Corporate Governance Statement 2017
Corporate Governance Statement 2017

Introduction and Purpose
This Corporate Governance Statement sets out the extent to which BTIM’s corporate governance practices for the year ended 30 September 2017 follow the third edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Recommendations). This statement also addresses:

- BTIM’s corporate governance framework
- key risks and BTIM’s response to mitigating these risks
- other governance issues, including responsible entity governance and tax information provided in accordance with the voluntary Tax Transparency Code published by the Board of Taxation.

This statement was approved by the BTIM Board on 8 November 2017.

ASX PRINCIPLE 1 - Lay solid foundations for management and oversight

Recommendation 1.1
A listed entity should disclose:
(a) the respective roles and responsibilities of its board and management; and
(b) those matters expressly reserved to the board and those delegated to management.

The role of the Board and management
The Board is responsible for the governance of the Group and has reserved a number of responsibilities to the Board. These responsibilities are set out in the Board’s Charter and include:

- appointing the Group CEO
- approving the Group’s strategic plan and annual budget
- overseeing management’s implementation of the Group’s strategic plan and its performance against the annual budget
- approving the appointment of members of the Global Executive Committee
- approving significant BTIM Group policies
- approving the half year and year-end financial statements and reporting documents
- approving dividends
- reviewing the performance and independence of the external auditor, and
- setting the Group’s risk appetite and monitoring the effectiveness of the Group’s risk management policies and procedures and the adequacy of its internal control mechanisms.

Delegation to management
The Board has delegated management of the BTIM Group’s day-to-day operations to the Group Chief Executive Officer & Managing Director (Group CEO). Authority delegated by the Board to the Group CEO must be exercised:

- within the strategy and risk appetite approved by the Board
- in accordance with approved policies, and
- subject to specific regulatory obligations.

The Group CEO may sub-delegate any authority granted by the Board and is accountable to the Board for all decisions made in accordance with delegated authority.

Recommendation 1.2
A listed entity should:
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
(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.

Director selection
Non-Executive Directors are appointed by the Board, following a recommendation from the Board’s Remuneration & Nominations Committee (RNC). In making recommendations to the Board, the RNC has regard to:

- the collective skills and experience required by the Board to effectively discharge its duties
- the future composition and size of the Board, including the number of independent directors on the Board, and
- the background, experience, professional skills and personal attributes of the candidates.

Appropriate background checks are undertaken before a person is appointed as a Director of the Company.
**Director appointment**

When a Director faces election, or re-election, BTIM provides shareholders with all material information in its possession, relevant to whether shareholders should elect or re-elect the Director, including:

- the Director’s qualifications and experience
- details of other directorships currently held by the Director
- whether the Board considers the Director to be an Independent Director
- the length of time the Director has served on the Board, and
- a recommendation from the Board in relation to the election or re-election of the Director.

**Recommendation 1.3**

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

**Non-Executive directors**

Non-Executive Directors are appointed by way of a formal letter. The letter sets out the key terms and conditions of the Director’s appointment including such matters as:

- the term of the appointment
- the Company’s expectations of Directors including their expected time commitment, duties to the Company, meeting attendance and preparation
- committee membership
- remuneration, including superannuation entitlements
- the Director’s obligations to disclose details of their interests in the Company’s securities and any matter which may impact on their independence
- details of significant Company documents including key policies, and
- indemnity and insurance arrangements.

**Senior Executives**

At the time of their appointment, BTIM enters into written agreements with the Group CEO and key management personnel. Further detail about the executive employment agreements entered into with key management personnel are contained in BTIM’s 2017 Remuneration Report.

**Recommendation 1.4**

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

**Company Secretary**

The Board is responsible for the appointment of the Company Secretary. The Company Secretary is accountable directly to the Board through the Chairman, on governance matters and all matters relating to the proper functioning of the Board. Details of the experience and qualifications of the Group Company Secretary, Joanne Hawkins, are set out in the 2017 Directors’ Report.

**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 to set measurable objectives 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.
Diversity & Inclusion at BTIM

The Group is committed to supporting individual differences in view, personal and/or work experiences, lifestyle, ethnicity, culture, age, gender, disability, marital status, religion, sexual orientation and education. This commitment is reflected in our Diversity & Inclusion (D&I) Policy.

BTIM strongly believes that promoting employee diversity, and creating an inclusive and flexible workplace where people can contribute, strengthens business innovation, decision-making and risk management, and results in superior client outcomes and returns to shareholders.

Diversity & Inclusion Strategic Priorities

BTIM’s D&I Strategy supports the Group’s D&I commitment by focusing on the following strategic priorities:

• Encourage broad diversity across all levels and areas of the business particularly within the senior ranks and emerging talent pool
• Mitigate leader/key decision maker ‘bias’ which impacts on recruitment, promotion and development business decisions
• Embed organisational culture, values and leadership behaviours that support a diverse and inclusive work environment
• Develop women in senior leadership roles
• Increase female representation across the investment platform, and
• Ensure flexible work practices are operational across all organisational levels and business units

Diversity and Inclusion Gender Targets and Progress against Gender Targets

In the 2015 Financial Year, the Board approved gender targets at Board and BTIM Australia Executive Team level to be achieved by 2020. Progress against these targets is regularly reviewed by the Board. The table below highlights the progress made in achieving these targets as at 30 September 2017, compared to 30 September 2016:

<table>
<thead>
<tr>
<th>D&amp;I Gender Target</th>
<th>Progress as at 30 September 2016</th>
<th>Progress as at 30 September 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>A minimum of 30% female representation on the BTIM Board</td>
<td>33%</td>
<td>Female representation at the Board level is currently 50%.&lt;br&gt;The Board target was far exceeded during the 2017 Financial Year with females representing half the Board members. This progress is due to Kathryn Matthews’ appointment as a Non-Executive Director in December 2016, which increased Board female representation from 33 to 50 percent.</td>
</tr>
<tr>
<td>A minimum of 30% female representation at CEO-1 level (Executive level)</td>
<td>29%</td>
<td>Female representation at the Executive level is currently 29%.&lt;br&gt;To align with the BTIM Global Group structure, the composition of the Executive Team was expanded during the 2017 Financial Year to include CEO-2 level employees. The rationale for the expansion is that it more accurately reflects the new BTIM Group structure encompassing the three (3) executive teams that represent the BTIM Group, BTIM Australia (some of whom were previously Key Management Personnel (KMP)) and J O Hambro Capital Management respectively. Female representation across the teams is 29%, which is consistent with the Executive Team gender balance achieved in the 2016 Financial Year. This progress indicates that the business is well on track to achieve the 30% Executive Team gender target by 2020.</td>
</tr>
</tbody>
</table>
The Chart above represents gender diversity at Board and Executive Team level over time against the Financial Year 2020 targets established for each group.

**Broader Gender Diversity**

Across the Group more broadly, female representation as at 30 September 2017 is 37%, which is consistent with the Group’s gender composition in Financial Year 2016.

**Review of Diversity & Inclusion Strategy and Targets**

Following the introduction of the Group structure, the Board took the opportunity to evaluate the D&I Strategy this year, ensuring its applicability across the broader business. Taking into consideration the global nature of the business, it was determined that the Group will continue to focus on the existing strategic priorities to be achieved by the 2023 Financial Year.

