

BKI INVESTMENT COMPANY LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board of BKI Investment Company Limited (the Company) are committed to achieving and demonstrating the highest standards of corporate governance, and corporate governance arrangements for the Company are set by the Board having regard to the *Corporate Governance Principles and Recommendations 4th Edition* set by the ASX Corporate Governance Council ('the ASX Principles and Recommendations'). Unless otherwise stated, the company complies with the ASX Principles and Recommendations.

The information in this statement is current as at 20 July 2021 and has been approved by the Board.

Principle 1 – Lay solid foundations for management and oversight

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Recommendation		Status
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and	The Company has a board charter that discloses this information. The Board Charter is available at: http://bkilimited.com.au/about-us/corporate-governance/#board
	(b) those matters expressly reserved to the board and those delegated to management.	The Company has a board charter that discloses this information. The Board Charter is available at: http://bkilimited.com.au/about-us/corporate-governance/#board
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and	The entity does not employ executives. The company's Policy & Procedure for Selection and Appointment of Directors includes a requirement for appropriate checks, and is available at: http://bkilimited.com.au/about-us/corporate-governance/#selection
	(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.	The Company has complied with this requirement each year since listing in the information included in the Notice of Meeting issued to shareholders.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Contracts confirming Appointment are in place for each director.
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 directly to the Board.
1.5	A listed entity should: (a) have and disclose a diversity policy;	The company's Diversity Policy is available at: http://bkilimited.com.au/about-us/corporate-governance/#diversity
	(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally; and	As the company continues to have no employees and did not envisage any changes to Board composition in the foreseeable future, the Board did not set any measurable objectives for gender diversity for FY21.

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	<p>(c) disclose in relation to each reporting period</p> <p>(1) the measurable objectives set for that period for achieving gender diversity</p> <p>(2) the entity's progress towards achieving those objectives, and</p> <p>(3) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) 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 a Report on Diversity disclosing each of these requirements. The Report on Diversity is available at:</p> <p>http://bkilimited.com.au/about-us/corporate-governance/#diversityreport</p>
1.6	<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>	The Board Charter contains provisions that govern the annual performance evaluation of the Board
	<p>(b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period</p>	A performance evaluation was undertaken in accordance with that process in respect of 2021FY
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and</p>	The process for evaluating the performance of Key Management Personnel is outlined in the Remuneration Report included in the Annual Report
	<p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	A performance evaluation for Key Management Personnel was undertaken in accordance with that process in respect of 2021FY.

Principle 2 – Structure the board to be effective and add value

The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

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<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p>	<p>(1) The Company has a nomination committee. All directors not scheduled for re-election at the next AGM are members of the committee, and as such the number of members varies between two and three.</p> <p>(2) The current Committee Chair is independent, but this is not always the case, depending on directors being re-elected</p> <p>(3) The Committee Charter is located at http://bkilimited.com.au/about-us/corporate-governance/#nominations</p> <p>(4) & (5) The committee members and details of meetings held are included in the 2021 Annual Report</p>
<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>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.</p>	<p>The skills matrix is detailed in the Policy & Procedure for Selection and Appointment of Directors, which is located at :</p> <p>http://bkilimited.com.au/about-us/corporate-governance/#selection</p>
<p>2.3 <i>A listed entity should disclose:</i></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, or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Refer disclosure on independence on page 4 of this document and in the 2021 Annual Report</p> <p>Refer following disclosure on independence</p> <p>Disclosed in the 2021 Annual Report</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>The Company has not followed this recommendation – refer following disclosure on independence</p>
<p>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.</p>	<p>The Chair is not the CEO of the entity, but is not an independent director – refer following disclosure on independence</p>

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Recommendation		Status
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	<p>The program for induction is outlined in the Policy & Procedure for Selection and Appointment of Directors, which is located at:</p> <p>http://bkilimited.com.au/about-us/corporate-governance/#selection</p> <p>The Nomination Committee considers the Board Skills Matrix at least annually to ensure the board as a whole and individual directors possess skills required by the Company, and the entire Board discusses developments in accounting and compliance requirements on an ongoing basis.</p>

Director Independence

The Board currently comprises two independent Non-Executive Directors and two Non-Executive Directors. The Chair is not an Independent Director.

Of the members of the Board, Mr Hall and Mr Huntley are considered independent, despite both having been BKI directors for over ten years. During the period of their appointment, neither Mr Hall nor Mr Huntley have ever been engaged in an executive capacity, nor have they partaken in any management activities of the company, and their interaction with current BKI management has always been at a governance level. Both Mr Hall and Mr Huntley are shareholders in the Company, but as each controls less than 5% of issued capital, these holdings are not considered substantial and are not considered to adversely affect their independence.

Mr Millner, although meeting other criteria and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Washington H. Soul Pattinson and Company Limited, which is a substantial shareholder of the Company.

