

Corporate Sustainability & Responsibility

The Group has a strong commitment to ensuring our business practices have a positive effect on our people, stakeholders and community.

1 Introduction

For the Group, Environmental, Social and Governance (ESG) issues arise in the following contexts:

- our ability to attract, engage and retain a diverse workforce
- our approach to responsible investment on behalf of our clients
- our ability to deliver sustainable returns to our shareholders, and
- the actions we take as a corporate citizen that may impact upon the environment, the community or our other stakeholders.

As an investment manager, we understand ESG factors can influence the value placed on a company and its ability to drive shareholder returns on a sustainable basis. We recognise our responsibility extends beyond delivering sustainable returns to our clients and shareholders – our actions also impact upon the environment, the community and other stakeholders. BTIM (Australia) has developed ESG capabilities and offers clients a diverse range of ethical and sustainable products that incorporate ESG best practice. These products include both 'Best of Sector' and ethical screening in the investment decision-making process. In the past year, we have continued to grow our responsible investment funds under management and enhance our product offerings to best align with the needs of our clients. As at 30 September 2017 these ethical and sustainable portfolios had \$2.4 billion of funds under management.

1.1 Growing climate change resilience across our portfolios

One of the important themes we are facing as a society is how climate change, and the associated transition to a low carbon

economy, reconfigures the investment landscape. The impacts are relevant for weather-sensitive physical assets as well as financial assets exposed to transition risks and opportunities associated with the shift to a low carbon economy. The December 2015 Paris Climate Agreement and the subsequent Financial Stability Board's private-sector, industry-led Task Force on Climate-related Financial Disclosures (TCFD) framework, released in June this year, are two clear signals that change is underway in the financial community, especially in the management and reporting of the risks and opportunities associated with climate and energy transition.

The Group's approach to climate change is evolving as the global community's understanding matures and the regulatory framework adapts. As a signatory to the 2017 G20 and G7 Nations Initiative on Climate Change, BTIM is an early supporter of a collective global investor initiative, together representing over USD 22 trillion in assets as at 3 July 2017. The initiative urges the governments of G7 and G20 nations to maintain the momentum on climate change action, including through creating policy and financial frameworks to improve the quality of climate-related information and to support the utilisation of tools, and metrics, that effectively incorporate the risks and opportunities into financial assessments.

We acknowledge that climate change is an ongoing and complex issue. We are continuing to work with our stakeholders to help them navigate the transition to a low-carbon economy, while also delivering responsible, performance driven strategies that meet our clients' long term investment objectives.

BTIM (Australia) has been managing 'low-carbon' investment strategies since

2014 and has been measuring and reporting on carbon intensity across our portfolios. Furthermore, in 2017 we implemented a thermal coal exclusion framework across all of the Group's Sustainable Series Funds, which are:

- BT Sustainable Australian Share Fund
- BT Sustainable Australian Fixed Income Fund
- BT Sustainable International Share Fund
- BT Sustainable International Fixed Income Fund
- BT Sustainable Balanced Fund
- BT Sustainable Conservative Fund.

Climate-related impacts vary across industry sectors, geographies and asset classes. BTIM acknowledges that effective management of systemic issues, such as climate change, requires holistic board oversight combined with robust measurement and reporting. We continue to engage with companies regarding material climate-related risks and opportunities, share our perspective on climate change with our investors, shareholders and other stakeholders and also support industry collaborations for more robust and relevant climate-related disclosures.

1.2 Role of ESG in the overall investment process

ESG principles are a factor in the operation of other products offered across the Group. Investment teams undertake research and due diligence as part of the investment decision making process. ESG factors can be an important part of the research and analysis undertaken.

To varying degrees, all our investment professionals consider environmental, social and governance factors when making investment decisions in their portfolios. ESG factors considered by the investment teams may include corporate governance, employment practices, ethics or environmental issues.

1.3 Regnan

Regnan - Governance Research & Engagement Pty Limited (Regnan) was established in 2007, and is now jointly owned by BTIM and another institutional investor. BTIM is represented on Regnan's Board of Directors.

Regnan undertakes research in ESG matters to identify material risks and opportunities, and engages with leading ASX-listed companies to seek improved consideration of ESG factors in business decisions.

