

# **2017 CORPORATE GOVERNANCE STATEMENT.**

Dated: 21 February 2018

# CORPORATE GOVERNANCE STATEMENT

## for the year ended 31 December 2017

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Bell Financial Group Limited (ASX:BFG) (**Bell Financial**) recognises the importance of good corporate governance. The ASX Corporate Governance Council (**Council**) Principles and Recommendations (**ASX Recommendations**) set out recommended corporate government practices for listed entities. While the ASX Recommendations are designed to achieve good corporate governance outcomes, the Council recognises that different entities may legitimately adopt different corporate governance practices based on a range of factors, including their size and complexity. The ASX Recommendations are therefore not mandatory, however where the board of a listed entity does not follow a particular recommendation, it must explain why – the “if not, why not” approach.

Bell Financial has adopted the majority of the ASX Recommendations. Having regard to the structure, size and nature of the operations of Bell Financial, the Board considers that three recommendations are not appropriate to its particular circumstances and has identified these below.

As required under the ASX listing rules, a copy of this Corporate Governance Statement has been lodged with the ASX.

## BOARD OF DIRECTORS

### Composition of the Board

The skills, experience and expertise of each director is described in the Directors' Report section of the Annual Report. Each director possesses significant financial acumen and has extensive experience in financial markets and financial services. The following table summarises the key skills and experience of the directors:

Skills and experience	No. of directors
Retail and institutional broking	6
Investment banking / equity capital markets	6
Financial acumen	6
Other financial services	6
Held CEO or similar position in financial organisation	6
Experience as a non-executive director of at least 2 other listed entities	3

### Chairman

The Chairman of the Board is not an independent director. Colin Bell serves as the Executive Chairman. This represents a departure from the ASX Recommendations. The Board considers that this is in the best interests of Bell Financial given his experience, expertise and understanding of the business. Alastair Provan, Managing Director, has the primary responsibility for discharging the chief executive function including the day-to-day management of Bell Financial. In this way, the Executive Chairman is not distracted in performing the role of Chairman effectively.

### Directors' independence

A director is considered independent if their interests are not allied with the interests of management, they are not a substantial shareholder and they are free of any business or other relationship that could materially influence, or reasonably be perceived to materially influence, the independent exercise of their judgement. The Board Charter contains the principles used by the Board in assessing independence and is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

During 2017, there were four non-executive directors on the Board - Craig Coleman, Graham Cubbin, Brian Wilson and Brenda Shanahan. Mr Cubbin, Mr Wilson, and Ms Shanahan are independent non-executive Directors. The Board did not consider that Mr Coleman was an independent Director in 2017 as he provided consultancy services to a Group company.

The independent status of directors may change over time and this will be disclosed to the market in a timely manner. As at the date of this document, the Board has an equal number of independent directors and non-independent directors, and a majority of non-executive directors. The Board considers that it has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

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### Independent professional advice

Directors are, after consultation with the Chairman, able to seek independent professional advice at Bell Financial's expense. Where appropriate, that advice will be made available to the Board.

### Director education

Bell Financial has a formal process to educate new directors about the nature of the business, current issues, corporate strategy and the expectations of Bell Financial concerning the performance of directors. Directors also have the opportunity to meet with management to gain a better understanding of Bell Financial's business and operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

## BOARD RESPONSIBILITIES

The Board is responsible for the overall corporate governance of Bell Financial, which includes effective oversight of management. The Board has adopted a Board Charter which contains a description of the specific responsibilities reserved to the Board, which can be found at: [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

The Board Charter also describes the nature of matters delegated to senior executives, and includes a description of the respective roles of the Executive Chairman and the Managing Director. This description is designed to clearly identify the division of responsibility at the senior executive level of Bell Financial. The Managing Director has authority to sub-delegate to the senior executive team. Whilst the appointment of an Executive Chairman represents a departure from the ASX Recommendations, the Board is satisfied that the division of responsibility is clearly articulated and ensures appropriate accountability.

The Board is responsible for monitoring the senior executive team's performance. As part of the delegation of authority to manage the day-to-day affairs of Bell Financial, the Managing Director carries out a performance evaluation for senior executives regularly, against appropriate performance objectives and indicators. A performance evaluation for senior executives was carried out by the Managing Director in 2017.