Mr Payne, although meeting other criteria and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he was Chief Financial Officer of Brickworks Limited for 13 years until September 2016 and continues to provide services to that Company. Brickworks Limited is an associated entity of Washington H. Soul Pattinson and Company Limited, a substantial shareholder of the Company.

In relation to Director independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the Director's performance.

Recommendations 2.4 and 2.5 have not been followed because the Board believes that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. BKI listed on the Australian Stock Exchange on 12 December 2003 to take over the investment portfolio of Brickworks Limited and, given their long standing association with the BKI Portfolio, the Board is satisfied that Mr Millner and Mr Payne play an important role in the continued success and performance of the Group.

In accordance with the Corporations Act 2001, any member of the Board who has an interest that could conflict with those of the Company must inform the Board. Where the Board considers that a significant conflict exists, the Board will exercise its discretion as to whether the Director concerned should remain in the meeting but be required to refrain both from participating in the relevant discussion and voting on any matter relating to the conflict, or whether the Director concerned should remove themselves from the meeting while the matter is considered.

Mr Millner and Mr Payne do not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, however, for the reasons stated above they can be considered to be acting independently and in the best interest of the Group in the execution of their duties.

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Principle 3: Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Recommendation		Status
3.1	A listed entity should articulate and disclose its values	The Company's Value Statement is available at https://bkilimited.com.au/about-us/corporate-governance/#value
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and	The Code of Conduct is available at: https://bkilimited.com.au/about-us/corporate-governance/#conduct
	(b) ensure that the Board or a committee of the board is informed of any material breaches of that code.	There were no code breaches during the year.
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and	The Whistleblower policy is available at: https://bkilimited.com.au/about-us/corporate-governance/#whistleblower
	(b) ensure that the Board or a committee of the board is informed of any material incidents reported under that policy.	There were no material incidents reported during the year.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and	The Anti-Bribery and Corruption policy is available at: https://bkilimited.com.au/about-us/corporate-governance/#abcpolicy
	(b) ensure that the Board or a committee of the board is informed of any material breaches of that policy.	There were no policy breaches during the year.

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Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify and safeguard the integrity of its corporate reports.

Recommendation	Status
<p>4.1 <i>The board of a listed entity should:</i></p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) 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>(1) The Company has an audit committee with three members, the majority of whom are independent directors.</p> <p>(2) The Committee Chair is independent</p> <p>(3) The Committee Charter is located at http://bkilimited.com.au/about-us/corporate-governance/#audit</p> <p>(4) the qualifications and experience of all directors are disclosed in the Directors' Report in the 2021 Annual Report</p> <p>(5) Details of meetings held are included in the 2021 Annual Report</p>
<p>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.</p>	<p>The Company complies with this recommendation. The Company does not have a CEO or CFO, but a representative of the Investment Manager and the Company Secretary provide the required declaration on the basis that they perform the functions of CEO and CFO respectively for the purposes of this governance procedure.</p>
<p>4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p>These processes are disclosed in the entity's Continuous Disclosure & Shareholder Communications Policy, a copy of which is located at: http://bkilimited.com.au/about-us/corporate-governance/#continuous</p>

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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		Status
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1	The Company has a Continuous Disclosure & Shareholder Communications Policy, which is available at: http://bkilimited.com.au/about-us/corporate-governance/#continuous
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made	The Company's ASXOnline profile is set up so Directors receive a copy of each ASX announcement lodged on the platform
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	A clause to this effect is included in the Company's Continuous Disclosure & Shareholder Communications Policy.

Principle 6: Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Recommendation		Status
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company complies with this recommendation.
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	This information is included in the Company's Continuous Disclosure & Shareholder Communications Policy, which is available at: http://bkilimited.com.au/about-us/corporate-governance/#continuous
6.3	A listed entity should: disclose how it facilitates and encourages participation at meetings of security holders.	This information is included in the Company's Continuous Disclosure & Shareholder Communications Policy which is available at: http://bkilimited.com.au/about-us/corporate-governance/#continuous
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holder are decided by a poll rather than by a show of hands.	At the Company's 2020 AGM held 13 October 2020, every resolution was decided by a poll. The entity intends to continue this practice.
6.5	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 complies with this recommendation.

