



Corporate Governance Statement

CLIME INVESTMENT MANAGEMENT LIMITED



This statement outlines the main corporate governance practices adopted by Clime Investment Management Limited (“Company”), and has been prepared in accordance with the 3rd Edition of Australian Securities Exchange’s (‘ASX’) Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council(‘ASX Principles and recommendations’) unless otherwise stated.

Board of Directors and its Committees

Role of the Board

The role of the Board is to set strategic direction and to be responsible for the overall corporate governance of the Company which includes:

- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving the interim and final financial statements and related reports and other communications to the ASX and shareholders; and
- setting appropriate business standards and a code for ethical behaviour.

The Board aims to ensure that all Directors act with the utmost integrity and objectivity, and endeavours to enhance the reputation of the Company. The following policies serve to facilitate achieving this goal:

Conflict of interests

In accordance with the Board’s corporate governance practices, a Director that has a perceived or actual conflict of interest (as determined by themselves, other Board Members or the Chairman) must declare their interest in those dealings by the Company and take no part in decisions relating to them or the preceding discussions. In addition, the Directors should not receive any papers pertaining to those dealings.

Independent professional advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company’s expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and of its Committees. This review is coordinated by the Chairman and is assessed against both measurable and qualitative indicators.

Composition of the Board

The Board is comprised of three Non-Executive Directors and one Executive Director. The Company’s Non-Executive Directors are Mr. D McLay, Mr. N Schafer and Mr. A Chant. The company’s executive director is Mr. J Abernethy.

Whilst the Board acknowledges the benefits of a majority of independent Directors, it believes that it can adequately achieve the Company’s objectives with the current Board’s level of expertise and without unnecessarily burdening shareholders with the additional costs associated of adding further independent Directors to the Board.

An independent Director is considered to be a Director:

- a. who is not a member of management;
- b. who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company;
- c. is not a significant supplier to the Company;
- d. has no material contractual relationship with the Company other than as a Director; and
- e. is free from any interest or business or other relationship which could materially interfere with the Director’s ability to act in the best interests of the Company.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration and Audit Committees. It is the Company's policy that each Committee is comprised entirely of Non-Executive Directors. The committee structure and membership is reviewed on an annual basis. All matters determined by the committees are submitted to the full Board as recommendations for Board decisions.

Remuneration Committee

The Remuneration Committee makes specific recommendations on remuneration packages and other terms of employment for Executive Directors and senior management. Membership of the Committee will be reviewed annually.

The charter of the Remuneration Committee specifies that remuneration for Executive Directors and other terms of their employment are reviewed annually by the Committee having regard to performance, relevant comparative information and, where appropriate, independent expert advice. In addition to base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-Executive Directors are also eligible to participate in the Company's Employee Share Option Plan (ESOP).

Remuneration and other terms of employment for the Executive Directors and certain other senior executives are formalised in service agreements with annual adjustments (once agreed by the Remuneration Committee) notified in writing. Remuneration of Non-Executive Directors is determined by the full Board within the maximum amount approved by the shareholders from time to time. Consultation with Non-Executive Directors outside their duties as Directors is treated as external consultation and is subject to additional fees by consent of the Board.

The Company has a policy that Non-Executive Directors:

- are not entitled to retirement benefits in addition to the statutory minimum
- may not participate in the Company's bonus scheme or Employee Incentive Scheme
- may participate in the ESOP

The Remuneration Committee currently comprises Mr. N Schafer (Chairman), Mr. A Chant and Mr. R Proctor. The Remuneration Committee meets for the annual reviews of senior management as well as any other time that an executive salary is negotiated.

Audit Committee

The Audit Committee must comprise of at least two members, all of whom will be Non-Executive Directors, who are independent of the management of the Company. The Chairman of the Committee will be appointed by the Board from time to time. Due to the size and structure of the Board, and considering the number of Non-Executive Directors, it is not always practicable for the Chairman of the Committee to be both independent and someone other than the Chairman of the Board. Members will be selected on the basis of their appropriate skills and at least one member will be financially literate. A quorum for any meeting will be two members of which two shall be Non-Executive Directors. The Company Secretary will attend Audit Committee meetings and keep minutes.

The Audit Committee meets at least two times a year. Additional meetings may be convened by the Chairman or the external auditors as they see fit. The external auditors will be asked to make presentations to the Audit Committee at least twice a year. All meetings will be minuted.

Audit Committee (Cont.)

