

Corporate Governance Statement
2019

This Corporate Governance Statement has been approved by the Board and is current as at 31 December 2019.

Bell Financial Group Limited (ASX:BFG) (**Bell Financial**) recognises the importance of good corporate governance. The ASX Corporate Governance Council (**Council**) Principles and Recommendations (**Recommendations**) set out recommended corporate governance 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 adopted the majority of the Recommendations during the reporting period. Where a Recommendation was not followed for any part of the reporting period, we have stated the reasons for this below together with any alternative governance practices adopted.

Board members

Name	Position	Independent
Alastair Provan ¹	Executive Chairman	No
Craig Coleman	Independent Director	Yes
Graham Cubbin	Independent Director	Yes
Brian Wilson AO	Independent Director	Yes
Colin Bell ²	Executive Director	No

1. During the period, Mr Provan was the Executive Chairman from 15 August 2019. Mr Provan was Acting Chairman and Managing Director from 24 January 2019 to 15 August 2019 and prior to that he was the Managing Director.
2. During the period, Mr Bell was the Executive Chairman until 24 January 2019 and then continued on the Board as an Executive Director until he ceased on 15 August 2019.

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	5
Investment banking / equity capital markets	5
Financial acumen	5
Other financial services	5
Held CEO or similar position in financial organisation	5
Experience as a non-executive director of at least 2 other listed entities	3

Chairman

Mr Provan is the Executive Chairman of Bell Financial and he is responsible for the day-to-day management of all businesses within the Group. The Chairman of the Board is not an independent director and 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.

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/#corporate-governance.

During the period the Board had a majority of independent directors. The independent status of directors may change over time and this will be disclosed to the market in a timely manner.

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 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 and those reserved to management.

The Board Charter also describes the nature of matters delegated to senior executives, and includes a description of the 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 delegate to the senior executive team. Mr Provan ceased being the Managing Director on 15 August 2019 and commenced in the role of Executive Chairman. The Executive Chairman is continuing to lead the senior executive team while the search process is underway for a new Managing Director. 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. A performance evaluation for senior executives was carried out by the Executive Chairman during the period.

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. A committee is required to consider particular issues in detail and then report back to and advise the Board. The Board has one standing committee, the functions of which are discussed below.

Group Risk and Audit Committee (GRAC)

The GRAC assists the Board to carry out its oversight role in relation to risk management, compliance, 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 systems of risk management, internal controls and compliance
- financial reporting and financial statements
- monitoring the independence and competence of the external auditors
- overseeing the performance of the internal audit and risk function.

The GRAC Charter states that the Chair of the Committee must be an independent director who is not the Chairman of the Board. The Charter also states that the Committee must be comprised of only non-executive directors, a majority of independent directors and have at least three members. The members of the GRAC during the period were Mr Cubbin (Chairman, Independent Director), Mr Coleman (Independent Director), and Mr Brian Wilson AO (Independent Director, appointed to the GRAC on 20 February 2019).

The composition of the GRAC from 1 January 2019 to 20 February 2019 represented a departure from the ASX Recommendations that it should have at least three members. However the Board is satisfied that throughout the period the Committee had the experience, expertise and independence to enable it to discharge its functions effectively.

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 not undertaken during the period. A copy of the GRAC Charter is located at www.bellfg.com.au/#corporate-governance.

REMUNERATION

The Remuneration Committee ceased on 20 February 2019 when the Board determined that it would deal more efficiently and effectively with remuneration issues directly, without having a separate committee. The Board has resolved to itself decisions on the remuneration framework for non-executive directors, executive directors and other key management personnel (**KMPs**), 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 Board Charter and the Remuneration Report section of the Annual Report, located at www.bellfg.com.au/#corporate-governance.

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 period.

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 occurs for each director approximately every three years except for the Managing Director). Directors who retire from office are eligible to stand for re-election.

COMPANY POLICIES

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 its dealings, as well as ensuring the highest quality of service is provided to 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 certain transactions with Bell Financial and related parties of directors and KMPs must be disclosed in the Annual Report.

A copy of the Code of Conduct is located at www.bellfg.com.au/#corporate-governance.

Disclosure and Communications Policy

With a view to ensuring that investors are informed of all major developments affecting Bell Financial and its businesses, the Board has adopted policies, including a 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, the Annual Report and the half-yearly report, which are available on Bell Financial's website, www.bellfg.com.au. Shareholders may elect to receive all communications from Bell Financial's share registry electronically. Bell Financial also provides a facility for shareholders to ask questions via its website, which are answered directly. A copy of the Disclosure and Communications Policy is located at www.bellfg.com.au/#corporate-governance.

Trading Policy

Bell Financial has adopted a Trading Policy that applies to the directors and other KMPs, directors of Bell Financial's 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 during the following 'black-out periods' (subject to limited exceptions):

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

Diversity Policy

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 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/#corporate-governance.

Description of Risk Management Policy and Framework

The Board understands that the management of risk is a continuous process and an integral part of sound business management and corporate governance. The GRAC plays a key role in assisting the Board with its responsibilities relating to the effectiveness of Bell Financial's systems of risk management and internal controls, financial reporting, compliance, monitoring the independence and competence of the external auditors, and overseeing the performance of the internal audit and risk function. The GRAC is also responsible for promoting a widely shared control and risk management culture appropriate to Bell Financial's business.

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/#corporate-governance. 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 during the period. The GRAC reports to the Board on these matters and the Board was satisfied that Bell Financial's risk management and internal control systems were appropriate during the period.

OTHER GOVERNANCE MATTERS

Material exposure to economic, environmental and social sustainability risks

There are a number of material financial and non-financial 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 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 direct 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 the Group's 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 Head of Internal Audit and Risk.

Other information

This Corporate Governance Statement and the ASX Appendix 4G (a checklist cross-referencing the ASX Recommendations to the relevant disclosures in this document, the Annual Report and Bell Financial's website) have been lodged with the ASX and can also be found at: www.bellfg.com.au/#corporate-governance.