To ensure the right aspirational stretch for the Group to achieve its strategic objectives, the Board also reviewed the gender targets at the Board and Executive level and approved an increase to both. Effective from the 2018 Financial Year, the new targets to be achieved by 2023 are:

- a minimum of 40 percent female representation on the BTIM Board
- a minimum of 40 percent female representation in the Executive Team

**Broader Initiatives that support Gender Equality and a Diverse Workforce**

**Flexible Work Arrangements**

This Financial Year, the Group continued to offer policies and practices designed to support flexible work arrangements, promote D&I and foster work-life balance, whatever the employee’s stage of life. This included:

- working from home
- part-time work
- compressed working hours
- purchased leave (of up to four weeks per year)
- paid parental leave (over and above legislative entitlements)
- superannuation during unpaid parental leave
- timeout and career breaks, and
- job sharing.

**Introduction of Domestic Violence Policy**

To reinforce our D&I strategic commitment to flexible work practices, and as a symbol of our duty of care to employees, BTIM (Australia) introduced a new Domestic Violence Support Policy this year. Under the policy, employees impacted by domestic violence have access to counselling, flexible work arrangements and paid leave.

**Participation in the Career Returners Program**

As a founding member and as part of our commitment to increase female representation across the investment teams, participation in the Career Returners Program continued for a second successive year. The intent of the program is to replenish the industry’s pool of qualified and experienced senior women, providing meaningful work arrangements and enabling them to return to corporate work after a significant break from the workforce.

Participation in the program has resulted in a senior female being permanently hired in a key investment area of the business.
Female Investment Intern program
In pursuit of increasing female representation across the investment platform and encouraging the participation of women in the funds management industry, the Investment Intern Program ran once again this year. Female, penultimate year university students were selected to undertake Analyst placements in each investment team.

The success of the initiative has resulted in one student being permanently hired as an Investment Analyst within BTIM Australia.

Industry Memberships
BTIM (Australia) continued its memberships with the Women in Banking & Finance Group, the Diversity Council of Australia and the NSW Equal Employment Opportunity Practitioners’ Association (NEEOPA). These memberships ensure that the organisation keeps abreast of leading edge D&I research, insights and thought leadership, and provide access to industry networks, specialists and online recourses.

WGEA Report
Finally, the Group is a relevant employer as defined under the Australian Workplace Gender Equality Act and submitted its annual report to the Australian Workplace Gender Equality Agency (WGEA) in May 2017. The report provides a breakdown of BTIM Australia’s gender composition and average pay across all levels of the organisation and outlines the work practices and policies which are in place that support gender diversity and can be found in the Shareholder Centre on the BTIM website.

Further information about the Group’s D&I Strategy and targets, as well as the D&I initiatives that were implemented in the 2017 Financial Year to support the strategy, is provided on page 31 of the Corporate Sustainability & Responsibility report contained within BTIM’s 2017 Annual Report.

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.

Board performance
The Board conducts periodic evaluations of the performance of the Board, its Committees and individual Directors.

The most recent independent review of the performance of the Board, its Committees and Directors was undertaken in 2015. The scope of the review covered board culture, the Board’s focus on strategy, board reporting and communication, director skill sets and characteristics.

Subsequent to that review, the Chair of the RNC led an internal evaluation of the capacity of the Board in light of BTIM’s successful international expansion and current industry challenges. The insights from this review guided the recruitment process leading to the appointment of Kathryn Matthews as a Non-Executive Director in December 2016 as well as indicating areas for future board education.

The Board recently reviewed the performance of Directors James Evans and Deborah Page prior to them standing for re-election at this year’s Annual General Meeting.

A board evaluation is planned for 2018 to test the Board’s effectiveness.

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.

Executive performance evaluation
The RNC reviews and approves the annual performance objectives and measures of the Group CEO. As part of BTIM’s performance management cycle, the performance of the Group CEO and members of the Global Executive Committee is reviewed and evaluated at the end of each financial half year and full year. Performance is reviewed and evaluated against previously agreed objectives which are based on financial, non-financial and risk focused criteria.
ASX PRINCIPLE 2 - Structure the board to add value

Global Group Structure

Since the acquisition of J O Hambro Capital Management Limited (JOHCM) in 2011, BTIM has transformed into a global asset management business, which is reflected in its increased scale, its global footprint and its amplified complexity. Now, over half of funds under management and approximately three quarters of profits are generated outside of Australia.

In response, BTIM has established a Global Executive Committee and in the 2017 Financial Year BTIM Non-Executive Directors were appointed to the board of J O Hambro Capital Management Holdings Limited (JOHCM Holdings) to support the Company’s global governance framework. BTIM and JOHCM Holdings board and committee meetings are now conducted in an omnibus arrangement which ensures one global governing body provides oversight and governance of the Company.

Board and Committees

As at 30 September 2017, the Board comprised six Directors: 5 Non-Executive Directors and the Managing Director. The roles of Chairman and Managing Director are performed by different individuals.

During the year, the composition of the Board underwent two changes: Kathryn Matthews was appointed as a director on 1 December 2016, whilst Les Vance retired on 16 June 2016 following the sell down by Westpac Group of its ownership in BTIM from 29% to 10% in May 2017.

The current committees of the Board are:
- the Audit & Risk Management Committee
- the Remuneration & Nominations Committee.

The composition of the Board and its Committees during the 2017 Financial Year is set out in Table 1:

Table 1

<table>
<thead>
<tr>
<th>Name</th>
<th>Status</th>
<th>Audit &amp; Risk Management Committee</th>
<th>Remuneration &amp; Nominations Committee</th>
<th>Year Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Evans</td>
<td>Independent Non-Executive Chairman</td>
<td>Member¹</td>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Emilio Gonzalez</td>
<td>Managing Director &amp; Group CEO</td>
<td></td>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Meredith Brooks</td>
<td>Independent Non-Executive Director</td>
<td>-</td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Andrew Fay</td>
<td>Independent Non-Executive Director</td>
<td>Member²</td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Kathryn Matthews²</td>
<td>Independent Non-Executive Director</td>
<td>Member¹</td>
<td>Member³</td>
<td>2016</td>
</tr>
<tr>
<td>Deborah Page AM²</td>
<td>Independent Non-Executive Director</td>
<td>Chair⁴</td>
<td>Member³</td>
<td>2014</td>
</tr>
<tr>
<td>Les Vance²</td>
<td>Non-Executive Director</td>
<td>Member⁵</td>
<td></td>
<td>2016</td>
</tr>
</tbody>
</table>

1 James Evans ceased to be a member of the Audit & Risk Management Committee effective from 1 January 2017.
2 Andrew Fay ceased to be Chair of the Audit & Risk Management Committee effective from 1 January 2017 but remains a member of this Committee. Andrew Fay was appointed as a member of the Remuneration & Nominations Committee effective from 1 January 2017.
3 Kathryn Matthews was appointed as a Director on 1 December 2016. Kathryn Matthews was appointed as a member of the Remuneration & Nominations Committee on 1 January 2017 and as a member of the Audit & Risk Management Committee on 18 July 2017.
4 Deborah Page AM ceased to be a member of the Remuneration & Nominations Committee on 1 January 2017. Deborah Page was appointed as a member of the Audit Risk and Compliance Committee on 7 April 2014 and became Chair of this Committee effective 1 January 2017.
5 Les Vance ceased to be a member of the Remuneration & Nominations Committee on 1 January 2017. Les Vance retired as a Director on 16 June 2017.

