

This is the 2020 Corporate Governance Statement of Propel Funeral Partners Limited (ACN 616 909 310) (the '**Company**'), and has been prepared in accordance with the 3<sup>rd</sup> Edition of the Australian Securities Exchange's ('**ASX**') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('**ASX Principles and Recommendations**'). It outlines the key aspects of the Company's corporate governance framework and main governance practices.

This Corporate Governance Statement has been approved by the Company's Board of Directors ('**Board**') and is current as at 25 August 2020.

The Company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this Corporate Governance Statement, the Company's website or the annual report prepared by the Company, has been filed with ASX on 25 August 2020, as required under Listing Rules 4.7.3 and 4.10.3.

The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below:

### **Principle 1: Lay solid foundations for management and oversight**

#### ***Recommendation 1.1 - A listed entity should disclose:***

- (a) the respective roles and responsibilities of its board and management; and***
- (b) those matters expressly reserved to the board and those delegated to management.***

The Company has a board of directors, but no full-time employees. The Board is ultimately accountable for the performance of the Company. It is responsible for overseeing all corporate reporting systems, governance issues, stakeholder communications, material profits upgrades and downgrades, debt and equity raisings, dividends and other capital management initiatives.

Full meetings of the Board are held at least four times a year, and other meetings are called as required. Directors are provided with board reports in advance of meetings, which contain sufficient information to enable informed discussion of all agenda items.

The Company is a party to a management agreement ('**Management Agreement**') with Propel Investments Pty Ltd ('**Manager**'). In accordance with the Management Agreement, the Manager is responsible for providing day-to-day management of the Company, and includes providing management services, such as those normally reserved for a chief executive officer and chief financial officer, and being principally responsible for identifying and consummating transactions which are consistent with the Company's investment strategy. Matters such as debt and equity raisings are reserved for the Board.

#### ***Recommendation 1.2 - A listed entity should:***

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and***
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.***

No new directors have been appointed since the Company's listing on ASX in November 2017, and it is not proposed that any new director will be nominated at the 2020 AGM. However, the Company would undertake comprehensive reference checks prior to appointing a new director, or putting a person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director. The Company would also provide all relevant information to shareholders for their consideration about the attributes of candidates, together with whether the Board supports the proposed appointment.

The Company will provide shareholders with all material information in its possession relevant to a decision on whether or not to re-elect the directors standing for re-election at the 2020 AGM (and all subsequent AGMs).

***Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

The terms of the appointment of all non-executive independent directors have been agreed upon and were set out in writing at the time of their appointment.

The Company does not have any employees. Representatives of the Manager (who perform the services ordinarily reserved for senior executives) are not employees of the Company. There is no contract in place between those representatives and the Company. Those representatives are not paid any fees by the Company.

***Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.***

The company secretary of the Company is accountable directly to the board through the chair on all matters to do with the proper functioning of the Board.

***Recommendation 1.5 - A listed entity should:***

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;***
- (b) disclose that policy or a summary of it; and***
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:***
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes);***  
***or***
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.***

The Company respects and values diversity in the board and workforce at all levels as reflected in the diversity policy which is set out in the board approved Corporate Governance Charter, a copy of which is available on the Company's website ('**Corporate Governance Charter**'). As the Company has no full-time employees, the diversity policy will only apply to the Board and other representatives of the Manager (not currently on the Board of the Company) who provide services to the Company (i.e. the Company's Head of Finance).

Among other things, the policy requires the Board to set measurable objectives for achieving gender diversity and to assess the objectives and the Company's progress towards achieving them. The diversity policy aims to provide a work environment where employees and directors have equal access to career opportunities, training and benefits. It also aims to ensure that employees and directors are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to gender, age, ethnicity, race, cultural background, disability, religion, sexual orientation or caring responsibilities.

For the financial year ended 30 June 2020, the Board's measurable objective about gender diversity on the Board required that there be at least one woman on the Board which would represent 20% based on the current Board numbers. As at the date this Corporate Governance Statement was approved by the Board, the Company achieved this target.

