

# Corporate Governance Statement

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations*. Any material departures from the recommendations are referred to in this statement. This Statement is available in both the Company's Annual Report and on its website.

## 1. Accountability and Responsibility

The operation of the Board is directed by its Board Charter which is published on the Company's website.

The Board is accountable to the Company's shareholders and is responsible for:

- Setting strategic and financial objectives,
- Monitoring the Company's performance and financial position and overseeing the financial accounts and reporting,
- Identifying and managing business and compliance risks,
- Managing the Company's investment portfolio,
- Overseeing relationships with outside service providers,
- Appointing the Company Secretary and setting and overseeing responsibilities delegated to the Company Secretary, and
- Setting ethical standards for the Company.

## 2. Composition

The Board currently comprises 3 Directors. The Company's constitution requires 3 to 6 Directors. If a Board vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. Appropriate checks are conducted for any new Director appointment, as directed by the Nomination and Remuneration Committee. A Director who is appointed during the year is required to stand for election at the next Annual General Meeting.

### Diversity

The Company has a Diversity Policy which is published on the Company's website. With reference to the Board's approach to diversity, there is limited scope to influence the Board's composition and organisation diversity due to:

- The Company having a small Board membership with a long-term investment strategy, increasing the importance on Board stability,
- The Board acting as the investment committee, therefore investment knowledge is the key criteria for Director selection, and
- The Company having a small number of employees as most business functions are outsourced.

These factors limit the Company's ability to set and meet defined gender targets and as such the Board does not establish strict targets or quotas. The Company values diversity and takes diversity matters into consideration when making new appointments, however the skillset and experiences of available candidates will always remain a priority when a vacancy is filled for a new Director or employee. While this is a departure from the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the Board believes that the policies it has set are in the best interests of the Company's objectives and its shareholders.

As at 30 June 2021, the total proportion of males and females across the Company's workforce were:

	Males		Females	
	Number	Proportion	Number	Proportion
Directors	3	100%	-	-
Senior Executives	1	100%	-	-
Other personnel	-	-	3	100%
<b>Overall</b>	4	57%	3	43%

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## 2. Composition (cont.)

The Company's Senior Executive is the Company Secretary, who oversees day to day operations.

The Company has only a small number of employees and therefore has limited scope to influence organisational diversity. A number of business functions are outsourced to Mutual Trust, including accounting, tax, custody, cash management and portfolio administration and as such they are considered vital to the ongoing operations of the Company. The Company has considered the diversity practices of Mutual Trust, who have provided the following statement:

*Mutual Trust has an Inclusion and Diversity Committee which consists of eight senior members of staff (directors, partners and LT members). There are four women and four men on the committee whose objectives include creating a workplace that is diverse and inclusive and where all our employees are provided with opportunities to realise their full potential regardless of their differences.*

*As part of their work, Mutual Trust has a number of policies that support Inclusion & Diversity including a broad Flexible Work Policy, and Paid Parental Leave for all women and men which includes superannuation contributions up to twelve months. Mutual Trust is compliant with the Workplace Gender Equality Agency to whom we report to on an annual basis and has a structured mentoring program facilitated by Diversity Partners where partners and LT members mentor women and men to support them to achieve their career goals. Currently 53% of Mutual Trust's workforce are women.*

### Board Skills

The Company has a Skills Matrix which identifies skills considered desirable in members of the Board.

Skills which the Board seeks in each of its membership include:

- Knowledge of investment markets and business, with emphasis on Australian listed equities,
- Understanding of the requirements of a listed entity,
- Network of industry contacts and relationships across a range of industries,
- Personal qualities – professionalism, integrity, expertise.

Skills which the Board seeks in individual members include:

- Specific industry knowledge, for example, financial institutions, banks, energy, mining, property, infrastructure,
- Experience and knowledge in the areas of tax, legal, accounting and / or audit,
- Leadership experience from a breadth of roles – listed and unlisted entities, advisory boards, not-for-profit bodies.

### Independence

The Chairman, Mr C B Goode, being a governor of The Ian Potter Foundation is associated with a substantial shareholder and is considered non-independent. Although having a non-independent Chairman is a departure from the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Board believes that he is the most appropriate person to act as Chairman as he brings significant and relevant experience to the Board and that the Company benefits overall from his long-standing tenure. All other Directors are regarded as independent and as such a majority of Directors of the Board are independent.