Details of the background, experience, professional skills and expertise of each Director of BTIM, in office as at 30 September 2017, are set out in the 2017 Directors’ Report.
Meetings

The number of meetings of the Board and Board Committees held during the 2017 Financial Year and the number of meetings attended by each Director is set out in Table 2:

Table 2

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
<th>Audit &amp; Risk Management Committee</th>
<th>Remuneration &amp; Nominations Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>A</td>
</tr>
<tr>
<td>James Evans</td>
<td>8</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Emilio Gonzalez</td>
<td>8</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Meredith Brooks</td>
<td>8</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Andrew Fay</td>
<td>8</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Kathryn Matthews</td>
<td>6</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Deborah Page</td>
<td>8</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Leslie Vance</td>
<td>5</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

A - Meetings eligible to attend as a member of the Board or Committee.
B - Meetings attended as a member of the Board or Committee.

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

(a) 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.

Remuneration & Nominations Committee

The Board has established a Remuneration & Nominations Committee (RNC). The current members of the RNC are: Meredith Brooks (Chair), Andrew Fay and Kathryn Matthews.

Andrew Fay and Kathryn Matthews were appointed as members of the RNC as at 1 January 2017. Deborah Page and Les Vance ceased to be members as at that date.

All current members of the RNC are Independent Non-Executive Directors. The Chair of the RNC is an Independent Non-Executive Director.

The qualifications of the members of the RNC are set out in the 2017 Directors’ Report.

The number of meetings held by the RNC and the attendance of each member of the Committee are set out in Table 2.
Roles and responsibilities
The RNC’s role is to review, report and make recommendations to the Board on the following matters:

• executive remuneration policies
• the recruitment, retention and termination policies and procedures for the Group CEO and members of the Global Executive Committee
• performance hurdles and awards under each equity plan operating across the Group
• the appointment of new directors, having regard to the existing mix of skills and experience on the Board
• policies relating to the remuneration of non-executive directors
• performance evaluation of the Board, Board Committees and individual Directors
• the appointment of new non-executive Directors to the Board, including ensuring that appropriate background checks are carried out
• the re-election of directors, and
• the development of a Board succession plan.

The RNC also provides oversight of remuneration practices across the Group. Significant matters relating to the remuneration of JOHCM employees, such as the recommended remuneration of senior JOHCM executives, are reported to the RNC.

The RNC operates in accordance with the terms of a written Charter approved by the Board, which can be found on BTIM’s website.

Director skills and experience
The RNC assesses the collective skills, experience, diversity, independence and personal attributes the Board requires to effectively discharge its responsibilities.

In 2015 the Board formalised a skills matrix that identified the skills and experience that are critical to the effective functioning of the Board and that will add value to the Company’s strategy and operations. The areas identified included:

• Financial management and reporting
• Business leadership, people and talent management
• Asset management and financial services industry knowledge and experience
• Knowledge and experience in the international financial services and asset management markets that are important to the current and future strategy of the Group
• Governance and risk management, including regulatory and technology evolution, and
• Client and external stakeholder management.

As part of its responsibility to regularly evaluate the capacity of the Board, in 2016 the RNC assessed the incumbent Directors’ collective skills and experience against this matrix. This evaluation revealed two areas where additional capability would be valuable: current international financial services expertise and relevant strategic technology insight.

The appointment of Kathryn Matthews to the Board in December 2016 specifically addressed the first, and most pressing, requirement. Kathryn is UK based with extensive funds management experience in Asia and North America over her 30 year executive career.

Consideration is being given to the required skills, experience and international perspective of the next new director before a formal search commences. In the meantime, specialist external advice to the Board will be sourced as required to provide insight and depth to strategic technology decision-making.

The Board has also identified a number of personal character attributes that each Director must possess. These attributes reflect the Company’s culture and are essential to the effective operation of the Board:

• Integrity
• Accountability
• Gravitas
• Collegiality
• Good listener
• Communicator
• Appetite to learn.

A board evaluation is planned for 2018 to test the Board’s effectiveness.
Corporate Governance Statement 2017 continued

**Recommendation 2.3**
A listed entity should disclose:
(a) the names of the directors considered by the board to be independent directors;
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
(c) the length of service of each director.

**Director Independence**
The RNC assesses the independence of the Directors on an annual basis, as part of the Company’s annual reporting and Annual General Meeting processes. The RNC also considers the independence of a Director at the time of their appointment; when they face election or re-election as a Director; or if there is a change to the Director’s interests, positions, associations or relationships that may impact upon the Director’s independence.

When considering whether a Director is independent, the RNC and the Board has regard to the factors set out in Box 2.3 in the ASX Recommendations. These elements include whether the Director:
• is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board
• is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities
• is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its child entities
• is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its child entities
• is a substantial security holder of the entity or an officer of, or otherwise associated with, someone with such a relationship
• has a material contractual relationship with the entity or its child entities other than as a director
• has been a director of the entity for such a period that his or her independence may have been compromised.

The Board considers all Non-Executive Directors to be independent Directors, including the Chairman. The status and tenure of each Director is set out in Table 1.

**Recommendation 2.4**
A majority of the board of a listed entity should be independent directors.

The Board is comprised of a majority of Independent Directors, being James Evans (Chairman), Meredith Brooks, Andrew Fay, Kathryn Matthews and Deborah Page. Emilio Gonzalez is the Group CEO and is therefore not considered to be an Independent Director.

**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.
Chairman of the Board
James Evans is the Independent Non-Executive Chairman of the Board. James Evans was appointed the Chairman of the Board on 6 December 2013, having originally been appointed a Director of BTIM in June 2010.

The role of the Chairman is to:

- chair meetings of the Board and general meetings
- provide leadership to the Board
- oversee the operation and function of the Board
- facilitate the effective contribution of all Directors to Board discussions
- oversee the process of evaluating the Board and individual Directors
- maintain an ongoing dialogue with the Group CEO and provide appropriate guidance and mentoring
- act as a public spokesman for the Board, and
- promote good relations between the Board and management.

The positions of Chairman of the Board and Group CEO are not held by the same person.

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.

Induction of Directors and ongoing education
Newly appointed Directors receive an extensive induction, which includes the provision of an Induction Pack containing all relevant corporate governance documents, including significant policies, previous annual reports and minutes of previous Board and Committee meetings. Directors also receive briefings on the BTIM Group’s business, including risk and compliance issues, from senior executives and investment managers, and updates on changes in the regulatory environment affecting the Group. Directors receive appropriate training on issues relevant to the business.
ASX PRINCIPLE 3 - Act ethically and responsibly

Recommendation 3.1
A listed entity should:
(a) have a code of conduct for its directors, senior executives and employees; and
(b) disclose that code or a summary of it.

Code of Conduct
BTIM has a Code of Conduct which draws from and expands on BTIM’s core values of integrity, honesty, respect, teamwork and high performance. The Code of Conduct applies to Directors, the Global Executive Committee and all other employees and is designed to assist them in their decision making and behaviour. The principles underlying the Code of Conduct are:
• acting with honesty and integrity
• respecting the law and complying with all laws and regulations
• respecting confidentiality and not misusing information
• valuing and maintaining professionalism
• working collaboratively as a team
• managing conflicts of interest responsibly, and
• striving to be a good corporate citizen and achieve community respect.

The Code of Conduct is supported by a number of detailed policies that deal with a range of ethical issues and include the following:
• Conflicts of Interest Policy
• Trading in BTT Securities Policy
• Personal Account Trading Policy
• Anti-Money Laundering and Counter Terrorism Financing Policy
• Managing Fraud and Corruption Policy
• Discrimination & Harassment Policy
• Work Health & Safety Policy
• Whistleblower Protection Policy.