As at 30 June 2020, one third of the organisation (comprised of the Board and the Company's Head of Finance) were women; and a third of the persons who provide services pursuant to the Management Agreement (whom the Company considered to be the senior executives) were women.

Under the Workplace Gender Equality Act, the Company is considered to be a "relevant employer" and lodged the Public Report, which includes the workplace profile and reporting questionnaire, on 31 July 2020. Details of the most recent "Gender Equality Indicators" (as defined in, and published under, that Act) are available on the Company's website.

**Recommendation 1.6 - A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

Section 1.10 of the Corporate Governance Charter outlines that an internal performance evaluation of the Board will be undertaken at intervals considered appropriate. A review of the Board's performance, as well as the performance of individual committees and individual directors (including the performance of the Chair as Chair of the Board and the Chair of the Audit and Risk Committee) was conducted during the 12 months prior to the date of this Corporate Governance Statement. The use of an external facilitator may be utilised to assist in the review process, but to date an external facilitator has not been utilised.

**Recommendation 1.7 - A listed entity should:**

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and**
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

As above, those persons who the Company consider to be "senior executives" are the representatives of the Manager; they are not employees of the Company. Their individual performance is not evaluated. However, the performance of the Manager is reviewed. The Audit and Risk Committee carried out a performance assessment of the Manager during the 12 months prior to the date of this Corporate Governance Statement. In conducting such an assessment, the review included a consideration of the Manager's compliance with its contractual obligations in the Management Agreement, and the overall performance of the Manager. Subsequent reviews will be conducted by the non-executive independent directors, with external assistance if required.

**Principle 2: Structure the board to add value**

**Recommendation 2.1 - The board of a listed entity should:**

- (a) have a nomination committee which:**
  - (1) has at least three members, a majority of whom are independent directors; and**
  - (2) is chaired by an independent director,****and disclose:**
  - (3) the charter of the committee;**
  - (4) the members of the committee; and**
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Company does not have a nomination committee. However, the Board has agreed that the majority of directors must be independent directors, there must be an independent Chair and the Board must comprise directors with an appropriate mix of qualifications, skills, expertise and experience appropriate for the Company's strategy.

The Board (as a group) considers, from time to time (including during the 12 months prior to the date of this Corporate Governance Statement), board succession issues as well as whether it is suitably constituted to ensure it has appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. These matters are also considered by the Audit and Risk Committee (refer below).

**Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.**

The skills matrix used by the Board, which is set out below, indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. It is an important, but not the only, basis of criteria applying to director appointments. It would be used when recruiting new directors and is used when assessing which skills need to be outsourced based on the attributes of the current members of the Board. The

existence of each attribute is assessed by the Board as either, High, Medium or Low.

<b>Skill category</b>	<b>Description of attributes required</b>	<b>Level of importance</b>	<b>Existence in current Board</b>
Legal, risk and compliance	Identification of key risks to the Company related to each key area of operations. Monitoring of risks, satisfy compliance issues and knowledge of legal and regulatory requirements.	High	Medium
Financial, accounting and audit	Analysis and interpretation of accounting and finance issues including assessment and resolution of audit and financial reporting risks, contribution to budgeting and financial management of projects and Company, assessing and supervising capital management.	High	High
Strategic	Development of strategies to achieve business objectives, oversee implementation and maintenance of strategies, and identification and critical assessment of strategic opportunities and threats to the Company.	Medium	High
Operating policies	Key issue identification representing operational and reputational risks and development of policy responses and parameters within which the Company should operate.	Medium	Medium
Information technology	Knowledge of IT governance including privacy, data management and security.	Medium	Medium
Executive management	Performance assessments, succession planning, setting of key performance hurdles, experience in industrial relations and organisational change management programmes.	Low	Medium
Age and gender	Board aims for appropriate gender representation and range of experienced individuals to contribute towards better Board outcomes.	Medium	Medium
M&A / capital management / undertakings of capital markets	Experience developing policies and frameworks to support sound corporate governance, including the identification and monitoring of material risks.	High	High
Sustainability and corporate responsibility	Understanding and insight into issues, strategies and initiatives relating to social responsibility and sustainability.	Medium	Medium

The Board currently believes that its membership adequately represents the required skills as set out in the matrix and therefore does not intend to seek any new or alternative candidates at this time. External consultants may be brought in with specialist knowledge to address areas where this is a clear deficiency in the Board.

