

PACIFIC CURRENT GROUP

Introduction

This *Corporate Governance Statement*, which has been approved by the Board, describes Pacific Current Group Limited's¹ corporate governance framework, policies and practices as at **6 September 2019**.

Our approach to corporate governance is based on a set of values and behaviours that underpin day-to-day activities, provide transparency and fair dealing and seek to protect PAC's stakeholder's interests. Pacific Current Group is committed to an excellence in governance standards which the Board sees is fundamental to the sustainability of our business and performance.

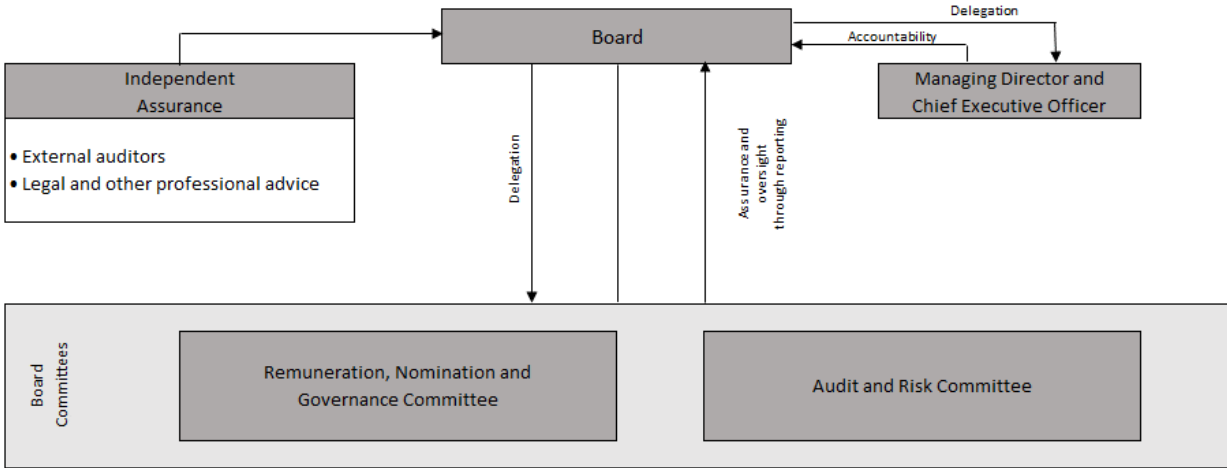
The Australian Securities Exchange (**ASX**) Corporate Governance Council's *Corporate Governance Principles and Recommendations 3rd Edition (ASX Principles)* set out what it considers to be best practice in conducting the business of a listed entity. The board of directors (**Board**) of Pacific Current Group Limited **Pacific Current** has considered and applied the ASX Principles, taking into account the circumstances of Pacific Current Group. Where Pacific Current Group's practices depart from a recommendation in the ASX Principles (**Recommendation**), this *Corporate Governance Statement* identifies the area of divergence and the reasons for divergence and any alternative practices adopted by the Company.

The ASX Corporate Governance Council released the fourth edition of its ASX Principles on 27 February 2019, which will take effect for Pacific Current's full financial year commencing on 1 July 2020. PAC has elected not to adopt the 4th Edition of the ASX Principles for the financial year ended 30 June 2019 and may consider early adoption for the financial year ending 30 June 2020.

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.

Governance Framework



¹ In this Corporate Governance Statement, a reference to 'Pacific Current' Group', 'PAC', 'Group', 'the Group', 'the Company', 'we', 'us', 'our' is to Pacific Current Group Limited ABN 39 006 708 792 and its subsidiaries.

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The diagram above shows PAC's current governance framework, including the current Committees of the Board.

The key functions of the Board and each of the Board Committees are outlined in this Corporate Governance Statement. All Board and Committee Charters and Board approved Policies referred to in this Corporate Governance Statement, are published in the corporate governance section on our website at <https://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 wherever PAC operates. The Board is accountable to shareholders 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*.

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 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 an agreement.

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Diversity policy

Pacific Current Group has a **Diversity Policy** that sets out the inclusion and diversity initiatives and commitment for the Group.

