

This Corporate Governance Statement, which has been approved by the Board, describes Eildon Capital's corporate governance policies, framework and practices. This statement is current as at 30 June 2017.

### **PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT.**

**A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.**

**Recommendation 1.1 – A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.**

The business of Eildon Capital is managed under the direction of the Board which is responsible for its corporate governance. The Board comprises Mr Alexander Beard, Mr Mark Avery, Mr James Davies and Mrs Michelle Harpur.

The Board meets on a regular basis and is required to discuss pertinent business developments, investment decisions and issues, and review the operations and performance of Eildon Capital. The Board will seek to ensure that the investment strategy is aligned with the expectations of Shareholders and Eildon Capital is effectively managed in a manner that is properly focused on its investment strategy as well as conforming to regulatory and ethical requirements.

Provision is made at each regular meeting of the Board for the consideration of critical compliance and risk management issues as they arise.

The primary objectives of the Board will be to:

- Set and review the strategic direction of Eildon Capital;
- Approve all material transactions;
- Approve and monitor financial policies and financial statements;
- Establish, promote and maintain proper processes and controls to maintain the integrity of financial accounting, financial records and reporting;
- Develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management and corporate governance and responsibility;
- Ensure Shareholders receive high quality, relevant and accurate information in a timely manner;

The Board has delegated responsibility for day-to-day management of Eildon Capital to the Managing Director and the Manager under its AFSL.

**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.**

Prior to appointing a director or putting forward a new candidate for election, screening checks are undertaken as to the person's experience, education, criminal history and bankruptcy history.

When presenting a director for re-election, Eildon Capital provides shareholders with details of the directors skills and experience, independence and current term served by the director in office and whether the Board supports the re-election.

**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 Company's Non-Executive Directors have been engaged according to Letters of Appointment.

**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 is accountable to the Board, through the Chairperson, for all governance matters.

Each Director has access to the Company Secretary.

The appointment and removal of the Company Secretary must be determined by the Board as a whole.

**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 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:**
  - (i) 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**
  - (ii) 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's approach to business promotes a culture of equal opportunity and has the core principles of meritocracy based on ability, fairness and equality. Eildon Capital does not discriminate on gender, race, religion or cultural grounds.

The Board has adopted a diversity policy, and although Eildon Capital has no full time employees, the policy applies to the appointed directors and company secretary. The board aims to:

- promote the principles of merit and fairness when considering Board member appointments; and

- recruit from a diverse pool of qualified candidates, seeking a diversity of skills and qualifications.

The Board's composition is reviewed on an annual basis. In the event a vacancy exists, the Board will include diversity in its selection process.

As at 30 June 2017, the board of directors including the company secretary, comprised five members of which one director is female.

**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.

The Board of Directors' Charter requires:

- the Board to review its performance (at least annually) against previously agreed measurable and qualitative indicators;
- the Chairperson of the Board to review each Director's performance;
- a nominated Director to review the Chairperson's performance; and
- the Board to undertake a formal annual review of its overall effectiveness.

The Board reviews its performance in terms of Eildon Capital's objectives, results and achievements of the Manager. The Board ensures each Director has the necessary skills, experience and expertise, and the mix remains appropriate for the Board to function effectively.

As a result of these performance reviews, the Board may implement changes to improve the effectiveness of the Board and corporate governance structures.

Independent professional advice may be sought as part of this process.

The Board undertook a review of its performance, skills, experience and expertise during the year.

**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.

Not applicable – Eildon Capital does not have any senior executives.

**PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE.**

**A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.**

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

- (a) have a nomination committee which:
  - (i) has at least three members, a majority of whom are independent directors; and
  - (ii) is chaired by an independent director; and disclose:

- (A) the charter of the committee;
- (B) the members of the committee; and
- (C) 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.

Given the size, scale and nature of Eildon Capital, there is not a separate nomination committee. The full Board considers the issues that would otherwise be a function of a separate nomination committee.

The Company's policy is that the Board considers an appropriate mix of skills, experience, expertise and diversity (including gender diversity).

When evaluating, selecting and appointing Directors, the Board considers:

- the candidate's competencies, qualifications and expertise, addition to diversity of the Board and his/her fit with the current membership of the Board;
- the candidate's knowledge of the industry in which Eildon Capital operates;
- directorships previously held by the candidate and his/her current commitments to other boards and companies;
- existing and previous relationships with Eildon Capital and Directors;
- the candidate's independence status, including the term of office currently served by the director;
- criminal record and bankruptcy history (for new candidates);
- the need for a majority or equal balance on the Board; and
- requirements of the *Corporations Act 2001*, ASX Listing Rules, the Company's Constitution and Board Charter.

The Board seeks to ensure that:

- its membership represents an appropriate balance between Directors with investment management experience and Directors with an alternative perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Under the terms of the Company's Constitution:

- an election of Directors must be held at each Annual General Meeting and at least one Director must retire from office; and
- each Director must retire from office at the third Annual General Meeting following his/her last election.

Where eligible, a Director may stand for re-election.

**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.**

## BOARD OF DIRECTORS' MATRIX

	Skill, Experience and Expertise										
	Finance			Legal	Strategy	Public Board Experience	Regulatory/Public Policy	Industry Knowledge			
	Financial Accounting & Audit	Audit Committee Experience	Risk Management					Property Transactions	Property Management	Legal Compliance	Statutory Compliance
Directors	50%	50%	100%	100%	100%	50%	50%	100%	75%	100%	75%

### 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 Recommendation 2.3 of the Corporate Governance Principles and Recommendations 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.

The Board currently comprises two Independent Directors:

- James Davies; and
- Michelle Harpur.

Both directors were appointed to the Board on 18 October 2016.

Directors must disclose any material personal or family contract or relationship in accordance with the *Corporations Act 2001*. Directors also adhere to constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the *Corporations Act 2001* and Eildon Capital's policies.

Details of offices held by Directors with other organisations are set out in the Directors' Report. Full details of related party dealings are set out in notes to Eildon Capital's accounts as required by law.

If a Director's independent status changes, this will be disclosed and explained to the market in a timely manner.

### Recommendation 2.4 – A majority of the board of a listed entity should be independent directors.

The composition of the Board is as follows:

- James Davies – Independent Director;
- Michelle Harpur – Independent Director;
- Alexander Beard – Non-Executive Director
- Mark Avery – Managing Director

The Board annually reviews the composition of the Board. Given the size, scale and nature of Eildon Capital, the Board considers that the appointment of an additional

Independent Director at this time is not warranted, but will be reviewed on an ongoing basis.

### 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.

The Chairperson of the Board is an Independent Director. James Davies has been appointed as Chairperson of Eildon Capital.

### 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.

The annual performance assessment provides an opportunity for all directors to identify required training although directors can request professional development opportunities at any time.

## PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY.

### A listed entity should 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 Board has adopted a Directors' Code of Conduct, which is based upon the Australian Institute of Company Directors' Code of Conduct. It requires the Directors to act honestly, in good faith, and in the best interests of the Company as a whole, whilst in accordance with the letter (and spirit) of the law.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING.

### A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

#### Recommendation 4.1 – The board of a listed entity should:

- (a) have an audit committee which:
  - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

- (ii) is chaired by an independent director, who is not the chair of the board, and disclose:
- (A) the charter of the committee;
  - (B) the relevant qualifications and experience of the members of the committee; and
  - (C) 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 has established an Audit and Risk Committee.

The Audit and Risk Committee has three members: Michelle Harpur (Chairperson), James Davies and Alexander Beard.

All members of the Audit and Risk Committee are Non-Executive Directors. The majority of the Committee are independent as is the Chairperson.

The Audit and Risk Committee operates under an approved charter.

The Audit and Risk Committee has authority (within the scope of its responsibilities) to seek any information it requires from any employee of the Manager or external party. Members may also meet with auditors (internal and/or external) without the Manager present and consult independent experts, where the Audit and Risk Committee considers it necessary to carry out its duties.

All matters determined by the Audit and Risk Committee are submitted to the full Board as recommendations for Board decisions. Minutes of an Audit and Risk Committee meeting are tabled at a subsequent Board meeting. Additional requirements for specific reporting by the Audit and Risk Committee to the Board are addressed in the Charter.

The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities relating to the financial reporting and accounting practices of Eildon Capital.

Its key responsibilities are to:

- review and recommend to the Board the financial statements (including key financial and accounting principles adopted by Eildon Capital);
- review and monitor risks and the implementation of mitigation measures for those risks as appropriate;
- assess and recommend to the Board the appointment of external auditors and monitor the conduct of audits;
- monitor Eildon Capital's compliance with its statutory obligations;
- review and monitor the adequacy of management information and internal control systems; and
- ensure that any shareholder queries relating to such matters are dealt with expeditiously.

Attendance record at Audit and Risk Committee meetings is provided in 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.**

Eildon Capital does not have a CEO or CFO. Its investment activities and day-to-day affairs are undertaken and managed by the Manager.