## BOARD COMMITTEES

The Board Charter contemplates that the Board may delegate certain functions to Board committees to assist the Board in the discharge of its oversight role. These committees are required to consider particular issues in detail and then report back to and advise the Board. The Board has established two standing committees, the functions of which are discussed below. A copy of each Board committee charter is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

### Group Risk and Audit Committee

The Group Risk and Audit Committee (**GRAC**) assists the Board to carry out its oversight role in relation to risk management, accounting, auditing and financial reporting. The core responsibilities of the GRAC include reviewing and where required providing recommendations to the Board on:

- the effectiveness of Bell Financial's risk management and internal control systems
- external financial reporting and financial statements
- the discharge of the internal audit function
- matters relating to the appointment, independence and performance of the external auditor, and the rotation of the external auditor.

The GRAC Charter stipulates that the Chair of the Committee must be an independent non-executive director, who is not the Chairman of the Board. The Charter also stipulates that the Committee must be comprised of only non-executive directors, a majority of independent directors and have at least three members. During 2017, the members of the GRAC were Mr Cubbin (Chairman, independent non-executive director), Ms Shanahan (independent non-executive director) and Mr Coleman (non-executive director). Each director each was a member of the GRAC for the full year.

Under the GRAC Charter, the Committee is required to review its performance periodically and whenever there are major changes to the management structure of Bell Financial. The performance evaluation has regard to the extent to which the Committee has met its responsibilities under the Charter. A formal performance evaluation was

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not undertaken during the reporting period ending 31 December 2017.

### Remuneration Committee

The Remuneration Committee assists and advises the Board on remuneration matters. The role of the Remuneration Committee is to develop, review and make recommendations to the Board on the remuneration framework for the non-executive directors, executive directors, other key management personnel (**KMP**) and senior executives. This includes recommendations in relation to incentive schemes and equity based plans where appropriate. An overview of Bell Financial's remuneration policy and framework is contained in the Remuneration Report section of the 2017 Annual Report, and the Remuneration Committee Charter, located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

The Remuneration Committee Charter stipulates that the Chair of the Committee must be an independent non-executive director. The Charter also stipulates that the Committee must comprise a majority of non-executive directors and have at least three members. The ASX Recommendations state that the majority of members should be independent directors.

During 2017, the members of the Remuneration Committee were Mr Cubbin (Chairman, independent non-executive director), Ms Shanahan (independent non-executive director), Mr Coleman (non-executive director) and Mr Provan (Managing Director). Each director was a Committee member for the full year.

The composition of the Remuneration Committee represents a departure from the ASX Recommendations, which propose that a majority of members should be independent Directors. However, the Board is satisfied that, given the majority of non-executive directors, the Remuneration Committee has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

Under the Remuneration Committee Charter, the Committee is required to review its performance periodically and whenever there are major changes to the management structure of Bell Financial. The performance evaluation has regard to the extent to which the Committee has met its responsibilities under the Charter. A formal performance evaluation was not undertaken during the reporting period ending 31 December 2017.

### BOARD NOMINATIONS AND RENEWAL

The Board does not consider that delegating the Board selection and appointment practices of Bell Financial to a separate committee would enhance efficiency and accordingly Bell Financial does not have a nomination committee. The Board has reserved to itself relevant responsibilities, including appointing and removing the Managing Director, developing and approving succession plans for the Board and key senior executives and overseeing that membership of the Board has the mix of experience, skills and diversity appropriate for Bell Financial's needs. A performance evaluation of the Board as a whole and each individual director was carried out during the reporting period ending 31 December 2017.

There must be an election of directors at each Annual General Meeting. The constitution of Bell Financial provides, among other things, for a process of retirement of directors by rotation (which will occur for each director approximately every three years except for the Managing Director, Alastair Provan). Directors who retire from office are eligible to stand for re-election.

### COMPANY POLICIES

#### Disclosure and Communications Policy

With a view to ensuring that investors are informed of all major developments affecting Bell Financial and our businesses, the Board has adopted policies, including our Disclosure and Communications Policy, designed to ensure that Bell Financial meets the continuous disclosure obligations imposed by the ASX listing rules and the Corporations Act. Information is communicated to shareholders through ASX announcements, annual reports and half-yearly updates, which are available on Bell Financial's website, [www.bellfg.com.au](http://www.bellfg.com.au). Shareholders may elect to receive communications from, and send communications to, Bell Financial and our share registry electronically, including via email. A copy of the Disclosure and Communications Policy is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

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### Trading Policy

Bell Financial has adopted a Trading Policy that applies to our directors and other key management personnel (**KMPs**), directors of our subsidiaries, and other persons nominated by the Managing Director from time to time (**Designated Persons**). The Policy explains the restrictions on trading that apply to Designated Persons, including trading during the following 'black-out periods' (subject to limited exceptions):

- from the end of Bell Financial's financial year (31 December) until release of our full year results in February; and
- from the end of Bell Financial's half-year (30 June) until release of our half-year results in August.