A lead independent Director is not considered necessary given the small size of the Board. Appointed Directors must stand for election at the next Annual General Meeting. One third of Directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for Directors. Details of the qualifications, experience and length of service of Directors are set out in the Annual Report.

## 3. Operation

The Board usually meets eleven times each year and consults on investment matters between meetings. The Board has responsibility for ongoing management of the investment portfolio. Transaction levels are low as the portfolio is held for the long term. The Board reviews financial statements, forecasts, the investment portfolio, the net asset backing per share, and compliance reports monthly. The Company Secretary is responsible for either providing the information or co-ordinating it from outside service providers.

## 4. Delegation

The duties and responsibilities of the Company Secretary and employees are set out in their employment contracts, which the Board approves. The Company Secretary is directly accountable to the Board, through the Chairman. The Board also approves letters of engagement for the externally provided accounting, tax, custody and audit services. Share registry services are on commercial terms.

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## 5. Directors' Terms of Appointment, Remuneration and Performance

Directors' terms of appointment are set out by letter at the time of their appointment and new Directors are inducted by the Chairman and the Company Secretary.

Directors' fees are reviewed annually by the Nomination and Remuneration Committee with reference to the Company's activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of Directors' fees is set by the shareholders in general meeting, and is currently capped at \$600,000. Details of Directors' remuneration are set out in the Remuneration Report in the Annual Report.

Each Director appointed before October 2006 entered into a Retirement Agreement as approved by shareholders to convert accrued retirement entitlements at that time into shares in the Company to be held in the Non-Executive Directors 2006 Accrued Entitlements Share Plan until retirement.

Each Director and the Company Secretary has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance.

The duties of Directors are as set out in the Corporations Law, in this statement and by letter at the time of their appointment. In addition to Board meetings, Directors are expected to attend committee meetings where applicable, for no additional fee. They are expected to make a pro-active contribution to the management of the Company's investment portfolio from their reading, research, analysis, and information collected outside of Board meetings.

Directors are not required to own shares in the Company. Directors have agreed not to enter into margin loans over their shareholdings in the Company.

After prior discussion with the Chairman, Directors are entitled to seek independent advice at the expense of the Company and such advice will then be made available to all other Directors. Directors are entitled to unlimited access to the Company's records.

The Board reviews its performance annually by discussion and by individual communication with the Chairman, and by reference to generally accepted Board performance standards. The Company Secretary's performance is evaluated by a list of performance metrics, which are reviewed and assessed annually. Performance evaluations have been undertaken during the previous financial year for the Board, each Director and the Company Secretary.

The Board also conducts an annual review of the performance of the Board Committees and outside service providers.

## 6. Board Committees

The Board has a Nomination and Remuneration Committee comprising all Directors and an Audit and Risk Management Committee comprising all Directors. The Audit and Risk Management Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The Charter of each committee is reviewed by the Board annually and is published on the Company's website.

No additional fees are paid to members of the Board committees.

Committee members' qualifications and attendance at meetings are set out in the Directors' Report in the Annual Report.

### Audit and Risk Management Committee

The Audit and Risk Management Committee has an independent Chairman and a majority of independent Directors. All members are non-executive. The Audit and Risk Management Committee responsibilities include inter-alia, appointment of the external auditor, assessing their independence, managing the audit relationship, and overseeing internal controls and risk management. The external audit partner rotates every 5 years. The Committee is considered to have sufficient relevant expertise.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee has an independent Chairman and a majority of independent Directors. It considers and makes recommendations to the Board regarding Board composition and remuneration of Directors and employees. The Company Secretary's remuneration is disclosed in the Remuneration Report in the Annual Report.

## 7. Disclosure Procedures and Share Trading

The Company has established policies and procedures to ensure compliance with the ASX listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share on both a pre and post-tax basis. The Company's Continuous Disclosure Policy sets out its approach to meeting its disclosure obligations and is published on the Company's website.

Any announcements to the ASX are immediately communicated to the Board as soon as the disclosure is made. Any investor or analyst presentation is announced to the ASX prior to the presentation being given.