In addition to the specific technical and professional areas of expertise identified in the matrix above, the Company believes that directors' soft skills are equally important and relevant in discharging director responsibilities, to review and refine the strategic direction and oversee performance. These skills include the ability to work effectively as a team while maintaining the ability to challenge and hold independence of thought. High integrity, a sense of curiosity

and commitment to continuous learning and are all considered important attributes for a well-functioning board. Other attributes to be assessed are provided in the table below:

**Board member attributes**

Leadership	Represents the Company positively amongst stakeholders and external parties; decisively acts ensuring that all pertinent facts considered; leads others to action; proactive solution seeker.
Ethics and integrity	Awareness of social, professional and legal responsibilities at individual, company and community level; ability to identify independence conflicts; applies sound professional judgement; identifies when external counsel should be sought; upholds Board confidentiality; respectful in every situation.
Communication	Effective in working within defined corporate communications policies; makes constructive and precise contribution to the Board both verbally and in written form; an effective communicator with executives.
Negotiation	Negotiation skills which engender stakeholder support for implementing Board decisions.
Corporate governance	Experienced director that is familiar with the mechanisms, controls and channels to deliver effective governance and manage risks.

Further information on the directors is detailed on pages 8, 9, 21 and 22 of the Company's 2020 annual report ('Annual Report').

**Recommendation 2.3 - A listed entity should disclose:**

- (a) the names of the directors considered by the Board to be independent directors;**
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and**
- (c) the length of service of each director.**

Details of the directors, their appointment date, length of service and independence status is as follows:

<b>Director's name</b>	<b>Appointment date</b>	<b>Length of service at reporting date</b>	<b>Independence status</b>
Brian Scullin	11 September 2017 *	33 months	Independent Non-executive
Naomi Edwards	19 September 2017 *	33 months	Independent Non-executive
Jonathan Trollip	19 September 2017	33 months	Independent Non-executive
Albin Kurti	11 January 2017	41 months	Non-Independent executive (Managing Director and Head of Investments)
Fraser Henderson	11 January 2017 *	41 months	Non-Independent executive (Head of M&A, General Counsel and Company Secretary)

\* Brian and Fraser were re-elected as directors by shareholders at the FY18 AGM and Naomi was re-elected as a director at the FY19 AGM.

Albin Kurti and Fraser Henderson are directors and shareholders of the Manager and are considered by the Board not to be independent. Each of Brian Scullin, Naomi Edwards and Jonathan Trollip are considered independent as per the criteria outlined in the Company's Board Policy which includes the Company's criteria for independence of Directors. The criteria are in accordance with ASX Corporate Governance Council's Principles.

All directors are resident in Australia. It is intended that each director (other than the Managing Director) will stand for re-election on a three year rotational basis and otherwise as required by the ASX Listing Rules.

None of the independent directors maintain an interest or relationship of the type described in Box 2.3 of the ASX Corporate Governance Council's Principles that could be perceived as impairing independence.

***Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.***

Having regard to the response to Recommendation 2.3 above, the majority of the Board as at 30 June 2020 were independent.

***Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.***

Brian Scullin is Chair of the Board and is considered to be an independent, non-executive director of the Company. He is not the CEO.

***Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.***

Any new directors would undertake an induction program coordinated by the Manager that briefs and informs the new director on all relevant aspects of the Company's operations and background (including their rights, duties and responsibilities, the Company's investments and the Company's financial, strategic, operational and risk management position). A director development program is also available to ensure that directors can enhance their skills and remain informed of important developments.