The Code of Conduct and associated policies are available to all employees on BTIM’s internal website. All new BTIM employees are required to familiarise themselves with the Code of Conduct as part of their induction training requirements.

A copy of the Code of Conduct can be viewed on BTIM’s website.
ASX PRINCIPLE 4 - Safeguard integrity in corporate reporting

Recommendation 4.1
The board of a listed entity should:
(a) have an audit committee which:
   (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
   (2) is chaired by an independent director, who is not the chair of the board, and disclose:
   (3) the charter of the committee;
   (4) the relevant qualifications and experience of the members of the committee; and
   (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
(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.

Audit & Risk Management Committee
The Board has established an Audit & Risk Management Committee (ARMC). The current members of the ARMC are: Deborah Page (Chair), Andrew Fay and Kathryn Matthews.
Kathryn Matthews was appointed as a member of the ARMC on 18 July 2017 following Les Vance’s retirement in June 2017.
All members of the ARMC are Independent Non-Executive Directors and the Chair of the ARMC is an Independent Non-Executive Director.
The qualifications of the members of the ARMC are set out in BTIM’s 2017 Annual Report. Members of the ARMC have an appropriate mix of qualifications and experience in finance and risk management generally and more specifically in relation to the investment management industry.
The number of meetings held by the ARMC and the attendance of each member of the Committee are set out in Table 2.
Role and responsibilities
The primary role of the ARMC is to oversee:
• the integrity of the Group’s financial reporting
• the adequacy and effectiveness of the Group’s internal control systems and risk management framework
• the appointment, remuneration, qualifications, independence and performance of the auditor of the Group’s half yearly and annual financial statements, and
• compliance with applicable legal and regulatory requirements.
The ARMC operates in accordance with the terms of a written Charter approved by the Board, which can be found on BTIM’s website.
Audit issues
The ARMC has the following responsibilities in relation to audit matters:

• evaluate the independence of the statutory auditor at least annually, including making an assessment whether the statutory auditor is independent of the Company and there are no conflicts of interest that could compromise the independence of the statutory auditor
• review statutory audit plans and audit fees
• discuss any issues relating to the conduct of the audit with the statutory auditor
• review the findings of statutory audits to ensure that issues are being appropriately managed and rectified, and
• periodically consult the statutory auditor in the absence of management.

The Group’s statutory auditor is PricewaterhouseCoopers (PwC). PwC provides an independent opinion that the Group’s consolidated financial statements represent a true and fair view of the Group’s financial position and performance and comply with relevant regulations.

PwC receives copies of the agenda and papers for each ARMC meeting. The statutory auditors attend the ARMC’s meetings when the half year and full year financial statements are being considered. The statutory auditors also attend other meetings when relevant items are on the ARMC’s agenda.

Members of the ARMC are able to contact the auditors directly at any time. Similarly, the statutory auditors are able to contact the Chair of the ARMC directly at any time.

Any non-audit services provided by PwC to the Company are approved by the Chair of the ARMC.

Recommendation 4.2
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.

CEO and CFO assurance
Prior to the Board’s approval of BTIM’s half-year and full-year financial statements, the ARMC and the Board receive a declaration from the Group CEO and the Group CFO that in their opinion:

• the financial records of the Group have been properly maintained
• the financial statements comply with the appropriate accounting standards, and
• give a true and fair view of the Group’s financial position and of its performance during the relevant period.

The Group CEO and the Group CFO also declare that their opinions are formed on the basis of a sound system of risk management and internal controls that are operating effectively.

Recommendation 4.3
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.

The Company’s statutory auditor attends BTIM’s annual general meeting and is available to answer questions from shareholders in relation to the conduct of the audit, the audit report, the accounting policies adopted by the Company in preparing the financial statements and the independence of the auditors.

Shareholders may submit written questions to the statutory auditor prior to the annual general meeting.
ASX PRINCIPLE 5 - Make timely and balanced disclosure

Recommendation 5.1
A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

BTIM is committed to promoting investor confidence and the rights of all shareholders by complying with the disclosure obligations contained in the Corporations Act and the ASX Listing Rules. BTIM seeks to ensure that all market announcements are presented in a factual, clear and balanced way.

BTIM has a Market Disclosure Policy, which sets out how BTIM communicates with its shareholders and the market. The policy establishes a Disclosure Committee whose members include the Group CEO, the Group CFO, the Chief Executive Officer of BTIM (Australia), the Chief Executive of JOHCM and the Group Company Secretary.

The Disclosure Committee is responsible for managing compliance with BTIM’s disclosure obligations. The Disclosure Committee determines what information should be disclosed to the market and the form of that information. The Disclosure Committee is also responsible for assisting employees to understand the Group’s disclosure obligations.

The Board retains responsibility for approving announcements of key significance such as:

• year end and half-year financial results
• earnings updates
• mergers and acquisition related announcements
• changes to corporate structures
• changes to Senior Executives or KMPs, and
• matters involving significant reputational and risk e.g. regulatory issues.

BTIM’s website includes copies of announcements lodged with the ASX by BTIM.
ASX PRINCIPLE 6 - Respect the rights of security holders

Recommendation 6.1
A listed entity should provide information about itself and its governance to investors via its website.

BTIM is committed to ensuring that all shareholders have equal and timely access to material information concerning the Group. BTIM communicates to its shareholders directly and by the publication of all relevant Company information in the Shareholder Centre of BTIM’s website.

All ASX announcements, reports, results presentations and other relevant documents are available in the Shareholder Centre of BTIM’s website.

Shareholders have the option to receive information from BTIM either electronically or in hard copy.

Recommendation 6.2
A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

BTIM has a program of ongoing communication with its shareholders in which it provides concise and clear communication on matters that relevant to shareholders and their investment in BTIM.

BTIM facilitates two-way communication with its shareholders by:

- making relevant information about the Company available to shareholders on its website
- encouraging shareholders to receive communications from the Company in electronic format
- encouraging shareholders to attend and participate in shareholder meetings, including by asking questions either at the meeting, or by submitting written questions in advance of the meeting
- the operation of a call-centre by the Company’s share registry, Link Market Services, which shareholders can contact in relation to any questions they may have in relation to the Company or to their shareholding.

Recommendation 6.3
A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

BTIM provides all shareholders with a notice of general meetings. BTIM endeavours to ensure that the contents of the notice of meeting are clear and concise.

BTIM encourages all shareholders to attend and participate in general meetings of the Company. Shareholders may ask questions of the Board, management or BTIM’s auditors. Shareholders are also able to submit written questions prior to the meeting. These questions are reviewed prior to the meeting and the Chairman seeks to address as many of these questions as possible, at the meeting.

BTIM publishes an “investor relations calendar” on its website which sets out important dates relevant to shareholders (for example, the date BTIM releases its full year results and the date of its annual general meetings).

Recommendation 6.4
A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

BTIM shareholders are able to elect to receive communications from BTIM electronically. Shareholders are also able to send electronic communications to BTIM, or to BTIM’s share registry, Link Market Services.
ASX PRINCIPLE 7 - Recognise and manage risk

The Group has an established Risk Management Framework (Framework) in place to ensure risk management principles are met. The Framework is subject to regular review and stress testing to confirm its effectiveness.