Pacific Current Group is committed to workplace diversity by recognising the value of individual differences and managing them in the workplace. Diversity in this context covers employees of all genders, age, physical ability, ethnicity, marital or family status, religious or cultural background and sexual orientation.

Our commitment to promote diversity within the Company includes the following actions:

- the Diversity Policy;
- a *Code of Conduct* under which all employees are expected to observe the highest standards of ethical behaviours and integrity in their conduct;
- a separate *Equal Employment Opportunity and Harassment Policy* and a *Workplace Behaviour Policy*;
- our commitment to diversity is a key tenant in the recruitment of senior management and staff;
- an *Internal Grievance Resolution Procedure* which is designed to establish a consistent approach in dealing with conflicts in the workplace, internal complaints about the work environment, as well as issues of misconduct or poor performance;
- a workplace safety program;
- an internal training program that covers diversity related issues; and
- publication of our diversity policy on our website www.paccurrent.com.

To ensure that the Company maintains a properly functioning diverse workplace, discrimination, harassment, vilification and victimisation, cannot and will not be tolerated.

However, with a workforce of approximately 20 staff worldwide, it is not practical for the Company to:

- set measurable objectives for achieving gender diversity in the workplace and the Directors on the Board;
- benchmark the Company's position on diversity; and
- undertake gender pay audits,

as recommended in the ASX's Corporate Governance Principles and Recommendations 3rd Edition.

The Board has established processes and procedures to ensure that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates.

The Board also recognises that employees of all genders, age, physical ability, ethnicity, marital or family status, religious or cultural background and sexual orientation at all levels may have domestic responsibilities and has adopted flexible work practices that will assist them to meet those responsibilities.

Board performance evaluation

The *Board Charter* provides for the undertaking of annual Board and Board Committee performance evaluation. During June and July 2019, the Pacific Current Group directors undertook an evaluation

questionnaire of the Board, Chairman and each Board Committee, and the Chairman evaluated the results which were discussed with the Board and individual directors, and considered further actions on matters relating to process and priorities. The Chairman also completed an evaluation questionnaire and discussed the results with the Chairman by the Chair of the Remuneration, Nomination and Governance Committee.

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 relation to the financial year ended 30 June 2019 (**FY2019**), at which time new KPIs were set for FY2020.

Principle 2: Structure of the Board to add value

Remuneration, Nomination and Governance Committee

During the year, the Board approved the merger of the Remuneration and Nomination Committee and the Governance Committee to form the Remuneration, Nomination and Governance Committee (**RNG Committee**).

The role of the RNG Committee is to ensure that the Company:

- has a Board of an effective composition, size, diversity and commitment to adequately discharge its responsibilities and duties and to bring transparency, focus and independent judgment to decisions regarding the composition of the Board;
- has coherent remuneration policies and practices to attract and retain directors and senior executives who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards the Managing Director & Chief Executive Officer and Chief Investment Officer (**MD & CEO and CIO**) and Group Executives, having regard to the performance of the Group, the performance of the MD & CEO and CIO and Group Executives and the general external pay environment.

In its function as a nomination committee, the RNG Committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- Board appointments, re-elections and performance;
- Board and Committee membership;
- directors' induction and continuing development;
- succession planning; and
- strategies to address Board diversity.

As set out in its Charter, the RNG Committee now comprises all non-executive directors, a change from the previous composition whereby the Committee comprised:

- at least three directors;
- all non-executive directors; and
- a majority of independent non-executive directors.

The RNG Committee may obtain information from, and consult with, Management and external advisers, as it considers appropriate.

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The Committee met seven times during FY2019. For further details of the number of RNG Committee meetings and the attendance at those meetings, refer to the Directors' Meetings section in the Directors' Report included in Pacific Current Group's 2019 Annual Report, a copy of which can be found at: <http://paccurrent.com/shareholders/document-library/>. The Charter for the RNG Committee is published in the corporate governance section on the Company's website.