The charter for the Audit Committee is summarised as follows:

- review the Company's financial reporting processes, internal control and management of financial, business and investment risks (risk management)
- evaluate the processes in place, including communication to and training of staff, to ensure internal control, compliance with codes of conduct and the management of risk
- review the annual financial statements and determine whether they are complete, consistent with committee members' understanding of the business and reflect appropriate accounting principles and satisfy themselves that any announcements and interim financial statements contain adequate and appropriate disclosures
- review the external auditors' proposed audit scope and approach and ensure that no unjustified restrictions or limitations have been placed on that scope. Review the performance of the external auditors. Ensure that significant findings and recommendations made by the external auditors are received, discussed and acted on by the management of the Company on a timely basis
- review the independence of the external auditors, taking into account the length of service and the provision of non-audit services. Make recommendations to the Board regarding the reappointment of the external auditors
- review the provision of non-audit services by the external auditors to ensure independence
- review the Company's processes for ensuring compliance with laws and regulations. Be satisfied that all regulatory compliance matters have been considered in the preparation of financial statements

The Audit Committee currently comprises Mr. N Schafer (Chairman), Mr. A Chant and Mr. R Proctor. The Audit Committee meets at least two times per year. Committee meetings are also attended by the Group Finance Manager and Audit Partner by invitation as and when required.

External Auditor

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. Pitcher Partners Sydney was appointed as the external auditor in November 2015. It is Pitcher Partners Sydney's policy to rotate audit engagement partners on listed companies in accordance with the Corporations Act 2001.

The external auditor is requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk Assessment and Management

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Directors recognise that risk management is an essential element of the Company's business planning and investment process. Consolidated risk reviews are a key input in the Company's annual corporate strategy workshops attended by the Board and senior management. The identification of key business and financial risks facing the Company is required to ensure management has put in place appropriate controls.

In addition, and as discussed above, the Board requires each major investment proposal submitted to it for decision to be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

Code of Conduct

The Company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of both the law and Company policies.

Trading in Company Shares or Securities

The Board of the Company has established a set of guidelines governing the trading in the Company's shares or securities by Directors and staff. These guidelines are designed to supplement (not replace) the legislative and reporting requirements already established for Directors under the Corporations Act 2001 and the ASX Listing Rules.

The guidelines grant authority to the Board to determine periods during which Directors and staff will be prevented from dealing in Company shares or securities as follows:

- at any time the Board believes that the Directors or management are in possession of price sensitive information
- during specified 'black-out' periods approaching the release of annual and half-year financial results, and any other Board-imposed black-out periods that may apply from time to time
- Directors are required to notify the Managing Director or in his absence the Chairman of their intention to trade in the Company's shares prior to doing so
- all other employees should notify the Managing Director prior to trading in any shares

Directors are required to notify the ASX via the Company Secretary within five business days of any dealing in the Company's shares.

The Company's policy for staff, Executive Directors and Non-Executive Directors is that they should not buy and sell the Company's shares if they are aware of any undisclosed price-sensitive information about the Company. If they are aware of such information they may not:

- either on behalf of themselves or anyone else, buy, sell or otherwise deal in any shares or other securities which are affected by the information
- either on behalf of themselves or anyone else, cause or procure any other person to buy, sell or otherwise deal in those securities
- communicate the information to anyone else, if they know or reasonably should know that they will use the information, directly or indirectly, for dealing in the securities

All Directors and employees are expressly prohibited from trading in Company securities at any time where that trading amounts to 'short-selling'. For this purpose, 'short-selling' amounts to disposing of securities within 3 months of their acquisition.

Trading in Other Listed Shares or Securities

The Board of the Company has established a set of guidelines governing the restrictions on Directors and staff trading in listed shares or securities in which the Company may have an interest, being financial, advisory, consulting or research in order to remove any potential conflict of interest.

These guidelines are designed to supplement (not replace) the legislative and reporting requirements already established for Directors under the Corporations Act and the ASX Listing Rules.

Trading in Other Listed Shares or Securities (Cont.)

These guidelines include:

- the circulation by the Company Secretary of any listed shares or securities deemed by the Managing Director to be part of the “Restricted Securities List”
- Directors and staff are required to notify the Chairman of any listed shares or securities which they currently own, that appear on the most current “Restricted Securities List”
- Directors and staff are required to notify the Chairman of any intention to trade in listed shares or securities that appear on the most current “Restricted Securities List”
- for the purposes of the guidelines, Directors’ or staff’s interests in listed shares and securities shall include direct holdings and beneficial interests

Compliance with the guidelines imposed on trading in both Company shares and other listed securities is monitored and reported to the Board on a monthly basis.

Continuous Disclosure and Shareholder Communication

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company’s securities. The Company also takes measures to promote communication with shareholders and to encourage effective participation at general meetings.

The Company Secretary has been appointed as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company’s website shortly after it is disclosed to the ASX.

All shareholders receive a copy of the Company’s annual and half yearly reports. In addition, the Company seeks to increase access to its relevant information via electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of Company meetings, press releases and financial reports available on the Company’s website.

Diversity

The Company’s workforce is comprised of people from diverse backgrounds with a range of skills, values and experiences. Diversity includes, but not limited to, gender, age, ethnicity and cultural background.

The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available in the workplace. The key element of the diversity policy of the Company is that the Company will seek the best person available for the position which will not be influenced by gender, age, ethnicity or cultural background. In relation to the appointment of a new director, the board will seek male and female candidates with the appropriate skills and investment/industry experience to compliment the current directors.



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