The success of the Group’s business is based on taking risks that are known, understood, assessed and managed within the limits of the Board approved Risk Appetite Statement.

The Group is a pure investment manager. We use our global investment expertise to manage investment risk and generate wealth for our clients. Our goal is to provide investment products that meet or exceed our clients’ expectations. The key to our success is earning the trust of our clients over the long term. We aim to grow our business by successfully investing over multiple market cycles. Our products are clear in their investment goals and transparent in their fees. Our culture encourages individuals to act with integrity and honesty and to value the interests of our clients as our first priority.

The Group seeks to proactively identify all material risks that may affect the organisation and ensure that these are dealt with appropriately. When assessing risk appetite, the Group has adopted a risk posture statement which specifies the acceptable risk level for each of the identified risks. The Group’s most conservative risk posture is in the management of critical areas such as key investment personnel, strategic alignment, reputation (business and brand), behaviour, regulation, obligations to investors and oversight of third party providers. This means that the Board has a narrower tolerance for these risks. In relation to risks associated with business growth and initiatives the Board accepts a higher risk appetite consistent with its strategic objectives including investing shareholder funds in the form of seed capital to support growth.

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 established the Audit & Risk Management Committee (ARMC). Details of the composition, structure and responsibilities of the ARMC, including those relating to risk management, are set out under ASX Principle 4.

Recommendation 7.2
The board or a committee of the board should:
(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and
(b) disclose, in relation to each reporting period, whether such a review has taken place.
The Group is committed to ensuring that it maintains a sound system of risk oversight, management and ongoing internal control assurance and an appropriate risk management culture within the business.

The key business risks identified by the Board are set out below in Table 3:

<table>
<thead>
<tr>
<th>Key Risk</th>
<th>Risk Description</th>
<th>Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Execution</strong></td>
<td>The risk associated with the failure to effectively execute the Group’s strategy. The risk that the strategy does not produce the expected results.</td>
<td>• Annual strategy and budgeting process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee objectives aligned to strategic objectives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ongoing monitoring and review of strategy</td>
</tr>
<tr>
<td><strong>People and Talent Management</strong></td>
<td>The risk of loss of key personnel which may lead to an adverse effect on business growth and/or the retention of existing business.</td>
<td>• Long term retention plans</td>
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<tr>
<td></td>
<td></td>
<td>• Competitive remuneration structures</td>
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<td></td>
<td></td>
<td>• Regular succession planning</td>
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<tr>
<td></td>
<td></td>
<td>• Maintenance of a strong reputation and culture which promotes an attractive workplace</td>
</tr>
<tr>
<td><strong>Investment Performance</strong></td>
<td>The risk of loss of revenue due to ineffective investment strategies resulting in sustained underperformance relative to benchmarks and peers.</td>
<td>• Talent hiring and succession planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Clearly defined investment strategies and investment process</td>
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<tr>
<td></td>
<td></td>
<td>• Ongoing review of investment strategies and performance</td>
</tr>
<tr>
<td><strong>Product and Revenue Concentration</strong></td>
<td>The risk of uneven distribution of exposure to particular sectors, geographic regions, clients and/or products.</td>
<td>• Clear strategy targeted at diversity across investment strategies, style and geographies</td>
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<tr>
<td></td>
<td></td>
<td>• Expanded distribution network broadening the client base across channel</td>
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<td></td>
<td>• Ongoing pursuit of new investment talent to broaden investment capability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Diligent monitoring and reporting to assess areas of concentration which identify elevated thresholds</td>
</tr>
<tr>
<td><strong>Complexity and Pace of Change in Regulation</strong></td>
<td>The risk that the Group will not be able to effectively respond to a change in multi-jurisdictional laws and regulation which could materially affect the Group.</td>
<td>• Clearly defined compliance framework including compliance obligations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Established policies and procedures supporting the risk and compliance framework</td>
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<tr>
<td></td>
<td></td>
<td>• Participation on industry bodies who actively and constructively engage with regulators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ongoing monitoring of new and proposed legislation that may impact the Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Appropriate level of resources to manage obligations, change and complexity</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>The risk of the Group not complying with multi-jurisdictional laws, regulations, contracts, industry codes, internal standards and policies applicable to the Group’s operations.</td>
<td>• Clearly defined compliance framework including compliance obligations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Established policies and procedures supporting the compliance framework</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Experienced legal, risk &amp; compliance teams</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ongoing monitoring, reporting and review of compliance obligations</td>
</tr>
<tr>
<td><strong>Outsourced Service Providers</strong></td>
<td>The risk of loss from failing to manage the Group’s key outsourced service providers whereby services provided by external parties are not conducted in line with the respective service level agreement.</td>
<td>• Robust due diligence process</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Clearly defined framework, policies and procedures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Regular monitoring and review of service level agreements and standards</td>
</tr>
<tr>
<td><strong>Operational</strong></td>
<td>The risk arising from inadequate or failed internal processes, people or systems or from external events.</td>
<td>• Independent annual audit of the design and effectiveness of internal controls</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Established policies and procedures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Annual Business Continuity Planning and regular testing of critical systems</td>
</tr>
<tr>
<td>Key Risk</td>
<td>Risk Description</td>
<td>Risk Management</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Behaviour</td>
<td>The risk of inappropriate behaviour which is not in line with the Group’s core values, including actions that may compromise the Group’s clients and the integrity of the market place.</td>
<td>• Clearly defined Code of Conduct which outlines the expected behaviour of all individuals&lt;br&gt;• Independent whistleblowing provider&lt;br&gt;• Embedded Risk Management Framework, including ongoing risk and compliance training</td>
</tr>
<tr>
<td>Information Security</td>
<td>The risk that investors or the Group may suffer service disruptions, or that investors or the Group may incur losses arising from system defects such as failures, faults or incompleteness in computer operations, or illegal or unauthorised use of computer systems, including cyber-crime.</td>
<td>• Business Continuity and Crisis Management Plans&lt;br&gt;• Annual testing of Disaster Recovery Plans&lt;br&gt;• Independent review of the design and effectiveness of internal controls&lt;br&gt;• Cyber Security Incident Response Plans&lt;br&gt;• Ongoing consultation with cyber security specialists including annual penetration testing</td>
</tr>
<tr>
<td>Market</td>
<td>The risk of an adverse impact on earnings resulting from changes in market conditions, such as foreign exchange rates, interest rates or equity markets.</td>
<td>• Diversification across asset classes, styles and geographies&lt;br&gt;• Diversification of investment styles and strategies&lt;br&gt;• Strong investment performance</td>
</tr>
<tr>
<td>Financial</td>
<td>The risk of financial loss arising from the Group’s activities in the financial and investment markets.</td>
<td>• Budgeting and financial forecast management&lt;br&gt;• Ongoing monitoring and review of strategy</td>
</tr>
<tr>
<td>Currency Risk</td>
<td>The risk associated with sustaining losses by having earnings, assets and liabilities denominated in currencies other than the Australian Dollar.</td>
<td>• Annual earnings hedged into Australian Dollars&lt;br&gt;• Ongoing monitoring and review as part of Capital Management Plan</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>Risk that an acquisition is a strategic failure and adversely impacts other parts of the Group.</td>
<td>• Robust due diligence engaging subject matter experts&lt;br&gt;• Annual strategy and budgeting process&lt;br&gt;• Clearly articulated objectives and governance structure&lt;br&gt;• Regular monitoring and strong reporting mechanisms</td>
</tr>
</tbody>
</table>

**Roles and responsibilities**

Overall accountability for risk management lies with the Board. The ARMC assists the Board in its oversight of risk management, financial and assurance matters. The Board delegates responsibility for the implementation of risk management to the Group CEO and the Global Executive Committee. The Global Executive Committee has accountability and responsibility to manage the Group in a sustainable way. It works to enhance and maintain the Group’s reputation, to ensure compliance with legal and regulatory obligations and industry standards. Strives to achieve its objectives and to take all necessary steps to promote ongoing long term investment performance for its clients.