During FY2019, the members of the RNG Committee were:

Director	Role	Non-executive	Independent
Peter Kennedy	Chair	✓	✓
Jerry Chafkin ³	Member	✓	✓
Melda Donnelly ³	Member	✓	✓
Michael Fitzpatrick ¹	Member	✓	x ¹
Gilles Guerin ²	Member	✓	✓
Tony Robinson ²	Member	✓	✓

- 1 Mr. Fitzpatrick is a substantial shareholder of Pacific Current Group and as such he did not meet the ASX Principles' criteria for independence. He resigned from the Committee upon his resignation as a director on 1 March 2019.
- 2 Joined the RNG Committee on 29 November 2018, upon the merger of the Remuneration and Nomination Committee and the Governance Committee.
- 3 Joined the RNG Committee on 23 May 2019 upon the Board's decision to appoint all non-executive directors to each Board Committee.

The Chair of the RNG Committee is an independent non-executive director.

The RNG Committee's Charter and a description of the process for selection and appointment of new directors are both published in the corporate governance section of Pacific Current Group's website.

Details of attendance at RNG Committee meetings are included in the Directors' Report of Pacific Current Group's 2019 Annual Report.

Board skills, experience and attributes

Pacific Current Group seeks to maintain a Board of Directors with a broad range of financial and other skills, experience and knowledge necessary to guide the business of the Group. In addition, PAC seeks to maintain a diverse Board, which at a minimum, collectively has the skills and experience as set out below

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Board skills, experience and attributes as at 30 June 2019

Skills and Experience	Explanation	The extent to which this skill is present amongst directors
Funds management and/or financial services experience	Experience a in significant components of the funds management or financial services sector, including equity and debt capital markets. Strong knowledge of the regulatory environment. Includes advisory roles to the industry.	75%
Leadership and commercial acumen	Skills gained whilst performing at a senior executive level for a considerable length of time. Includes delivering superior results, running complex businesses, leading complex projects and issues, and leading workplace culture.	81%
Financial acumen	Good understanding of financial statements and drivers of financial performance for a business of significant size, including ability to assess the effectiveness of financial controls.	71%
Risk and compliance	An understanding of compliance and experience in anticipating and evaluating macro, strategic, operational, financial, social, technological risks that could impact the business. Recognising and managing these risks by developing sound risk management frameworks and providing oversight. Includes experience in managing compliance risks and regulatory relationships.	67%
Strategy	Experience in developing, setting and executing strategic direction. Experience in driving growth and transformation, executing against a clear strategy.	78%
Governance	Publicly listed company experience, extensive experience in and commitment to the highest standards of governance, experience in the establishment and oversight of governance frameworks, policies and processes.	69%
Technology and digital	Experience in businesses of a significant size with major technology focus, including adaptation to digital change and innovation.	47%
People, culture and conduct	Experience in people matters including building workforce capability, workplace cultures, management development, succession and setting a remuneration framework that attracts and retains a high calibre of executives, and promotion of diversity and inclusion.	75%
Stakeholder engagement	Demonstrated ability to build and maintain key relationships with industry, government or regulators	61%

Board composition and independence

Director	Role	Non-Executive	Independent	Date Appointed	Tenure (yrs.)
Tony Robinson	Chairman	✓	✓	28 August 2015	4.0
Paul Greenwood	MD & CEO	×	×	10 December 2014	4.5
Jerry Chafkin	Non-executive Director	✓	✓	10 April 2019	0.4
Melda Donnelly	Non-executive Director	✓	✓	28 March 2012	7.25
Gilles Guerin	Non-executive Director	✓	✓	10 December 2014	4.5
Peter Kennedy	Non-executive Director	✓	✓ ²	4 June 2003	16.0

¹ Mr. Robinson was elected Chairman on 1 October 2018 ahead of Mr. Fitzpatrick's retirement from the Board on 1 March 2019

² Mr. Kennedy has been deemed by the Board to be independent despite his tenure (as provided for in the ASX Principles)

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

Despite Mr. Kennedy's tenure, the Board has deemed him to be independent, as provided for in the ASX principles. The Board has also deemed Mr. Robinson to be independent, despite having been in the role as Executive Director for the period 26 April 2016 to 31 August 2018.

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 and an induction package and presentations. Information

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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 Group;
- 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 encouraged to undertake 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, Pacific Current Group has a **Code of Conduct** for directors, management and employees (**Code**). The Code act as a guide for compliance with legal, regulatory and other obligations that Pacific Current Group has in respect of its stakeholders. The Code governs all Pacific Current Group commercial operations and the conduct of directors, employees, consultants, contractors, advisors and Pacific Current Group representatives.