For any reports disclosed to the market which are not formally audited or reviewed by an external auditor, the Company ensures the accuracy of the information presented by thorough review from management and the Board where appropriate. External consultants are often engaged to advise on specialist matters and to provide additional analysis, which is reviewed and confirmed by management prior to release.

Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

## 8. Shareholder Communication and Participation

The Company communicates with shareholders through:

- The Annual Report,
- The half year report,
- The Company's website,
- Telephone and email availability of the Company Secretary at the Company's office,
- Annual General Meeting (AGM) including the Chairman's address and question time,
- Mailing of Chairman's Address to all shareholders and posting to website.

All shareholders are invited to attend the Company's AGM, at which they may participate by voting on resolutions and asking questions of the Board. Questions can be submitted prior to the meeting, and shareholders who cannot attend the AGM may appoint a proxy to attend on their behalf. Voting at meetings may be conducted by shareholders in person or they may instruct a nominated proxy to vote on their behalf.

In recognition of the ongoing impact from the COVID-19 pandemic, the Company elected to hold its 2020 AGM by audio webcast. This allowed shareholders the opportunity to hear from the Board and ask questions of them while physical distancing and lockdown requirements were in place. When deciding the format of future shareholder meetings, the Company will continue to assess the broader environment and make accommodations to allow all shareholders the opportunity to safely participate in Company meetings.

Voting at all shareholder meetings is conducted by poll rather than by show of hands.

Shareholders may opt to receive Company communications electronically.

The external auditor is available for questioning at the Annual General Meeting.

## 9. Risk Management

The Company does not have an internal audit function. The Audit and Risk Management Committee reviews the internal control systems and the management of risks half yearly after receiving reports from the Company Secretary on these matters and makes appropriate recommendations to the Board. A review of the risk management framework was conducted by the Audit and Risk Management Committee during the previous financial year.

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## 9. Risk Management (cont.)

In light of heightened risks associated with increased cybercrime activity in recent years, the Company performed a thorough review and upgrade to its existing IT infrastructure in late 2020. This included:

- A review conducted by external consultants of the Company's existing IT infrastructure and an assessment against industry best practice and recommendations,
- Penetration testing and vulnerability assessment completed by IT security specialists, and
- Investment into new hardware and software allowing increased monitoring and reporting processes to enhance the Company's ability to respond to IT risk events.

The Board receives a letter half yearly from the Company's external accountants and custodian (Mutual Trust) regarding their procedures, reporting whether the financial records have been properly maintained and the financial statements comply with the Accounting Standards. The Company receives a copy of the Independent Reasonable Assurance Report to the Management of Mutual Trust in relation to the control procedures of their custody and information technology systems.

The Board receives a report half yearly from the external auditors (KPMG) on matters arising from their audit procedures.

The Company Secretary, based on a review of the Company's internal control systems, management of risk, the financial statements, and the letter from the Company's external accountants, provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in his opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view.

The Board seeks to continually improve its governance processes and conducts annual reviews of its corporate governance and policy framework. The Company utilises the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* and other best practice governance systems as a benchmark for assessing its own processes and aims to adhere to these standards as often as possible.

The Company does have direct material exposure to economic, environmental and social sustainability risk through its diversified portfolio of investments and through its borrowings and regularly reviews these risks in the ongoing management of the portfolio. Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

## 10. Corporate Conduct

The Company's Values define its business practices and culture, and include:

- Commitment to growing long-term shareholder value,
- Patient stewardship, and
- Integrity.

These values are published in more detail on the Company's website.

The Company's Values are set and conveyed by the Board and the Company Secretary, and are reinforced across the organisation through the following:

- A Code of Conduct, which requires all Directors and staff to act ethically and in the best interests of its shareholders at all times,
- A Whistleblower Policy, which acts to protect employees who raise concerns against the Company,
- An Anti-bribery and Corruption Policy, which sets out guidance on receiving gifts and forbidding involvement with or receipt of bribes.

The Company's Code of Conduct and various policies are administered by the Company Secretary, and any material breaches are reported to the Board through the Chairman. Copies of these codes and policies are published on the Company's website.

Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of a conflicted matter.

By approval of the Board  
14 July 2021