**Review of the Risk Management Framework**

The Board Risk Appetite Statement is subject to review at least annually. This process incorporates review of key aspects of the strategy and assesses whether adjustments to the risk appetite need to be made as strategy evolves.

**Recommendation 7.3**

A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(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.
Deloitte has been appointed to provide internal audit services to BTIM in Australia and to JOHCM in other jurisdictions. Deloitte:

- has all necessary access to information to effectively conduct their audits
- works with senior management and the respective Risk and Compliance teams to develop an internal audit plan that complements other assurance work conducted
- independently reviews the effectiveness of the Groups’ risk management processes and internal controls, and
- reports audit results to senior management and depending upon the nature of the issue being reported and the responsibility for that issue, to the BTIM ARMC, the JOHCM Holdings Audit & Risk Committee or to the Board of BTIMFS.

**Recommendation 7.4**
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.

**Sustainability risks**
Sustainability risks are identified and managed in accordance with the Group’s overall risk management policies and framework.

**Economic sustainability risks**
BTIM’s material economic sustainability risks include risks associated with investment and markets, which are detailed on pages 18 and 19.

**Environmental sustainability risks**
Given the nature and size of BTIM’s business and operations, BTIM does not have any material environmental sustainability risks.

**Social sustainability risks**
BTIM’s material social sustainability risks and the strategies and controls that are in place to manage them are summarised in Table 4 below:

<table>
<thead>
<tr>
<th>RISK</th>
<th>SOCIAL SUSTAINABILITY RISK AREA</th>
<th>RISK DESCRIPTION/IMPACT</th>
<th>STRATEGIES AND CONTROLS TO MANAGE RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>People (Internal)</td>
<td>Community (External)</td>
<td></td>
</tr>
<tr>
<td>Attraction and retention of talent</td>
<td>✓</td>
<td>✓</td>
<td>• Remuneration policies and practices that reward for performance&lt;br&gt;• Compulsory equity deferral across a number of variable reward schemes&lt;br&gt;• Formal talent management and succession planning processes and practices&lt;br&gt;• Half yearly review of business critical roles and top talent&lt;br&gt;• Transparent performance management practices&lt;br&gt;• Training and development aligned to employee learning requirements&lt;br&gt;• Targeted leadership and development programs and activities&lt;br&gt;• Employee Engagement Survey and results action planning&lt;br&gt;• Alignment of Group strategy with the objectives of individual employees&lt;br&gt;• Flexible work arrangements and employee wellbeing initiatives promoted across the organisation&lt;br&gt;• Broader offering of Employee Benefits Program</td>
</tr>
</tbody>
</table>

Further information about the Group’s Human Capital Management is provided on pages 30 to 32 of the Corporate Sustainability & Responsibility report contained within BTIM’s 2017 Annual Report.
<table>
<thead>
<tr>
<th>RISK AREA</th>
<th>RISK DESCRIPTION/IMPACT</th>
<th>STRATEGIES AND CONTROLS TO MANAGE RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity &amp; Inclusion (D&amp;I)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People (Internal)</td>
<td>Community (External)</td>
<td></td>
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<tr>
<td></td>
<td>• “Group think” decision making, limiting broader debate and challenge, impacting on investment opportunities and the fulfilment of strategic objectives</td>
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<tr>
<td></td>
<td>• Non-compliance with regulatory requirements, impacting brand and reputation and, in turn, regulator confidence and employee, client and shareholder attraction and retention</td>
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</tr>
<tr>
<td></td>
<td>• Development and implementation of the Group’s D&amp;I Strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• D&amp;I initiatives which support the Group D&amp;I Strategy. Further detail regarding these initiatives is provided on page 31 of the Corporate Sustainability &amp; Responsibility report contained within BTIM’s 2017 Annual Report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• RNC oversight of progress against D&amp;I Strategy and D&amp;I Targets</td>
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<tr>
<td></td>
<td>• Annual review of remuneration across like-for-like roles to ensure pay equity</td>
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<tr>
<td></td>
<td>• Adoption and promotion of D&amp;I policies</td>
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<td></td>
<td>• Adoption, promotion and reporting of D&amp;I targets</td>
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<td></td>
<td>• Maintenance of BTIM Australia’s D&amp;I engagement score in the Aon Hewitt Best Employer range</td>
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<tr>
<td></td>
<td>• Flexible working policies, practices and culture operational across all organisational levels</td>
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<tr>
<td></td>
<td>• Domestic Violence Policy in place. Further information about the Group’s D&amp;I policy and targets is set out under ASX Recommendation 1.5.</td>
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<tr>
<td>Succession Planning</td>
<td></td>
<td></td>
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<tr>
<td>People (Internal)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of robust succession planning for identified business critical roles, leading to ‘key-person dependency’ and lack of knowledge transfer</td>
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</tr>
<tr>
<td></td>
<td>• Loss of knowledge and expertise from specialist, highly skilled employees when they leave the organisation</td>
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<tr>
<td></td>
<td>• Costly hiring or promotion mistakes being made to quickly fill an urgent senior role gap</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Formal talent and succession planning practices in place</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Half yearly review of business critical roles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reporting provided to the Remuneration and Nominations Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Retention arrangements in place for employees identified as business critical</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mitigating actions in place for identified succession gaps</td>
<td></td>
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<tr>
<td>Workplace Health &amp; Safety (WHS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People (Internal)</td>
<td>Community (External)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lack of robust WHS framework leading to unsafe work practices and an increase in employee injuries and costly workers’ compensation claims</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Non-compliance with regulatory requirements, impacting on brand, reputation and, in turn, regulator confidence and employee, client and shareholder attraction and retention</td>
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</tr>
<tr>
<td></td>
<td>• Penalties being applied to BTIM WHS Officers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Integrated WHS Strategy, Governance Framework and Performance targets in place</td>
<td></td>
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<tr>
<td></td>
<td>• ARMC oversight of WHS performance metrics, including 90% compliance with mandatory WHS training</td>
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<tr>
<td></td>
<td>• Annual BTIM WHS Management Plan with regular progress reports to the Audit and Risk Management Committee</td>
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<tr>
<td></td>
<td>• Annual WHS Risk Register</td>
<td></td>
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<tr>
<td></td>
<td>• WHS mandatory training for employees and people leaders</td>
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<tr>
<td></td>
<td>• Employee Assistance Program in place</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Employee Wellbeing Program which focuses on employee physical and psychological wellbeing through initiatives such as posture, ergonomic and health assessments, skin checks, eye tests and yoga classes</td>
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</tr>
<tr>
<td></td>
<td>• Discounts on a wide range of health and lifestyle products and/or services. See page 32 of the Corporate Sustainability &amp; Responsibility report contained within BTIM’s 2017 Annual Report for more information about the WHS Strategy and the initiatives that have been pursued this financial year.</td>
<td></td>
</tr>
<tr>
<td>Risk</td>
<td>Social Sustainability Risk Area</td>
<td>Risk Description/Impact</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Employee Engagement</strong></td>
<td>People (Internal)</td>
<td>• Employees actively and passively disengaged, resulting in lack of discretionary effort, poor productivity and team morale, increased absenteeism and turnover, and ultimately impacting on the successful execution of strategy</td>
</tr>
<tr>
<td><strong>Corporate Conduct</strong></td>
<td>Community (External)</td>
<td>• Inappropriate employee conduct, impacting on reputation and brand and undermining client, shareholder and regulator confidence</td>
</tr>
<tr>
<td><strong>Market Position/Profile</strong></td>
<td></td>
<td>• Lack of engagement with community and lack of awareness about the positive impact that the Group has on the environment, the community and stakeholders, impacting reputation and brand</td>
</tr>
</tbody>
</table>
ASX PRINCIPLE 8 - Remunerate fairly and responsibly

**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.

The Board has established the Remuneration & Nominations Committee (RNC). Details of the composition, structure and

responsibilities of the RNC, including those responsibilities relating to remuneration are set out under ASX Principle 2.