The Code also outlines 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 is published 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
Melda Donnelly	Chair	✓	✓
Jerry Chafkin ³	Member	✓	✓
Michael Fitzpatrick ¹	Member	✓	x ¹
Gilles Guerin ³	Member	✓	✓
Peter Kennedy	Member	✓	✓
Tony Robinson ²	Member	✓	✓

- 1 Mr. Fitzpatrick is a substantial shareholder of Pacific Current Group and as such he did not meet the ASX Principles' criteria for independence. He resigned from the Committee upon his resignation as a director on 1 March 2019.
- 2 Joined the Audit and Risk Committee on 29 November 2018, upon the merger of the Remuneration and Nomination Committee and the Governance Committee.
- 3 Joined the RNG Committee on 23 May 2019 upon the Board's decision to appoint all non-executive directors to each Board Committee.

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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 2019 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 Managing Director & CEO and CFO have provided the Board with a declaration in accordance with S295A of the *Corporations Act 2001 (Cth)* 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 Touche Tohmatsu (**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 shareholders have questions in relation to the audit.

Principle 5: Make timely and balanced disclosure

Pacific Current Group has a **Continuous Disclosure Policy** to ensure compliance with ASX Listing Rules disclosure requirements. This policy is published 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 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 at <https://paccurrent.com/shareholders/document-library/asx-announcement/>.

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 and all presentations are also located in the document library section of Pacific Current Group's website.

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 at www.paccurrent.com.

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Investor relations program

The Managing Director & CEO and co-ordinates Pacific Current Group's annual investor relations program. During the year, the Group also engaged the services of an external investor relations consultant to assist the Group in reaching a broader group of retail and institutional investors.

Pacific Current Group undertakes bi-annual roadshows, during which the Managing Director & CEO, the Chairman and CFO 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 which are located in the document library section of Pacific Current Group's website.

Communications with security holders and their participation at meetings

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

- communicating effectively with shareholders through releases to the market via the ASX Announcement Platform, Pacific Current Group's website, information mailed to shareholders and general meetings of members of Pacific Current Group;
- giving shareholders ready access to balanced and understandable information about Pacific Current Group and corporate proposals;
- making it easy for shareholders 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 shareholders to make enquiries.

The ***Shareholder Communications Policy*** is published in the corporate governance section of 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 is published 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 2019 Annual Report on Pacific Current Group's website.

Risk management framework

During the financial year, the Board approved an updated Risk Management Framework, a copy of which is available on Pacific Current Group's website.

Pacific Current Group's enterprise risk management framework is based upon PAC's core business as a passive investor with principally minority interests in its underlying boutique investment managers.

This risk framework recognises that PAC faces a broad array of risks, many of which are fully in our control to manage and many others of which are outside our control. PAC categorises risks into two

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types: internal and external. The internal risks tend to be more controllable, and thus easier to reduce or eliminate, while the external ones are often outside our control but can often be partially mitigated, primarily through certain practices such as diversification.

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 shareholders 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 and Nomination Committee

The Board has established a Remuneration, Nomination and Governance (**RNG**) Committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements. The role of the RNG Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

Details of the members of the RNG Committee are set out under Principle 4 above.

The RNG Committee has a formal Charter which is published in the corporate governance section on Pacific Current Group's website.

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 shareholders. Consequently, under the Group's remuneration framework, 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's long term incentive plan (**LTI Plan**) and
- statutory superannuation (for those employed in Australia).

By remunerating senior executives through performance and the long-term incentive plan, in addition to their fixed remuneration, Pacific Current Group aims to align the interests of senior executives with those of shareholders 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 2019 Annual Report.

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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 shareholders.

The Board may use its discretion with respect to the payment of bonuses, performance rights 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 LTI plan are made in accordance with thresholds set in the plan.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in the LTI Plan. 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 Chairperson of the Board receive a fixed amount plus an additional amount for Committee membership and committee chairing. The Chairman of the Board 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 shareholders) 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 2019 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.