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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		Status
7.1	<p><i>The board of a listed entity should:</i></p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ol style="list-style-type: none"> (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 <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>The Company has an Audit & Risk Committee, which has delegated authority for overseeing the Company's Risk Management Framework. The Company also has an Investment Committee which has delegated authority to manage investment risk, which the Board has assessed is the Company's primary risk.</p> <p>The Audit & Risk Committee has three members, the majority of whom are independent directors. Further information on the Audit & Risk Committee has been provided against Recommendation 4.1</p> <p>The investment committee does not have a majority of members who are independent directors, and the committee Chair is the Board Chair, who is not considered to be independent.</p> <p>The Investment Committee does not have a Charter.</p> <p>The members of the Investment Committee, and attendance by Non-Executive directors at meetings of the Investment Committee, are disclosed in the 2021 Annual Report</p> <p>The Company has a Risk Management Policy that provides guidance for the full Board in discharging its responsibilities in risk management, which is considered appropriate given the size of the Board. The policy is available at: http://bkilimited.com.au/about-us/corporate-governance/#riskmanagement</p> <p>Refer following disclosure on risk management.</p>
7.2	<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 that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Company complies with this recommendation.</p> <p>A review was conducted during 2021FY</p>
7.3	<p><i>A listed entity should disclose:</i></p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p>	<p>The Company does not have an internal audit function.</p>

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Recommendation	Status
(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 governance, risk management and internal control processes.	The Board reviews the implementation of the Risk Management Policy and the entity's risk management framework on an annual basis.
7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	<p>The Company does not have any direct material exposure to economic, environmental and social sustainability risks.</p> <p>As a key element of its investment risk management strategy, the Company maintains a diversified portfolio of listed securities without excessive exposure to any one company or sector. As such, any material exposure to economic, environmental and social sustainability risk to one of its investee companies should not result in material exposure to BKI.</p>

The Board operates to minimise exposure to investment risk, in part, by implementing stringent processes and procedures to effectively manage investment risk. Management of investment risk is fundamental to the business of the Group being an investor in Australian listed securities.

BKI has an Investment Committee that performs, among other roles, investment risk mitigation. Below is a current list of members of the Investment Committee.

RD Millner (Chairman)

AJ Payne

IT Huntley

TCD Millner (Portfolio Manager, Contact Asset Management)

W Culbert (Portfolio Manager, Contact Asset Management)

The main responsibilities of the Committee are to:

- assess the information and recommendations received from the Investment Manager regarding the present and future investment needs of the Group
- assess the performance of the Portfolio Managers
- evaluate investment performance.

The Board is committed to the identification and quantification of risk throughout the Group's operations.

Considerable importance is placed on maintaining a strong control environment. The Board has approved a Risk Management Policy governing the effective discharge of the responsibilities of the Board, the Company Secretary, and the external Investment Manager for the management of business, market, credit, operational liquidity and reputational risk. There is an organisational structure with clearly drawn lines of accountability. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity. The Audit & Risk Committee has been given primary responsibility for overseeing certain aspects of the Company's broader risk management framework.

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 and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

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Recommendation	Status
<p>8.1 <i>The board of a listed entity should:</i></p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, <p>and disclose:</p> <ul style="list-style-type: none"> (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 <p>(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.</p>	<p>(1) The Company has a remuneration committee with four members, of whom two are independent. - refer below commentary on committee membership.</p> <p>(2) The current Chair of the committee, Mr AJ Payne is not independent - refer below commentary on committee Chair's role.</p> <p>(3) The Remuneration Committee Charter is available at: http://bkilimited.com.au/about-us/corporate-governance/#remuneration</p> <p>(4) & (5) The committee members and details of meetings held are included in the 2021 Annual Report</p>
<p>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.</p>	<p>The Director Remuneration Policy is available at: http://bkilimited.com.au/about-us/corporate-governance/#director</p> <p>The Executive Remuneration Policy is available at: http://bkilimited.com.au/about-us/corporate-governance/#executive</p> <p>The Company does not directly employ any senior executives. BKI has appointed Contact Asset Management P/L as the Company's Investment Manager – management fees payable for services rendered are governed by an Investment Management Agreement.</p>
<p>8.3 <i>A listed entity which has an equity-based remuneration scheme should:</i></p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>This is covered by the Executive Remuneration Policy</p> <p>The policy is available at: http://bkilimited.com.au/about-us/corporate-governance/#executive</p> <p>A summary of the policy is included in the Remuneration Report within the Directors' Report included in the 2021 Annual Report.</p>

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Independence of Remuneration Committee

The Group has established a Remuneration Committee consisting of the following members:

AJ Payne (Chair)
DC Hall
RD Millner
IT Huntley

As noted on page 4 of the Corporate Governance Statement, neither Mr RD Millner nor Mr AJ Payne is considered to be independent.

The Directors of the Company agree that, given the size of the Board and the nature of the Company's activities, it is appropriate for all directors to be members of the remuneration committee, notwithstanding that the Company therefore does not comply with Recommendation 8.1(a)(1). The Directors also agree that Mr Payne, while not classified as independent, brings independent judgment to bear on his role, and is an appropriate committee Chair given the scope of his executive responsibilities as former Group CFO of Brickworks Limited.

Trading Policy

A copy of the Company's Share Trading Policy, which has been endorsed by the Board and applies to all Directors, officers and employees of the Company and of the Company's Investment Manager (Contact Asset Management Pty Limited), is available at: <http://bkilimited.com.au/about-us/corporate-governance/#share>