**Principle 3: Act ethically and responsibly**

***Recommendation 3.1 - A listed entity should:***

- (a) have a code of conduct for its directors, senior executives and employees; and***  
***(b) disclose that code or a summary of it.***

The Company has adopted and maintains a code of conduct. This code of conduct is set out in the Corporate Governance Charter (a copy of which is available on the Company's website). In summary, the code requires that each relevant person acts honestly, in good faith and in the best interests of the Company; exercises a duty of care; uses the powers of office in the best interests of the Company and not for personal gain, declare any conflict of interest; safeguard the Company's assets and information and not undertake any action that may jeopardise the reputation of the Company.

**Principle 4: Safeguard integrity in corporate reporting**

***Recommendation 4.1 - The board of a listed entity should:***

- (a) have an audit committee which:***

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and***  
***(2) is chaired by an independent director, who is not the chair of the board,***  
***and disclose:***

- i. the charter of the committee;***  
***ii. the relevant qualifications and experience of the members of the committee; and***  
***iii. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or***

- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.***

The Board maintains a combined Audit and Risk Committee, which consists of three members, being the independent directors (Brian Scullin, Naomi Edwards and Jonathan Trollip). The Audit and Risk Committee Charter is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The committee is chaired by Naomi Edwards, who is not the Chair of the Board, but who is an independent non-executive director.

Details of the qualifications and experience of the members of the Audit and Risk Committee is detailed in the

'Information of directors' section of the Directors' report (which forms part of the Annual Report).

The responsibilities of the Audit and Risk Committee in relation to financial reporting are to:

- monitor the quality and reliability of the financial information prepared by the Company and the Manager for approval by the Board;
- review and report to the Board on the financial statements and related notes, and on the external auditor's audit of the financial statements and the accompanying report;
- recommend to the Board the appointment and removal of the external auditor, review the terms of its engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit; and
- monitor auditor independence.

Details of the risk monitoring duties of the Audit and Risk Committee are set out in the Principle 7 commentary below.

The Audit and Risk Committee meet with the external auditor, Nexia Audit Sydney, at least twice a year and more frequently if required.

The number of meetings of the Audit and Risk Committee held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

***Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.***

As above, the Company does not have a CEO and CFO per se. Those services are provided by the Manager pursuant to the Management Agreement. Prior to half year and full year financial statements being presented to the Board for its approval, the Manager, the Company's Managing Director and the Head of Finance provide the Board with the required declarations.

***Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.***

The audit engagement partner (representative of the Company's external auditor) will be invited to attend the Company's 2020 AGM and is expected to be available to answer questions from shareholders relevant to the audit, such as the conduct of the audit, and the preparation of the auditor's report.

#### **Principle 5: Make timely and balanced disclosure**

***Recommendation 5.1 - A listed entity should:***

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and***
- (b) disclose that policy or a summary of it.***

The Company maintains a written policy (refer to the Continuous Disclosure Policy contained in the Corporate Governance Charter) that outlines the responsibilities relating to the directors and officers / employees of the Manager in complying with the Company's disclosure obligations. In summary, the policy is to provide, consistent with applicable laws, timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community.

The Board will be involved in reviewing significant ASX announcements and ensuring and monitoring compliance with the Continuous Disclosure Policy. The Manager has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board. The Company considers this to be a satisfactory protocol given the size and nature of the Company and given the terms of the Management Agreement.

The Company has established a disclosure committee for the purposes of monitoring whether a matter needs to be disclosed and, if so, to what extent. Generally, the disclosure committee, which is comprised of at least three members, including a minimum of two directors, is responsible for decisions relating to the making of market announcements, and will authorise announcements of significance for the Company.

The Company's policy prohibits the disclosure of market sensitive information to any person without prior confirmation that the relevant information has already been released to the market.

#### **Principle 6: Respect the rights of security holders**

##### ***Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.***

Both directly and through its agreement with Link Market Services, its current share registry, the Company provides information about itself and its governance to investors via its website.