During the 2017 Financial Year Regnan, on behalf of clients, engaged with 92 companies in the S&P/ASX 200 Index, with over 75 percent

BTIM sustainable & ethical funds under management – \$ billion



Engagement by topic – 2016/17 and prior two years



of active engagements demonstrating progress and ten engagements were closed after change objectives had been achieved. Regnan noted that the most significant areas of change occurred with respect to climate change, executive remuneration, board-related matters (including composition and issue of independence) as well as improvements to public disclosure allowing investors to better take ESG performance into consideration.

Regnan enables BTIM to work with other institutional investors to ensure a coordinated approach to matters of market integrity.

Regnan also provides specialist ESG data, analysis and research which are actively used in BTIM's sustainable and ethical product range as well as across our mainstream funds. Investment professionals in Australia work with Regnan to research and identify risks and opportunities in companies that implement and display sustainable principles in their business strategies.

During the year, Regnan appointed Pauline Vamos as CEO. Prior to joining Regnan, Pauline was CEO of the Association of Superannuation Funds of Australia and brings with her extensive experience in the financial services industry and a deep understanding of the increasing accountability companies face by the community and regulators.

1.4 Responsible Investment Association Australasia

BTIM is a member of the Responsible Investment Association Australasia (RIAA). RIAA is the peak industry body representing responsible and ethical investors across Australia and New Zealand.

RIAA works to promote a more responsible approach to investment and encourage more people to actively choose a responsible and ethical option for their savings and investments.

All of BTIM's Responsible Investment funds have been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program.

1.5 Principles for Responsible Investment (PRI)

JOHCM and BTIM (Australia) are both signatories to the United Nations-supported PRI.

The Group reports on progress via the Principles for Responsible Investment Reporting and Assessment Survey. This allows us to regularly review and monitor our performance, benchmark ourselves against our peers and identify opportunities, strengths and areas for improvement.

The Group's active approach to investing sees us working together with other investors to continually improve ESG practices.

1.6 Investor Group on Climate Change

As a founding member of the Investor Group on Climate Change (IGCC) we collaborate with other members to encourage government policies and investment practices that address the risks and opportunities of climate change, in an economically efficient manner. The Group has a representative that sits as a member on the IGCC's management committee.

The IGCC aims to:

- raise awareness of the potential impacts, both positive and negative, resulting from climate change to the investment industry, corporate, government and community sectors
- encourage best practice approaches to facilitate the inclusion of the impacts of climate change in investment analysis by the investment industry, and
- provide information to assist the investment industry to understand and incorporate climate change into the investment decision.

1.7 Proxy voting

The Group regards the exercise of proxy voting authority as an important aspect of investment decision-making. We do not involve ourselves in the day-to-day management of the companies in which we invest, however we recognise that we can influence company policy on matters of corporate governance by virtue of the shareholdings that we manage on behalf of our clients. In accordance with industry practice we use that influence for the benefit of our clients. BTIM places great emphasis on exercising clients' ownership rights and responsibilities to ensure companies are managed in the best interests of their long term investors.

We exercise our voting discretion on a case-by-case basis following an assessment of the matter at hand and after taking into consideration the likely effect on the portfolio or fund. We publish Australian proxy voting records on the BTIM website.

Information on the proxy voting pattern for BTIM (Australia) during the 12 months to 30 June 2017 is set out below. Specific details on how each proxy has been voted are available on the BTIM website.

JOHCM engages ISS Proxy Voting Services and ISS Proxy Advisory Services to facilitate voting and engagement activities. Fund managers review all annual general meeting and extraordinary general meeting agendas prior to voting. Where ISS research highlights issues which do not represent best practice, JOHCM's Investment Director will discuss the issues with the relevant fund manager before agreeing a course of action, which is then implemented for those portfolios where JOHCM has full discretion over voting.

PROXY VOTING FOR 2016/17	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	OTHER ¹
Number of resolutions	2,194	1,952	130	25	87
Percentage of total	–	89.0%	5.9%	1.1%	4.0%

¹ Other: Resolutions where BTIM Australia did not vote on a resolution due to administrative and other reasons, including where a shareholding was divested prior to the voting cut-off date and where BTIM Group was excluded from voting (such as when participating in a capital raising on behalf of clients which is the subject of a resolution and where voting would be deemed to be a conflict of interest). NB: The definition of Other was previously named "Did not vote" in prior Annual Reports of the BTIM Group.

Corporate Sustainability & Responsibility continued

2 Environment

During the 2017 Financial Year BTIM completed the CDP (formerly the Carbon Disclosure Project) for a second consecutive year.

Given the nature of the Group's operations and the size of our workforce (309 Full Time Equivalent employees), we have a relatively small environmental footprint. Notwithstanding this, BTIM monitors the environmental impact of its business and takes steps to minimise that impact, where possible. If material environmental risks are identified in line with BTIM's Risk Management Framework, BTIM will address these risks with appropriate management strategies.

3 Human capital management

The success of businesses across the Group depends on attracting, engaging and retaining the highest calibre of people.

We aim to cultivate the organisation's values, culture, leadership behaviours, policies and practices which drive employee engagement and innovation and contribute to the fulfilment of the Group's strategic objectives.

3.1 Succession planning

The Group views annual succession planning as key in managing people retention risk as well as being a significant input to workforce planning.

This year, succession planning was mapped for investment and executive level roles across a five year time horizon.

Further information about the material succession planning risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the BTIM 2017 Corporate Governance Statement, located on the BTIM website.

3.2 Employee turnover

Turnover across the Group continues to be low and predominantly occurred in operations and corporate support areas while the investment teams remained stable. As at 30 September 2017 the Group's 12-month rolling attrition rate was 10.74 percent.

3.3 Employee engagement

A high level of employee engagement is critical for the delivery of strong business results. We are focused on driving engagement even higher as the organisation grows. To this end, the results and insights of engagement surveys are used to determine areas of focus and enhance our People Strategy.

In the most recent survey of employee engagement in the 2015 Financial Year, BTIM (Australia) exceeded the Australian Financial Services benchmark and advanced our standing within the top quartile of Aon Hewitt's Best Employer range. Engagement increased by five percent on the previous engagement score which was measured in the 2013 Financial Year.

Further information about the material Employee Engagement risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the BTIM 2017 Corporate Governance Statement.

3.4 Professional development

Across the Group, we continue to offer a range of programs and policies that support the ongoing education and professional development of our employees. These include:

- leadership development programs to enhance the leadership capability of current and future leaders
- support of industry specific professional accreditations and memberships
- financial assistance and leave for employees pursuing study relevant to our business, which includes professional qualifications such as the Chartered Financial Analyst (CFA) qualifications, and
- onsite and external training programs that enhance individual technical skills and behavioural competencies and build team cohesiveness and communication.

3.5 Contributing to our communities

The Group actively contributes to the community by supporting charitable organisations and initiatives that improve the social wellbeing of the communities in which the Group operates.

BTIM (Australia) and JOHCM have dedicated Community Committees which comprise employees from across each organisation. The Committee's purpose is to coordinate and champion fundraising initiatives, volunteering and events for local charities.

This Financial Year, the BTIM (Australia) Committee primarily focused its efforts on supporting the Running for Premature Babies (RFPB) Foundation and became a Strategic Charity Partner. The RFPB Foundation raises money to fund lifesaving equipment and research for babies born prematurely.

The Committee's support for RFPB included coordination of a trivia night and providing funding for the Sydney Morning Herald Half Marathon team, the Kids Fun Run and the Gala Ball, with employee participation at each event.

Other community initiatives included a Christmas gift collection in support of the Wayside Chapel Christmas Party and corporate participation in the JP Morgan Corporate Challenge.

In the 2017 Financial Year JOHCM contributed to the community via a number of activities including:

- coordination of a quiz night with proceeds going to the Whizzkids charity
- participation in the annual JP Morgan Challenge, in aid of Cancer Research UK
- participation in the annual Bloomberg Square Mile Relay in support of local charities and not-for-profit organisations, and

- establishment of a personal charity donation initiative called 'Give As You Earn', enabling employees to make personal donations to approved charities.

The Group continues to support employees in their charitable endeavours through the provision of leave and via corporate matching of funds raised for various registered charities.

3.5.1 Community work experience

The annual JOHCM Work Experience Program was completed in June 2017 with school students meeting employees from across the business to develop their understanding of the asset management industry and the career paths within it.

During the 2017 Financial Year JOHCM also facilitated work experience placements in specialist teams for high school and university students.