Other 'black-out periods' may be declared from time to time. The Policy contains an approval process to be followed by Designated Persons if they propose to deal in Bell Financial's securities. A copy of the Trading Policy is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

### Code of Conduct

Bell Financial has developed a Code of Conduct which applies to all directors, officers, employees, contractors, consultants and associates. Bell Financial is committed to honesty and integrity in all our dealings, as well as ensuring the highest quality of service is provided to customers and clients at all times. The Code sets out the ethical standards, values and policies of Bell Financial. It provides a framework to guide compliance with legal and other obligations to stakeholders, commitment to which the Board believes will maintain the confidence of Bell Financial's stakeholders.

The Code states that all potential or actual conflicts of interest must be avoided or disclosed. Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of Bell Financial. Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned will not receive the relevant Board papers and must not be present at the meeting while the item is considered. Details of director-related transactions with Bell Financial and the Group (if any) are disclosed in the Annual Report. A copy of our Code of Conduct is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

### Diversity

Considerable diversity exists throughout the Group in terms of age, culture and gender. Bell Financial values diversity in the workplace and is committed to employing people on the basis of the 'best fit' for the job, based on relative ability, performance and potential. Bell Financial departs from the ASX Recommendations in that it does not set or disclose measurable objectives around gender diversity, nor does it disclose the proportion of female employees at organisation, senior executive and Board level. Bell Financial has a Diversity Policy, which is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

### Risk assessment and management

The Board understands that the management of risk is a continuous process and an integral part of sound business management and corporate governance. The Group Risk and Audit Committee (**GRAC**) plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices, risk management and monitoring the independence of Bell Financial's external auditors.

Bell Financial has implemented a Risk Management Policy and Framework based on *AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines*. A description of the Risk Management Policy Framework is located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance). The Group's principal financial instruments comprise listed securities, derivatives, term deposits and cash. The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. These are examined in more detail in the Annual Report.

The GRAC reviews Bell Financial's Risk Management Policy and its Risk Management Plan at least annually and a review was conducted in 2017. The GRAC reported to the Board on these matters and the Board is satisfied that Bell Financial's risk management and internal control system is appropriate.

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### Material exposure to economic, environmental and social sustainability risks

There are a number of material business risks that could adversely affect the Group and the achievement of the Group's financial performance objectives, including market risk, liquidity risk and credit risk. Those risks and how they are managed are described in Notes 3 and 30 to the Financial Statements in the 2017 Annual Report. Other key risks include:

- Movements in Australian and international financial markets
- Changes in legislation and policy
- Operational risks (including regulatory compliance and technology and information systems)
- Loss of key business relationships
- Competition and pricing pressure
- Loss of reputation.

The Group does not have any material exposure to environmental or social sustainability risks.

### External auditor

Bell Financial's policy is to appoint an external auditor who demonstrates quality and independence. The performance of the auditor is reviewed annually. KPMG is Bell Financial's external auditor. The external auditor attends each Annual General Meeting where they are available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

### Internal audit

The internal auditors assist the GRAC in ensuring Bell Financial's compliance with internal controls and risk management programs by regularly reviewing the effectiveness of our internal controls and systems. The GRAC is responsible for approving the program of internal audit visits to be conducted each financial year and for the scope of the work to be performed. The GRAC is also responsible for recommending to the Board the appointment and dismissal of the Internal Audit and Risk Manager.

### Other information

This Corporate Governance Statement was approved by the Board on 21 February 2018 and the information in it is current as at that date.

This statement and our 2017 Appendix 4G (which is a checklist cross-referencing the ASX Recommendations to the relevant disclosures in this document, the Annual Report and our website) have been lodged with the ASX. This statement and our 2017 Appendix 4G can also be found at the Corporate Governance section of our website: [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).

Copies of Bell Financial's charters (Board Charter, Group Risk and Audit Committee Charter, Remuneration Committee Charter) and policies (Code of Conduct, Diversity Policy, Disclosure and Communication Policy, Risk Management Policy Summary and Trading Policy) are located at [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance).