

## Corporate Governance Statement

ASX Corporate Governance Council Principles and Recommendations (3 <sup>rd</sup> Edition)	Compliance by Chapmans
<p><b>Principle 1 – Lay solid foundations for management and oversight</b></p> <p><i>A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.</i></p>	
<p><b>Recommendation 1.1</b></p> <p>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.</p>	<p>In accordance with the Board Charter, the Board has reserved to itself the following specific responsibilities:</p> <ul style="list-style-type: none"> <li>• providing leadership and setting the strategic objectives of the company; and overseeing management's implementation of those strategic objectives and performance generally;</li> <li>• appointing the Chairperson (and deputy), and senior executives;</li> <li>• through the Chairperson, overseeing the role of the Company Secretary;</li> <li>• approving operating budgets and major capital expenditure;</li> <li>• overseeing the integrity of Chapmans' accounting and corporate reporting systems (including external audit);</li> <li>• overseeing Chapmans' process for making timely and balanced disclosure;</li> <li>• ensuring Chapmans has in place an appropriate risk management framework and setting the risk appetite within which the Board expects management to operate;</li> <li>• approving Chapmans' remuneration framework; and</li> <li>• monitoring the effectiveness of Chapmans' governance practices.</li> </ul> <p>The Board has the authority to manage the day to day affairs of Chapmans and authority to control the affairs of Chapmans in relation to all matters other than those responsibilities reserved to itself in the Board Charter.</p> <p>The Board has authority to sub-delegate to the senior management team.</p>
<p><b>Recommendation 1.2</b></p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and</p> <p>(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.</p>	<p>The Board is in charge of appointing new Board candidates, having regard to their skills, experience and expertise.</p> <p>In doing so, the Board intends for appropriate checks to be undertaken in relation to that potential Board candidate. Any material information concerning that Board candidate will subsequently be disclosed to Chapmans shareholders as part of the election or re-election process of that Board candidate.</p>
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>All Chapmans directors and senior executives have entered into written appointment agreements with Chapmans.</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>• the non-executive directors have each executed a letter of appointment setting out the terms and conditions of their appointment; and</li> <li>• the executive directors and senior executives of Chapmans have entered into service contracts, setting out the terms and conditions of their</li> </ul>

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	employment.
<p><b>Recommendation 1.4</b></p> <p>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.</p>	<p>As set out in the Board Charter, the Company Secretary is accountable directly to the Board, through the chairperson, on all matters to do with the proper functioning of the Board.</p> <p>The Company Secretary is responsible for:</p> <ul style="list-style-type: none"> <li>• advising the Board and its committees on governance matters;</li> <li>• monitoring the Board and committee policy and procedures are followed;</li> <li>• coordinating the timely completion and dispatch of Board and committee papers;</li> <li>• ensuring the business at Board and committee meetings is accurately captured in the minutes; and</li> <li>• helping to organise and facilitate the induction and professional development of Directors and the Company Secretary.</li> </ul>
<p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and 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:</p> <p>(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</p> <p>(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.</p>	<p>The Company has established a Diversity Policy, which entrusts the Board with the responsibility for designing and overseeing the Diversity Policy.</p> <p>In accordance with the Diversity Policy, the Board will:</p> <ul style="list-style-type: none"> <li>• be required to develop initiatives that will promote and achieve diversity goals;</li> <li>• be responsible for reviewing this diversity policy and will assess the status of diversity within the Company and the effectiveness of this policy in achieving the measurable objectives which have been set to achieve diversity; and</li> <li>• consider the effectiveness of the Company's diversity objectives each year.</li> </ul> <p>In view of the small size and operations of the Company, the company did not consider it appropriate to set any meaningful measurable objectives for the current reporting period. There are currently only 3 Directors and the Company Secretary who contribute to the company's affairs.</p>
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>In accordance with the Board Charter, each Director's performance will be assessed when standing for re-election. Before each annual general meeting, the Chairperson of the Board will assess the performance of any Director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the Director (in the absence of the Director involved). The Board (excluding the Chairperson), will conduct the review of the Chairperson.</p> <p>Chapmans currently intends to disclose, at the relevant time, whether such a performance evaluation was undertaken in the relevant reporting</p>

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	period.
<p><b>Recommendation 1.7</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>In accordance with the Board Charter, Chapmans senior executive performance will be considered by the independent Directors in a meeting separate to the Board meetings. The Chairperson is responsible for ensuring independent Director meetings take place on a regular basis.</p> <p>Chapmans currently intends to disclose, at the relevant time, whether a performance evaluation of senior executives was undertaken in the relevant reporting period.</p>
<p><b>Principle 2 – Structure the board to add value</b> <i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i></p>	
<p><b>Recommendation 2.1</b> The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director; and disclose</p> <ul style="list-style-type: none"> <li>• the charter of the committee;</li> <li>• the members of the committee; and</li> <li>• 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</li> </ul> <p>(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.</p>	<p>Chapmans does not have a nomination committee and is not compliant with Recommendation 2.1.</p> <p>After careful consideration the Board has decided that given the small size of the Company and its operations, it was appropriate that the functions of the nomination committee be reserved for the full Board.</p>
<p><b>Recommendation 2.2</b> 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.</p>	<p>The Board has not, at this time, adopted a board skills matrix. However, as set out in the Board Charter, Chapmans will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. In addition, Chapmans' succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.</p>
<p><b>Recommendation 2.3</b> A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p>	<p>Chapmans has disclosed these items on its website at: <a href="http://www.chapmansltd.com">http://www.chapmansltd.com</a></p> <p>The Board considers Chris Newport to be the only independent Director of the Company.</p> <p>The Board will regularly assess the independence of each Director in light of the interests disclosed by them. That assessment will be made at least annually at, or around the time, that the Board considers candidates for election to the Board, and each independent Director is required to provide the Board</p>

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<p>explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>with all relevant information for this purpose.</p> <p>If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely fashion.</p>
<p><b>Recommendation 2.4</b></p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>Out of the Board members, only Chris Newport is considered to be an independent Director.</p> <p>Accordingly, the company is not in compliance with Recommendation 2.4. The Board, having regard to the Company's small size and its operations, considers the current composition of the Board appropriate.</p>
<p><b>Recommendation 2.5</b></p> <p>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.</p>	<p>The Chairperson of the Board is Peter Dykes, who is a non-independent, executive director. Accordingly, the Company is not in compliance with Recommendation 2.5. After careful consideration, the Board has decided that given the small size of the Company and its operations, Peter Dykes is the most appropriate person to act as Chairman to fulfill the Company's needs.</p>
<p><b>Recommendation 2.6</b></p> <p>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.</p>	<p>In accordance with the Board Charter, the Directors will be expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them.</p> <p>The Company Secretary will help to organise and facilitate the induction and professional development of Directors.</p>
<p><b>Principle 3 – Act ethically and responsibly</b></p> <p><i>A listed entity should act ethically and responsibly.</i></p>	
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>The Board has adopted a Code of Conduct which sets out the values, commitments, ethical standards and policies of Chapmans and outlines the standards of conduct expected of Chapmans' business and people, taking into account the Chapmans' legal and other obligations to its stakeholders.</p> <p>The Code of Conduct applies to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of Chapmans, and associates of Chapmans.</p> <p>The Code of Conduct is available on the Chapmans website at: <a href="http://www.chapmansltd.com">http://www.chapmansltd.com</a>.</p>
<p><b>Principle 4 – Safeguard integrity in corporate reporting</b></p> <p><i>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</i></p>	
<p><b>Recommendation 4.1</b></p> <p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, who is not the chair of the board,</p> <p>And disclose:</p>	<p>Chapmans does not have an audit committee and is not compliant with Recommendation 2.1.</p> <p>After careful consideration the Board has decided that given the small size of the Company and its operations, it was appropriate that the functions of the audit committee be reserved for the full board.</p>

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<p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) 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</p> <p>(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.</p>	
<p><b>Recommendation 4.2</b></p> <p>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.</p>	<p>The Board has a process to receive written assurances from its Executive Chairman that the declarations that will be provided under section 295A of the <i>Corporations Act 2001</i> (Cth) are founded on a system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.</p> <p>The Board will seek these assurances prior to approving the annual financial statements for all half year and full year results that follow.</p>
<p><b>Recommendation 4.3</b></p> <p>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.</p>	<p>In accordance with the Chapmans Disclosure and Communication Policy, there is a requirement that the external auditor will attend the AGM and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.</p>
<p><b>Principle 5 – make timely and balanced disclosure</b></p> <p><i>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.</i></p>	
<p><b>Recommendation 5.1</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Board has adopted a Disclosure and Communication Policy, which sets out Chapmans' commitment to the objective of promoting investor confidence and the rights of shareholders by:</p> <ul style="list-style-type: none"> <li>• complying with the continuous disclosure obligations imposed by law;</li> <li>• ensuring that company announcements are presented in a factual, clear and balanced way;</li> <li>• ensuring that all shareholders have equal and timely access to material information concerning Chapmans; and</li> <li>• communicating effectively with shareholders and making it easy for them to participate in general meetings.</li> </ul> <p>The Disclosure and Communication Policy is available on Chapmans' website at:  <a href="http://www.chapmansltd.com">http://www.chapmansltd.com</a></p>



