors (approved by security holders) is currently \$650,000.

Further information in relation to the remuneration of directors can be found in the Directors' Report of Pacific Current Group's Annual Report.

## *Director and employee incentive hedging*

Directors or employees, who have been issued incentives, are prohibited from entering into a transaction that is designed or intended to hedge their economic exposure to unvested entitlements under any equity based remuneration scheme. Pacific Current Group is satisfied there has been no director or employee hedging of incentives during the financial year.