**Recommendation 8.2**
A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive
directors and the remuneration of executive directors and other senior executives.

Details of the Group’s governance relating to remuneration, including policies and practices for Non-Executive Directors, executive
directors and senior executives are disclosed in BTIM’s 2017 Remuneration Report, which is contained in BTIM’s 2017 Annual Report.

**Recommendation 8.3**
A listed entity which has an equity-based remuneration scheme should:

(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

(b) disclose that policy or a summary of it.

BTIM’s Trading in BTT Securities Policy precludes employees of BTIM from entering into a transaction or financial product (such as

options, derivatives or other arrangements) that may operate to limit the economic risk of unvested holdings in BTT securities or

entitlement under an under equity-based remuneration schemes.

A copy of the above Trading in BTT Securities Policy is available on BTIM’s website.
OTHER GOVERNANCE ISSUES

Responsible entity governance at BTIM

BT Investment Management (Fund Services) Limited (BTIMFS) is the responsible entity of the BTIM Funds and has a fiduciary obligation to act in the best interests of investors in those Funds. These fiduciary obligations may, from time-to-time, conflict with the interests of BTIMFS or the wider BTIM Group. When this occurs, the BTIMFS Board is required by the Corporations Act to give priority to the interests of investors in the BTIM Funds. The Directors of BTIMFS are conscious of their fiduciary obligations to investors in the BTIM Funds and continually assess their decisions in light of these obligations.

The BTIMFS Board is currently comprised of the following executive directors: Emilio Gonzalez (Group CEO), Hayden King (Chief Operating Officer, BTIM Australia) and Cameron Williamson (Group CFO). Mr Gonzalez is the Chairman of the BTIMFS Board. The BTIMFS Board has responsibility for the management of risks that arise from its duties as the responsible entity of the BTIM Funds and the provision of financial services under its Australian Financial Services Licence (AFSL).

The Board of BTIMFS has delegated a number of its responsibilities to the Group CEO.

MICC

As the BTIMFS Board is not comprised of a majority of external directors (as defined by section 601JA of the Corporations Act) the Board has appointed a Managed Investments Compliance Committee (MICC). The MICC is comprised of two external members and one internal member.

The external members of the MICC are Penni James (Chair) and David Prothero. The internal member of the Committee is Hayden King.

The MICC has the functions and responsibilities of a compliance committee as set out in Sections 601JC and 601JD of the Corporations Act.

JOHCM

JO Hambro Capital Management Holdings Limited (JOHCM Holdings) is the holding company for the wholly owned subsidiary JO Hambro Capital Management Limited (JOHCM). In the 2017 Financial Year BTIM Non-Executive Directors were appointed to the Board of JOHCM Holdings to support the Company’s global governance framework. James Hambro is Deputy Chair of JOHCM Holdings and is based in the UK. BTIM and JOHCM Holdings board and committee meetings are now conducted in an omnibus arrangement. The JOHCM governance structure is regularly reviewed in light of regulatory developments in UK, Europe, US and Asia along with the growth of the JOHCM business.
TAX TRANSPARENCY

The BTIM Group’s approach to taxation

The Group views taxation as an important contribution to the communities in which it operates. The Group is committed to high standards of governance and transparency and is pleased to adopt the voluntary Tax Transparency Code (TTC) designed by the Board of Taxation in Australia. The following information is provided in relation to both Part A and Part B of the TTC, and is consistent with the UK legislative tax transparency measure for qualifying entities to publish their tax strategy.

Tax strategy and governance

The Group is a multi-national business which manages investment assets across a diverse range of asset classes, clients and geographies. The Group seeks to manage its tax affairs to enhance compliance, minimise risks and facilitate its strategic objectives.

A strong tax governance and internal control framework is in place to manage tax affairs at BTIM. The Board has endorsed the Group’s tax strategy, which sets out its aims to:

• be a responsible taxpayer and comply with applicable taxation laws
• legitimately manage Group and subsidiary tax costs
• align tax policies and procedures with overall Group strategy and initiatives
• implement a robust Tax Risk Management Framework to identify, manage and communicate tax risks to the Board
• promote effective working relationships on tax matters with Group stakeholders, including the Board, staff, shareholders, subsidiaries, customers, business partners and regulators
• not engage in activities which are unlawful or are designed to avoid tax,
• contribute to government and industry proposals to reform and improve tax systems to benefit the Group, its stakeholders and the community.

The ARMC is responsible for reviewing, monitoring and making recommendations to the Board on BTIM’s tax policies and practices, including any material decisions relating to tax. A tax risk management framework is in place which sets out the control environment and how BTIM identifies, classifies, assesses and responds to tax risks. BTIM’s global tax and finance teams are responsible for implementing the framework, reviewing and monitoring tax risks and reporting to management, including the Group CFO and the ARMC on a regular basis.

Tax risk management sits within, and is aligned to, the Group’s broader strategy and Risk Management Framework. Acceptable levels of risk in relation to taxation are therefore determined in accordance with the Group’s risk appetite statement, under which a risk posture is adopted for each identified risk. Tax risks are generally included in the Group’s most conservative risk posture, which includes the management of critical areas such as strategic alignment, reputation, behaviour, regulation and obligations to investors. This means that the Board has a narrower tolerance for tax risks in these areas, but may accept a higher risk in relation to business growth and initiatives, consistent with its strategic objectives.

The Group’s attitude towards tax planning is to ensure that material transactions and activities are compliant with applicable tax legislation and align with the Group’s tax strategy and risk management framework. In doing this, the Group seeks advice from external tax advisers on significant or complex tax issues, and engages openly and co-operatively with the relevant tax authority (including the ATO and HMRC) to communicate important business changes, to obtain formal or informal guidance where there is uncertainty in the interpretation of tax laws and to address any regulator concerns or inquiries that may arise.