Before the Board approves Eildon Capital's financial statements, it receives declarations of the CEO and the CFO of the Manager that, in their opinion, the financial records of Eildon Capital 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 company, and that their opinion has been formed on the basis of a sound risk management system and internal controls which are operating effectively.

**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 Auditor is required to attend Eildon Capital's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE.**

**A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.**

**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 has a Disclosure and Communications Policy.

The Board is committed to:

- the promotion of investor confidence by ensuring that trading Eildon Capital's shares takes place in an efficient, competitive and informed market;
- complying with Eildon Capital's disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*; and
- ensuring the stakeholders have the opportunity to access externally available information issued by Eildon Capital.

The Company Secretary is responsible for coordinating the disclosure of information to Regulators and shareholders and ensuring that any notifications/reports to the ASX are promptly posted on the Company's website.



## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS.**

**A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.**

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

Information about Eildon Capital and its corporate governance items are posted on its website at [www.eildonfunds.com](http://www.eildonfunds.com)

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

The Board has adopted a Disclosure and Communication Policy that describes the Board's policy for ensuring shareholders and potential investors of Eildon Capital receive or obtain access to information publicly released.

Eildon Capital's primary portals are its website, Annual Report, Annual General Meeting, Half-Yearly Report, and notices to the ASX.

The Eildon Capital Secretary oversees and coordinates the distribution of all information by Eildon Capital to the ASX, shareholders, the media and the public.

All shareholders have the opportunity to attend the Annual General Meeting and ask questions of the Board.

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

Eildon Capital holds an Annual General Meeting ("AGM") of shareholders in November each year. The date, time and venue of the AGM are notified to the ASX when the notice of the AGM is circulated to shareholders and lodged with the ASX each year.

The Board will choose a date, venue and time considered convenient to the greatest number of its shareholders.

A notice of meeting will be accompanied by explanatory notes on the items of business and together they will seek to clearly and accurately explain the nature of the business of the meeting.

Shareholders are encouraged to attend the meeting, or if unable to attend, to vote on the motions proposed by appointing a proxy. The proxy form included with the Notice of Meeting will seek to explain clearly how the proxy form is to be completed and submitted.

**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.**

Eildon Capital provides its security holders with an electronic communication option.

## **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

**A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.**

**Recommendation 7.1 – The board of a listed entity should:**

- (a) have a committee or committees to oversee risk, each of which:
  - (i) has at least three members, all of whom are independent directors; and
  - (ii) is chaired by an independent director, and disclose:
    - (A) the charter of the committee;
    - (B) the members of the committee;
    - (C) 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.

The Board of Eildon Capital, through the Audit and Risk Committee, is responsible for ensuring that:

- there are adequate policies for the oversight and management of material business risks;
- there are effective systems in place to identify, assess, monitor and manage the risks and to identify material changes to the risk profile; and
- arrangements are adequate for monitoring compliance with laws and regulations applicable to Eildon Capital.

**Recommendation 7.2 – 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.

The Audit and Risk Committee reviews Eildon Capital's risk management framework at least annually.

**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.

Given the size, scale and nature of Eildon Capital, and that it has no full time employees, it does not have an internal audit function. Eildon Capital has an audit and risk committee which receives and reviews reports from the Manager regarding material business risks as part of the Manager's management process.

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

The Board has adopted a Risk Management Statement which outlines the process for identifying, monitoring and mitigating risks as well as generic sources of risk. This is reviewed on an annual basis.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY.**

**A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.**

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

- (a) have a remuneration committee which:**
  - (i) has at least three members, a majority of whom are independent directors; and**
  - (ii) is chaired by an independent director, and disclose:**
    - (A) the charter of the committee;**
    - (B) the members of the committee; and**
    - (C) 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.**

Given the size, scale and nature of Eildon Capital, there is not a separate remuneration committee. The full Board considers the issues that would otherwise be a function of a separate remuneration committee.

Remuneration for the Independent Directors is set at market rates commensurate with the responsibilities borne by the Independent Directors. Independent professional advice may be sought. The Managing Director and any Non-Executive Directors are not remunerated by Eildon Capital.

Eildon Capital has no other full time employees to consider the level and composition of remuneration.

**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.**

Remuneration for the Independent Directors is set at market rates commensurate with the responsibilities borne by the Independent Directors. Independent professional advice may be sought. The Managing Director and any Non-Executive Directors are not remunerated by Eildon Capital.

Further information is provided in the Remuneration Report set out in 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.**

Not applicable – Eildon Capital's Directors do not receive any equity-based remuneration.