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<b>Principle 6 – Respect the rights of security holders</b> <i>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.</i>	
<b>Recommendation 6.1</b> A listed entity should provide information about itself and its governance to investors via its website.	Information concerning Chapmans and its governance practices is available on the Chapmans website. The Chapmans URL is: <a href="http://www.chapmansltd.com">http://www.chapmansltd.com</a>
<b>Recommendation 6.2</b> 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 which supports its commitment to effective communication with its shareholders. In addition, Chapmans intends to communicate with its shareholders: <ul style="list-style-type: none"> <li>• by making timely market announcements;</li> <li>• by posting relevant information on to its website;</li> <li>• by inviting shareholders to make direct inquiries to Chapmans; and</li> <li>• through the use of general meetings.</li> </ul>
<b>Recommendation 6.3</b> A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Chapmans shareholders are encouraged to attend general meetings, and notice of such meetings will be given in accordance with the Chapmans Constitution, the Corporations Act 2001 (Cth), and the ASX Listing Rules. As set out in the Chapmans Constitution, shareholders may: <ul style="list-style-type: none"> <li>• attend meetings in person;</li> <li>• appoint a proxy, attorney or representative to vote on their behalf; or</li> <li>• at the Directors' determination, direct vote on the resolution(s) proposed at the relevant meeting.</li> </ul>
<b>Recommendation 6.4</b> A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Chapmans Shareholders may elect to receive information from Chapmans and its registry electronically. Otherwise, Chapmans and its registry will communicate by post with shareholders who have not elected to receive information electronically.
<b>Principle 7 – Recognise and manage risk</b> <i>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</i>	
<b>Recommendation 7.1</b> The board of a listed entity should: <ol style="list-style-type: none"> <li>have a committee or committees to oversee risk, each of which: <ol style="list-style-type: none"> <li>has at least three members, a majority of whom are independent directors; and</li> <li>is chaired by an independent director, and disclose: <ol style="list-style-type: none"> <li>the charter of the committee;</li> <li>the members of the committee; and</li> <li>as at the end of each reporting period,</li> </ol> </li> </ol> </li> </ol>	Chapmans does not have a risk committee and is not compliant with Recommendation 2.1.  After careful consideration the Board has decided that given the small size of the Company and its operations, it was appropriate that the functions of the risk committee be reserved for the full board.

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<p>the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(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.</p>	
<p><b>Recommendation 7.2</b></p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>In accordance with the Board Charter, the Board will ensure that Chapmans has in place an appropriate risk management framework and will set the appetite within which the Board expects management to operate.</p> <p>Further, the Board will regularly review and update the risk profile and ensure that Chapmans has an effective risk management system.</p> <p>As part of this process, the Board will review, at least annually, Chapmans' risk management framework in order to satisfy itself that it continues to be sound.</p> <p>Chapmans has reviewed its risk management framework and is satisfied that it is sound.</p>
<p><b>Recommendation 7.3</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	<p>Chapmans does not at this time, have an internal audit function. However, the Board has responsibility to ensure that Chapmans has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The Board is also responsible for conducting investigations of breaches or potential breaches of these internal controls.</p> <p>In addition, the Board is responsible for preparing a risk profile which describes the material risks facing Chapmans, regularly reviewing and updating this risk profile, and assessing and ensuring that there are internal controls in place for determining and managing key risks.</p>
<p><b>Recommendation 7.4</b></p> <p>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.</p>	<p>By its nature as an investment company, the Company will always carry risk because it must invest its capital in activities which are not risk free.</p> <p>The Company's management is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk, human resource risk.</p> <p>The Board receives from the Executive Chairman written affirmation that, to the best of their knowledge and belief, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects insofar as they relate to financial reporting risks. The Board has also received reports from management as to the effectiveness of the Company's management of its material business risks.</p>

**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:
    - the charter of the committee;
    - the members of the committee; and 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.

Chapmans does not have a remuneration committee and is not compliant with Recommendation 8.1. After careful consideration the Board has decided that given the small size of the Company and its operations it was appropriate that the functions of the remuneration committees be reserved for the full board.

The Board discloses its processes for setting the level and composition of remuneration for directors and senior executives in the Remuneration Report which forms part of the Chapman's Annual Report – which is available on the Chapmans website at: <http://www.chapmansltd.com>

**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

The policies regarding remuneration of non-executive directors and the remuneration and employment arrangements of executive directors are disclosed separately in the "Remuneration Report" which forms part of Chapman's Annual Report – which is available on the Chapmans website at: <http://www.chapmansltd.com>

**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.

Under Chapmans' Trading Policy, certain designated persons are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that:

- has not vested; or
- has vested but remains subject to a holding lock.

In addition, Chapmans has a policy relating to certain designated persons prohibiting entering into margin lending arrangements relating to Chapmans' shares, prohibiting short term or speculative trading in Chapmans' shares or in financial products associated with Chapmans' securities and prohibiting dealing in financial products associated with Chapmans' securities.

The Chapmans Trading Policy is available on the Chapmans website at: <http://www.chapmansltd.com>