##### ***Recommendations 6.2 and 6.3***

##### ***A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).***

##### ***A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).***

The Board has developed a shareholder communications strategy outlined in Section 2.15 of the Corporate Governance Charter to ensure that the Company's shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. In addition to the matters identified below, this includes having a website to facilitate communication with shareholders via electronic methods.

In order for investors to gain a greater understanding of the Company's business and activities, the Company schedules reasonably regular interactions between representatives of the Manager and institutional and private investors (domestic and offshore), analysts and, to a lesser extent, the financial media. The Company's policy for these meetings prohibits discussion of material price sensitive information prior to that information being announced to the market.

The Company encourages shareholders to attend general meetings, including its AGMs, and to send in questions prior to an AGM so that they may be responded to during the meeting (see Section 2.15 of the Corporate Governance Charter). The Company or the Manager would generally answer ad hoc email enquiries which are received from time to time. The external auditor will also be invited to attend the AGM and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report.

Investors are provided with an annual report and financial statements, either by accessing the Company's website, or in hard copy if specifically requested, which keep them informed of the Company's performance and operations. Investors are notified when this material becomes available and are provided with details of how to access it.

The Company lodges market-sensitive information with the ASX, which is then placed on the Company's website by its share registry, including annual and interim financial results announcements and analyst presentations, as soon as practicable.

The Company is required to hold an annual general meeting. The date and location of the 2020 AGM will be set out in the Notice of Meeting. Subject to the restrictions imposed by governments in response to the COVID-19 pandemic, the 2020 AGM may be held virtually. For formal meetings (including the annual general meeting), an explanatory memorandum on the resolutions to be proposed is included with the notice of meeting. Unless specifically stated in the notice of meeting, all holders of fully paid shares are eligible to vote on all resolutions. In the event that shareholders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act 2001 (Cth). Proxy forms can be mailed, lodged by fax or lodged online.

##### ***Recommendation 6.4 - A listed entity should give security holders the option to receive communications***



*from, and send communications to, the entity and its security registry electronically.*

The Company engages its share registry (currently, Link Market Services) to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can, and are urged to, elect to do so through the Company's share registry, currently Link Market Services.

#### **Principle 7: Recognise and manage risk**

##### ***Recommendations 7.1 and 7.2***

***The board of a listed entity should:***

***(a) have a committee or committees to oversee risk, each of which:***

***(1) has at least three members, a majority of whom are independent directors; and***

***(2) is chaired by an independent director,  
and disclose:***

***(3) the charter of the committee;***

***(4) the members of the committee; and***

***(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or***

***(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).***

***The board or a committee of the board should:***

***(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and***

***(b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).***

As stated in Recommendation 4.1 above, the Board maintains a combined Audit and Risk Committee. The members of the Committee are detailed in Recommendation 4.1 above and details of their respective qualifications and experience is contained in the 'Information of directors' section of the Directors' report.

As noted above, 100% of the Audit and Risk Committee are independent. The Audit and Risk Committee is chaired by Naomi Edwards, an independent non-executor director.

The Audit and Risk Committee Charter is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The Audit and Risk Committee reviews the Company's risk management framework from time to time (at least annually) to ensure that it is still suitable to the Company's operations and objectives and that the Company is operating within the risk parameters set by the Board. A formal review of the Audit and Risk Committee was undertaken during the 12 months prior to the date of this Corporate Governance Statement.

The number of meetings of the Audit and Risk Committee held and attended by each member is disclosed in the 'Meetings of directors' section of the Directors' report.

##### ***Recommendation 7.3 - A listed entity should disclose:***

***(a) if it has an internal audit function, how the function is structured and what role it performs; or***

***(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.***

The Company does not currently maintain a dedicated internal audit function. However, subsidiaries of the Company employs more than ten CA or CPA qualified accountants. These are in addition to the Company's Head of Finance, who is an employee of the Manager. The Company has adopted processes for evaluating and continually improving the effectiveness of its risk management and internal control processes. Examples of internal controls adopted by the Company include, but are not limited to, segregation of duties procedures, approved authority level policies, consistent

and detailed accounting policies, a risk register and procedures to identify risks in respect of fraud. The Audit and Risk Committee reviews the Company's risk management and internal control processes to ensure they are effective and adequate.

**Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**

Reference is made in the Annual Report for disclosures relating to the Company's material business risks (including those that could adversely affect the Company's prospects for future financial years) and how these risks are managed. Other than as previously disclosed, the Company does not have any material exposure to economic, environmental and social sustainability risks. Any additional material risks would be announced to the market in accordance with the requirements of the ASX Listing Rules.

Reference is also made to the commentary at Recommendations 7.1 and 7.2 for information on the Company's risk management framework.

### **Principle 8: Remunerate fairly and responsibly**

**Recommendation 8.1 - The board of a listed entity should:**

**(a) have a remuneration committee which:**

**(1) has at least three members, a majority of whom are independent directors; and**

**(2) is chaired by an independent director,  
and disclose:**

**(3) the charter of the committee;**

**(4) the members of the committee; and**

**(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

**(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board does not currently have a remuneration committee, principally because the persons providing the services that are ordinarily provided by senior executives are not employees of the Company, and do not receive a salary from the Company. Fees paid to the non-executive directors have initially been fixed by the Company at (not more than) \$250,000 per annum (in aggregate). In respect of the year ended 30 June 2020, the fees payable to the current non-executive directors were \$161,333 (FY19: \$180,000) in aggregate. The annual directors' fees agreed to be paid in the year ended 30 June 2020 to the Chairman was \$81,600 (FY19: \$80,000) (inclusive of superannuation), to the Chair of the Audit and Risk Committee was \$61,000 (FY19: \$50,000) (inclusive of superannuation) and to the other non-executive director was \$51,000 (FY19: \$50,000) (inclusive of superannuation). However, to minimise the potential financial impacts of COVID-19, the non-executive directors elected to waive the fees payable to them for the months of April 2020 and May 2020, which resulted in each of the non-executive directors being paid ten twelfths of their respective annual fees in the year ended 30 June 2020. The Board considers that these fees are appropriate and not excessive. It is noted that directors do not receive bonuses nor are they issued options over shares as part of their remuneration.

If the Company becomes part of the S&P/ASX 300, it will establish a remuneration committee which will consist only of the non-executive independent directors.

**Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.**

As above, non-executive directors are remunerated by way of (fixed, not variable or performance linked) cash fees and superannuation contributions. The level of remuneration reflects the anticipated time commitments and responsibilities of the position. Performance based incentives are not available to non-executive directors. Fees paid to the non-executive directors are set at levels reflecting market rates.

The Company's Head of Finance and two executive directors do not receive any fees or remuneration from the

Company.

The executive directors are the director representatives nominated by the Manager pursuant to the Management Agreement. The Head of Finance is an employee of the Manager. The Company does not have any senior executives.

In addition to an administration fee of \$240,000 (plus GST, increasing with CPI) per annum, the Manager has a performance based remuneration structure, details of which are set out in the Remuneration Report, within the Directors' report contained in the Annual Report. It is noted that the Manager waived the fee to which it was entitled to receive in the months of April and May 2020 to minimise the potential financial impacts of COVID-19.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

***Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.***

The Company does not have an equity-based remuneration scheme, though it is noted that the Manager will receive a performance fee if the Total Shareholder Return is more than 8% in the 12 months ending 17 November 2020 ('**Performance Fee**'). Details of the Performance Fee are provided in the Remuneration Report, within the Directors' report.

Pursuant to the Management Agreement, the Manager may, by notice to the Company and subject to any regulatory approvals, require the Company to pay up to a maximum of 50% of the Performance Fee in the Company's shares, with the issue price of those shares being the 10 day VWAP of the Company's shares up to and including the last trading day of the calculation of the Performance Fee.

The Company does not have a written policy in relation to whether or not the Manager may enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of taking shares in the Company in lieu of cash as contemplated above.

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