3.6 Diversity & Inclusion

The Group aims to attract, engage and retain a diverse workforce and is committed to supporting individual differences in view, personal/work experiences, lifestyle, ethnicity, culture, age, gender, disability, marital status, religion, sexual orientation and education.

Aside from being the right thing to do, the Group recognises the competitive advantage of diversity and inclusion.

Encouraging and embracing divergent views strengthens business innovation, decision-making and risk management and contributes to the achievement of superior client outcomes and returns to shareholders.

The Group's commitment to Diversity & Inclusion (D&I) is reflected in its D&I policies.

Following the implementation of the Group structure in the 2017 Financial Year, the Board took the opportunity to evaluate the Group D&I Strategy, 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 following strategic priorities:

- encourage broad diversity across all levels and areas of the business, particularly at the Board and Executive level
- 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
- increase female representation across the investment platform, and
- ensure flexible work practices are operational across all organisational levels.

3.6.1 Diversity & Inclusion targets

In the 2015 Financial Year, the Board approved the following targets for female representation at Board and BTIM (Australia) Executive Team level to be achieved by 2020:

- a minimum of 30 percent female representation on the BTIM Board, and
- a minimum of 30 percent female representation at CEO-1 level (Executive).

The Board target was far exceeded during the 2017 Financial Year, with female representation increasing from 33 to 50 percent.

The composition of the Executive Team was expanded this year to include the CEO-2 level employees. This expansion more accurately reflects the new BTIM Group structure encompassing the executive teams of the BTIM Group, BTIM (Australia) (some of whom were previously Key Management Personnel (KMP)) and JOHCM.

Taking in to account this new composition, female representation at the Executive Team level is 29 percent, which is consistent with the Executive Team gender balance achieved in the 2016 Financial Year.

Chart 1 shows gender diversity at Board and Executive Team level across time against the targets set for each group.

Female representation across the Group as a whole remains at 37 percent.

In line with the Board's review of the Group D&I Strategy, the Board and Executive Team gender targets that underpin and drive the strategy were revisited this financial year.

To establish an aspirational stretch for the Group to achieve its D&I strategic objectives by the 2023 Financial Year, the Board approved an increase to the Board and Executive Team gender targets. Effective from the 2018 Financial Year, the new targets are:

- a minimum of 40 percent female representation on the BTIM Board, and
- a minimum of 40 percent female representation across the Executive teams.

3.6.2 Diversity initiatives

In support of the Group's D&I Strategy, BTIM (Australia) delivered on the following initiatives in the 2017 Financial Year:

3.6.2.1 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 by providing meaningful work arrangements and enabling them to return to corporate work after a significant break from the workforce.

Participation in the Program has already resulted in a senior female being permanently hired in a key investment area of the business.

Board & Executive Team Female Representation



Chart 1 – Gender diversity at Board and Executive Team level across time

3.6.2.2 Increasing female investment professionals representation

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).

3.6.2.3 Women's development initiatives

To support the D&I commitment to develop women in senior leadership, coaching and leadership training was provided to high-potential female senior managers, team leaders and emerging leaders over the last 12 months.

3.6.2.4 Minimising unconscious bias

Following the successful rollout of the Conscious Decision Making Program to the BTIM (Australia) Executive Team in early 2016, the business remained committed to minimising unconscious bias in key operational processes. This included the introduction of new recruitment protocols, such as the requirement for at least one male and one female interviewer to be part of the interview process for every role.

3.6.2.5 New Domestic Violence Support 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.

3.6.2.6 Workforce Gender Equality Agency Report

BTIM (Australia) submitted its annual report to the Australian Workplace Gender Equality Agency (WGEA) in May 2017. The report provides a breakdown of gender composition and average pay across all organisational levels and outlines work practices and policies which support gender diversity. The report can be accessed in the shareholder centre of BTIM's website.

3.6.3 D&I 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 the Group keeps abreast of leading edge D&I research, insights and thought leadership, and provide access to industry networks, specialists and online resources.

3.7 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.

Corporate Sustainability & Responsibility continued

3.8 Employee benefits

The Group continued to provide a number of benefits that not only promote D&I, but contribute to the engagement, wellbeing and health of our employees. These benefits include:

- paid contribution leave at BTIM Australia which provides eligible employees with an additional week's leave per annum
- salary continuance insurance premiums paid by BTIM (Australia)
- employee excellence recognition awards
- service recognition awards
- financial study assistance
- study leave
- professional membership fee reimbursement support
- Employee Assistance Program, and
- health assessments and regular wellbeing initiatives.