Income tax reconciliations

A reconciliation of the Group’s accounting profit to its income tax expense is included at Note B4 of the 2017 Financial Report, in accordance with International Financial Reporting Standards (IFRS). Further information is provided in the tables below to enhance transparency of the Group’s tax outcomes in each of the major countries in which the Group operates, including taxes calculated at the corporate tax rate in each jurisdiction, material differences between accounting profit and tax expense, and the effective company tax rate (calculated as tax expense divided by accounting profit) for Australian and global operations. Tax paid during the financial year can also differ from the tax expense for accounting purposes, and these differences are set out below.
Reconciliation of accounting profit to tax expense by country

**Table 5**

<table>
<thead>
<tr>
<th>YEAR ENDED 30 SEPTEMBER 2017</th>
<th>AUSTRALIA ($’000)</th>
<th>UK ($’000)</th>
<th>SINGAPORE ($’000)</th>
<th>USA ($’000)</th>
<th>TOTAL ($’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>45,200</td>
<td>88,576</td>
<td>50,209</td>
<td>9,643</td>
<td>193,628</td>
</tr>
<tr>
<td>Corporate tax rate (local)</td>
<td>30%</td>
<td>19.5%</td>
<td>17%</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>Tax at corporate tax rate</td>
<td>13,560</td>
<td>17,272</td>
<td>8,535</td>
<td>3,375</td>
<td>42,742</td>
</tr>
<tr>
<td>Tax effect of material differences:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee equity grant amortisation</td>
<td>369</td>
<td>369</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-deductible/(deductible) items</td>
<td>389</td>
<td>324</td>
<td>9</td>
<td>976</td>
<td>1,698</td>
</tr>
<tr>
<td>Tax credits and rebates</td>
<td>(143)</td>
<td>(9)</td>
<td>(394)</td>
<td></td>
<td>(546)</td>
</tr>
<tr>
<td>State and local taxes</td>
<td>385</td>
<td></td>
<td>1,126</td>
<td></td>
<td>1,511</td>
</tr>
<tr>
<td>Effect of changes in future tax rates</td>
<td></td>
<td></td>
<td>496</td>
<td></td>
<td>496</td>
</tr>
<tr>
<td>Adjustments to deferred tax of prior years</td>
<td>(5)</td>
<td>40</td>
<td>(12)</td>
<td></td>
<td>23</td>
</tr>
<tr>
<td>Adjustments to current tax of prior years</td>
<td>21</td>
<td>(261)</td>
<td>(39)</td>
<td>159</td>
<td>(120)</td>
</tr>
<tr>
<td>Tax expense</td>
<td>14,191</td>
<td>18,256</td>
<td>8,484</td>
<td>5,242</td>
<td>46,173</td>
</tr>
<tr>
<td>Effective tax rate (%)</td>
<td>31.4%</td>
<td>19.3%</td>
<td>16.9%</td>
<td>54.4%</td>
<td>23.8%</td>
</tr>
</tbody>
</table>

1 Profit before tax excludes distributions of profits received from subsidiaries, as those profits are already included in the profit of the relevant subsidiary.

**Table 6**

<table>
<thead>
<tr>
<th>RECONCILIATION OF TAX EXPENSE TO INCOME TAX PAID BY COUNTRY YEAR ENDED 30 SEPTEMBER 2017</th>
<th>AUSTRALIA ($’000)</th>
<th>UK ($’000)</th>
<th>SINGAPORE ($’000)</th>
<th>USA ($’000)</th>
<th>TOTAL ($’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax expense (as above)</td>
<td>14,191</td>
<td>18,256</td>
<td>8,484</td>
<td>5,242</td>
<td>46,173</td>
</tr>
<tr>
<td>Timing differences recognised in deferred tax</td>
<td>2,465</td>
<td>(1,175)</td>
<td>16</td>
<td>1,337</td>
<td>2,643</td>
</tr>
<tr>
<td>Prior year instalments paid this year</td>
<td>1,573</td>
<td>11,405</td>
<td>5,329</td>
<td>881</td>
<td>19,188</td>
</tr>
<tr>
<td>Current year instalments to be paid next year</td>
<td>642</td>
<td>(8,642)</td>
<td>(8,781)</td>
<td>581</td>
<td>(16,200)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>18,871</td>
<td>19,844</td>
<td>5,048</td>
<td>8,041</td>
<td>51,804</td>
</tr>
</tbody>
</table>
International related party dealings
As a global investment manager, the Group operates across international borders and leverages the resources available to benefit the Group entities in each country. BTIM’s international related party dealings are conducted in a manner consistent with Australian and international laws and the arm’s length principle. Formal agreements are put in place between Group entities to ensure that related party dealings are documented and consistently applied, while contemporaneous documentation is prepared and maintained to support the selection and implementation of appropriate arm’s length pricing methodologies and outcomes. The key categories of dealings with offshore related parties which have a material impact on the business’s taxable income in each country are summarised as follows:

- Investment management services are provided by Group entities and investment teams located in the UK, US and Singapore to support the operation of certain investment products issued by Group entities located in the UK, US and Australia. A benchmarked arm’s-length proportion of the management fee revenue earned on these products is paid to the entity employing the relevant investment team for these services.
- Distribution services are provided by sales personnel located in the UK, Australia, Singapore and the US for investment products, and are remunerated with a benchmarked proportion of the management fee revenue earned on the relevant product or mandate. This typically comprises the residual of the management fees after payment to the fund manager entity.
- Support services are provided between Group entities where resources can be effectively shared, which includes trade execution, finance and accounting, compliance and other services. These activities are benchmarked and priced on an arm’s length basis;
- Group/ head office services are provided by BTIM to its subsidiaries in relation to activities of the Group executive, finance and other functions which support the operation and development of the global business.
- Employee share plans are established by BTIM to provide equity in the Australian listed entity to attract and incentivise employees throughout the Group. Amounts are charged to subsidiaries in the UK, US and Singapore for the provision of equity and administration of the share plans as appropriate, and
- Financing is provided to Group entities through equity and, where appropriate, debt investment. Subsidiaries provide returns on the equity invested in them through the payment of profits as dividends to the relevant holding company. As these profits have been subject to tax in the country of the subsidiary, the dividends are generally not subject to further tax in the country of the holding company. Intra-group debt funding is mainly utilised on a short-term basis, and is documented with arm’s length terms and interest as applicable.

Total tax contribution
The Group contributes to the communities in which it operates through the payment of corporate income taxes as well as other indirect taxes on services and employment. The Group’s tax contribution during the 2017 Financial Year is set out below by tax type and by country of payment. Taxes paid by the Group on behalf of others (such as GST/ VAT collected and pay-as-you-earn withholding taxes paid) are not directly borne by the Group and are not included in the amounts shown below.

### 2017 tax contribution by type (total $70m)

- **Income tax** ($52m)
- **Payroll taxes** ($15m)
- **GST/VAT** ($3m)

### 2017 tax contribution by country (total $70m)

- **Australia** ($24m)
- **UK** ($33m)
- **USA** ($8m)
- **Singapore** ($5m)
Glossary

2017 Financial Year
The financial year ended 30 September 2017

ARMC
Audit & Risk Management Committee of BTIM

Board
Board of Directors of BTIM

BTIM
BT Investment Management Limited (ABN 28 126 385 822)

BTIMFS
BTIMFS BT Investment Management (Fund Services) Limited (ABN 13 161 249 332)

BTIM Funds
The managed investment schemes or unit trusts of which BT Investment Management (Fund Services) Limited is the responsible entity

Company
BTIM

Group
BTIM and its subsidiaries

Group CEO
Chief Executive Officer & Managing Director of the Group

Group CFO
Chief Financial Officer of the Group

JOHCM
J O Hambro Capital Management Limited

JOHCM Holdings or JOHCMH
J O Hambro Capital Management Holdings Limited

Reporting Period
The financial year ended 30 September 2017

RNC
Remuneration & Nominations Committee of BTIM