

Lanyon Investment Company Limited

Corporate Governance Statement

31 AUGUST 2022

Introduction

Lanyon Investment Company Limited ACN: 608 411 347 (the **Company**) is a listed investment company on the Australian Securities Exchange (**ASX**).

The Company has no employees. It has no premises, plant and equipment or other physical assets. The Company's investment activities are undertaken by the Manager in accordance with the Investment Management Agreement. The Company's day-to-day affairs are managed by ARC Investment Management Pty Ltd, in accordance with the Services Agreement.

The Company's main corporate governance practices are set out below. The Company has followed the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition (Governance Principles)*, except where indicated.

Company policies, charters and codes referred to in this Statement are provided on the Company's website at <https://www.lanyonam.com/lic/>

1. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 RECOMMENDATION 1.1 – A listed entity should disclose:

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

Arrangements between the Manager and the Company

The Company does not have employees. Administration responsibilities are conducted by the Manager under a Services Agreement dated 27th of November 2020. Administration includes business, investment and general administration, marketing and business development support, accounting, and finance administration.

In addition, the Company entered into an Investment Management Agreement with the Manager on 27th of November 2020 (**Investment Management Agreement**) with respect to the management of the portfolio of the Company (**Portfolio**). The Investment Management Agreement was novated to ARC Investment Management Pty Ltd on 9 May 2022.

The Manager must not without the prior consent of the Company, delegate any of its discretionary management powers under the Investment Management Agreement.

The initial term of the Investment Management Agreement is five years from the date of commencement of the agreement unless terminated earlier in accordance with the terms of the Investment Management Agreement.

Role of the Board

The role of the Board is to promote the long-term health and prosperity of the Company, which includes overseeing the management of the Company.

Responsibilities of the Board

The principal responsibilities of the Board include:

- monitoring the financial position and performance of the Manager;
- ensuring the Manager is performing its duties in a skilful and diligent manner, employs qualified and experienced staff and operates appropriate risk monitoring and compliance procedures;
- overseeing and monitoring the Manager in compliance with the terms of the Investment Management Agreement;
- ensuring the Manager operates in compliance with its regulatory environment and good corporate governance practices are adopted;
- identifying the principal risks faced by the Manager and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks; and
- overseeing the integrity of the financial accounts and reporting.

1.2 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.**

The Board is responsible for ensuring that any candidate put forward for election as director, or re-election as director, is of a high calibre, has appropriate experience and skills and is fit for office.

Information on each of the Directors is contained within the Director’s Report.

1.3 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 has executed terms of appointments with non-executive directors that, amongst other things, dictate duties and responsibilities of directors.

1.4 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 entered into an agreement with Boardroom Pty Limited (**Boardroom**) on 28 September 2015 for the provision of corporate secretarial services. The Company Secretary provided by Boardroom is directly accountable to the Board, through the Chair.

1.5 RECOMMENDATION 1.5 - A listed entity should:

A listed entity should:

- (a) have and disclose a diversity policy;**
- (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**
- (c) disclose in relation to each reporting period:**
 - (1) the measurable objectives set for that period to achieve gender diversity;**
 - (2) the entity’s progress towards achieving those objectives; and**
 - (3) either:**
 - (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**

(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.

If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

The Board is comprised of three directors and the Company has no employees. The Board has determined that a diversity policy is not appropriate at this stage.

1.6 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 did not undertake a performance evaluation during the full year as two of the three Board members were appointed in May this year.

1.7 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 for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Company presently has no employees and thus this recommendation is not applicable at this stage.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 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;**
 - (iii) abides by the charter of the committee; and**
 - (iv) as at the end of each reporting period, records the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Board is comprised of three directors and the Company has no employees. The Board has determined that a nominations committee is not appropriate at this stage. Board succession and Board balance is the responsibility of the Board itself.

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

The Company has a desired skills matrix against which the Board's current skills and qualities are periodically compared. The skills matrix is reviewed by the Board from time to time.

The Board has determined that the following skills are required for an effective Board and is considered desirable in the selection of directors:

- Experience in serving on boards, particularly for ASX-Listed entities;
- Accounting and governance experience;
- Experience to enable acting as chair of the audit committee;
- Experience in determining director remuneration;
- Knowledge of the investment industry;
- Knowledge and experience in managing investment funds for third parties;
- Experience of doing business across a wide variety of Australian industries;
- Network of contacts across a broad range of Australian businesses and industry groups; and
- Broad knowledge of and insight into Australian and international economic conditions and trends.

2.3 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 the Principles described in the notes to the Governance Principles 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.**

Structure of the Board

The Board currently comprises three Non-Executive Directors: David Prescott (Chair), Harley Grosser and Daniel Sims.

Details of the background, experience and professional skills of each Director are set out in the Directors' Report.

The Board regularly assesses the independence of each Director by taking into account the factors outlined below:

- the specific disclosures made by each Director as referred to below;
- where applicable, the related party dealings referable to each Director, noting whether those dealings are material under accounting standards;
- whether a Director is, or is associated directly with, a substantial shareholder of the Company or the Manager;
- whether the Director has ever been employed by the Company or the Manager or any of their subsidiaries;

- whether the Director is, or is associated with, a supplier, professional adviser, consultant to or customer of the Company or the Manager, which is material under accounting standards;
- whether the Director personally carries on any role for the Company or Manager other than as a Director of the Company; and
- the length of service of the Director and whether his/her tenure is affecting the Director's ability to continue to perform his/her duties in the best interests of the Company and its shareholders.

The Board also has regard to the matters set out in the Governance Principles.

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 the Company's policies.

Each Director may from time to time have personal dealings with the Company. Some Directors are involved with other companies or professional firms that may from time to time have dealings with the Company.

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 the Company's accounts as required by law.

If a Directors' independent status changes, this will be disclosed and explained to the market in a timely manner and in consideration of the Company's Shareholder Communications Policy.

Director	Length of Service*
David Prescott Non-Executive Chair (Not Independent)	2 years and 4 months
Daniel Sims Non-Executive Director (Not Independent)	3 Months
Harley Grosser Non-Executive Director (Not Independent)	3 Months

* as at 30 June 2022

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

The Company will endeavour to appoint a majority of independent directors on successful re-listing of the Company to ASX. .

2.5 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 Company will endeavour to appoint an independent chair on successful re-listing of the Company to ASX. .

2.6 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 Board, led by the Chair, is responsible for inducting new directors and ensuring ongoing development.

3. PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 RECOMMENDATION 3.1 - A listed entity should articulate and disclose its values.

The Company's values are set out in its code of conduct (**Code of Conduct**) which is publicly available on the Company's website.

3.2 RECOMMENDATION 3.2 - A listed entity should:

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and**
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.**

Directors' Code of Conduct

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. All Directors sign an annual declaration stating that they have adhered to the Directors' Code of Conduct.

Code of Conduct Policy

The Manager has established a code of conduct policy applicable to its Directors and all applicable staff. The policy communicates the appropriate standards of behaviour and informs staff of their responsibilities with respect to legal compliance, confidentiality, conflicts of interest, investment activities and operational processes.

The Chief Executive Officer of the Manager is responsible for ensuring that any new staff members are familiar with the Company's compliance obligations and the terms of engagement of each staff member incorporates the code of conduct policy.

Compliance will be monitored by the Chief Executive Officer of the Manager.

The Directors' Code of Conduct and other corporate governance items are posted on the Company's website at <https://www.lanyonam.com/lic/>

3.3 RECOMMENDATION 3.3 - A listed entity should:

- (a) have and disclose a whistleblower policy; and**
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Company's whistleblower policy is publicly available on the Company's website.

3.4 RECOMMENDATION 3.4 - A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and**
- (b) ensure that the board or committee of the board is informed of any material breaches of that policy.**

The Company does not have an anti-bribery and corruption policy.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 RECOMMENDATION 4.1 - The board of a listed entity should:

(a) have an audit committee which:

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

and disclose:

- (3) the charter of the committee;**
 - (4) the relevant qualifications and experience of the members of the committee; and**
 - (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**
- (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 does not have such a committee at this time because the formation of such a committee would be inefficient given the Company's size and nature and, accordingly, would not serve to protect or enhance the interests of shareholders. The Board will deal with this issue as a whole. Should the size of the Company change, the Board will consider establishing a separate audit committee.

4.2 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.

The Board's representations in relation to financial reports are supported by representations made by the Manager. The Manager relies on representation it receives from the Company's administrators to make its declaration to the Board.

4.3 RECOMMENDATION 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.

The Company's Board reviews and approves any periodic corporate reports not audited or reviewed by an external auditor, and acts on the advice of the Chair in conducting its review.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 RECOMMENDATION 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 Policy which also applies to the staff of the

Manager as the manager of the Company.

The Board is committed to:

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

5.2 RECOMMENDATION 5.2 - A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

All material market announcements of the Company are provided to and approved by the Board prior to release.

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.

All investor presentations are released to the market announcements of the Company ahead of the presentation.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

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

Information about the Company and its corporate governance items are posted on the Company's website at <https://www.lanyonam.com/lic/>

6.2 RECOMMENDATION 6.2 - A listed entity should have an investor relations program to facilitate effective two-way communication with investors.

The Board has adopted a Shareholder Communications Policy that describes the Board's policy for ensuring shareholders and potential investors of the Company receive or obtain access to information publicly released by the Company.

The Company's primary portals are its website, Annual Report, Annual General Meeting and Half-Yearly Report.

Under the Shareholder Communications Policy, directors and staff of the Manager will not make unauthorised disclosures of confidential information or use it for purposes other than those for which it was disclosed, except as required by law.

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

6.3 RECOMMENDATION 6.3 - A listed entity should disclose how it facilitates and encourage participation at meetings of security holders.

The dates and locations of security holder meetings are shown on the Company website at <https://www.lanyonam.com/lic/> Security holders will be invited to attend based on contact

information held by the Company Registry.

6.4 RECOMMENDATION 6.4 - A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

All resolutions at meetings of shareholders are decided on a poll rather than by a show of hands.

6.5 RECOMMENDATION 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, and the Manager on behalf of the Company, provide the Company's security holders with an electronic communication option.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 RECOMMENDATION 7.1 – The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:**
 - (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director, and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

The Board does not have such a committee at this time because the formation of such a committee would be inefficient given the Company's size and nature and, accordingly, would not serve to protect or enhance the interests of shareholders. The Board will deal with this issue as a whole. Should the size of the Company change, the Board will consider establishing a separate risk committee.

7.2 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 that the entity is operating with due regard to the risk appetite set by the board; and**
- (b) disclose, in relation to each reporting period, whether such a review has taken place.**

The Board will review the adequacy and effectiveness of the Company's risk management framework to satisfy itself that major risks have been identified and are appropriately managed and that the framework continues to be sound.

The Board will put in place sound systems of risk management and internal controls. The Board has not reviewed the risk management framework during the period.

7.3 RECOMMENDATION 7.3 - A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or**
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

The Company has no employees and no internal audit function. The Manager provides periodic reports to the Board on risk management and internal control processes relevant to the Company.

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

The Company has a material exposure to economic risks. The key risks of the Company and how they are managed are set out in the Annual Report.

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 RECOMMENDATION 8.1 - The board of a listed entity should:

- (a) have a remuneration committee which:**
 - (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director, and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board is comprised of three directors and the Company has no employees. The Board has determined that a remunerations committee is not appropriate at this stage. Until such time that a remunerations committee is established, the Board will ensure that it performs the functions recommended in the ASX Corporate Governance Principles to be performed by a remuneration committee (to the extent that these functions are relevant to the Company's business).

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

Director remuneration for the year ended 30 June 2022 is disclosed in its annual report. Remuneration of the Directors has been set following a benchmarking process for comparable roles in comparable listed investment companies.

In the absence of a remuneration committee for the Company, the Board will also be responsible for evaluating the performance of any senior executives or employees that may

be hired by the Company in the future. In the event that the Company hires a number of employees in the future, it will look to establish a remuneration committee to perform the functions recommended in the ASX Corporate Governance Principles.

8.3 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.**

This recommendation is not applicable to the Company.

8.4 ADDITIONAL RECOMMENDATIONS TO 8.1, 8.2 AND 8.3 FOR EXTERNALLY MANAGED LISTED ENTITIES – An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.

Remuneration of the Manager is outlined in the Investment Management Agreement with the Manager dated 27th of November 2020.

In return for the performance of its duties as Manager of the Company, the Manager is entitled to be paid a management fee equal to 1.25 % per annum (exclusive of GST) of the Portfolio value calculated in 12 equal instalments, as at the close of business on the last Business Day of each calendar month and adjusted pro rata in respect of periods of less than one calendar month. The management fee will be formally calculated and paid monthly in arrears. For months in which cash distributions were made to shareholders, the management fee paid was time weighted for the period prior to the distribution and the period after the distribution.

The Manager is entitled to be paid by the Company a performance fee of 20% (exclusive of GST) of the Portfolio's outperformance of the benchmark (Reserve Bank of Australia cash rate plus 2% per annum) calculated using the following formula and subject to a high water mark.

$$\text{Performance Fee} = ((CV - PV) - (BI \times PV)) \times 0.2$$

where:

CV is the NTA before all taxes and current performance fee accrual of the Company calculated on the last Business Day of the relevant performance fee period;

PV is the NTA before all taxes and current performance fee accrual of the Company calculated on the last Business Day of the immediately preceding performance fee period or, in the case of the first performance fee period, the NTA before all taxes at listing; and

BI is the Reserve Bank of Australia cash rate + 2.0% p.a., over the performance fee period expressed as a percentage.