Further information about the material D&I risks facing the business and the strategies and controls that the Group has in place to manage them, including flexible work arrangements and employee benefits, is summarised in Table 4 of the BTIM Group 2017 Corporate Governance Statement.

4 Culture and ethics

As an investment manager, earning and maintaining the long term trust of our clients is critical to the Group's success.

The Group's culture encourages individual employees to act with integrity and honesty and to value the interests of our clients as our first priority.

4.1 Code of Conduct

The Group has a Code of Conduct that applies to Directors, the Senior Management Team and all other employees. The Code of Conduct is based on seven key principles:

- acting with honesty and integrity
- respecting the law and acting accordingly
- respecting confidentiality and not misusing information
- valuing and maintaining professionalism
- working as a team
- avoiding conflicts of interest, and
- striving to be a good corporate citizen and achieving community respect.

4.2 Other policies relevant to culture and conduct

The Group has a suite of policies in place, specific to the respective businesses, that seek to promote a positive culture and provide guidance for employees. These policies include:

- Misconduct & Disciplinary Action Policy
- Grievance Handling Policy
- Discrimination & Harassment Policy
- Anti-Bullying Policy
- Conflicts of Interest Policy
- Gifts & Hospitality Policy
- Personal Account Trading Policy
- Managing Fraud & Corruption Policy, and
- Whistleblower Protection Policy.

4.3 Anti-money laundering and counter terrorism financing

The Group has adopted Anti-Money Laundering & Counter Terrorism Financing (AMLCTF) policies and procedures and various standards that meet the requirements of the relevant AMLCTF legislation. The Group is committed to preventing its financial products being used as a vehicle for money laundering, financing terrorism, tax avoidance or other criminal activity.

4.4 Work Health & Safety (WHS)

The Group is dedicated to providing a safe and healthy work environment, free from work-related injuries and illnesses for all people who work in and visit our premises. The Group fulfils its responsibility by:

- eliminating or minimising health and safety risks
- monitoring measureable objectives and targets to continuously improve health and safety performance
- providing consultation where appropriate and when there is an impact on work health and safety
- providing information, instruction, training and resources to ensure people can do their job safely
- receiving and responding to health and safety incidents, hazards and near misses, and
- complying with WHS regulation and legislation.

4.4.1 WHS Strategy

The overarching objectives of the WHS Strategy are to:

- ensure the health, safety and wellbeing of employees
- develop WHS leadership and capabilities
- embed a WHS Management System (WHSMS) that supports robust risk prevention, identification, elimination and minimisation, and
- maintain compliance with WHS legislation.

4.4.2 WHS initiatives

In line with the Group's 2017 Financial Year WHS Management Plan, the following initiatives were pursued:

- All recommendations generated from the 2016 Financial Year 'Desk Top Review' of the WHSMS were implemented
- To ensure managers' understanding of the enhanced WHSMS and their specific WHS responsibilities, new face-to-face WHS manager training was developed and delivered. Existing online employee WHS modules were also enhanced and rolled out
- A Driver Safety Audit was conducted for all BTIM (Australia) sales employees who regularly drive as part of their role. This audit occurs every two years to ensure vehicle roadworthiness and that employees are appropriately licensed to drive and are aware of driver safety principles and obligations, and
- Regular updates continued to be provided to the Board and the BTIM (Australia) Executive Team regarding key WHS performance metrics and information, enabling BTIM Officers to meet their WHS due diligence obligations.

Quarterly wellbeing events continued to take place in the 2017 Financial Year across the Group. Employees had the opportunity to participate in on-site yoga classes, flu vaccinations, massages and skin checks.

Postural assessments were also offered to BTIM (Australia) employees for the first time.

In recognition that wellbeing is not a single dimension, BTIM (Australia) ran comprehensive health checks this year that were expanded to assess psychological as well as physical and physiological wellbeing. The results and recommendations generated from these checks will be used to guide the WHS wellbeing events offered to employees during the 2018 Financial Year.

Further information about the material WHS risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the Group's 2017 Corporate Governance Statement.

4.5 Human capital management risks

Information relating to the Group's human capital management and people risks are set out in Table 4 on page 20 of the Group's 2017 Corporate Governance Statement.

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