

## **CORPORATE GOVERNANCE STATEMENT**

Templeton Global Growth Fund Ltd (“Company”) and the Board of Directors (“Board”) are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the corporate governance framework and practices to ensure they meet the interests of shareholders.

The Board believes that currently the Company is substantially in compliance with the 3<sup>rd</sup> edition of the Australian Securities Exchange (“ASX”) Corporate Governance Principles and Recommendations. Where there are departures, the reasons are explained in this statement.

The governance framework will continue to be reviewed by the Board with the object of achieving at all times the highest standards of corporate governance and ethical corporate behaviour consistent with the nature and size of the Company’s business.

A description of the Company’s main corporate governance practices is set out below.

### *Core Business and Investment Strategy*

The core business and investment strategy of the Company is to provide a vehicle through which Australian investors can gain access to global equity markets on a cost efficient basis by investing in an Australian listed company.

The Company seeks long term appreciation from a globally diversified portfolio, consisting primarily of international securities. The portfolio is managed in accordance with the investment philosophy of the Templeton Global Equities Group, which forms part of Franklin Templeton group a large U.S. based investment management organisation.

The Investment Manager of the Company’s investment portfolio is Franklin Templeton Investments Australia Ltd (“FTIAL”) and its management of the portfolio is conducted pursuant to a formal investment management agreement with the Company which defines FTIAL’s responsibilities as the Investment Manager.

Day to day management of the portfolio is carried out by FTIAL’s resident portfolio manager (currently Mr Peter Wilmshurst) who has access to and consults on a daily basis with the global investment analysis and research resources of the Templeton Global Equities Group.

There is also in place an Administrative Services Agreement with FTIAL, which details the responsibility for the provision of administration services for the Company by FTIAL, including the roles of General Manager and Company Secretary, and the completion of any associated administrative duties that the Company requires.

## **Principle 1: Lay solid foundations for management and oversight**

The Board of Directors has overall responsibility to the shareholders for furtherance of the Company's core business and investment strategy together with its corporate governance. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

At the appointment of each Director, the agreement entered into between the Director and the Company clearly outlines the expected roles, responsibilities and obligations of that Director, and the current term of their appointment.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical obligations. In addition, the Board is responsible for identifying areas of significant risk and ensuring arrangements are in place to adequately manage those risks.

The responsibilities of the Board include:

- Provide strategic guidance to the Company.
- Monitor and review the performance of the Investment Manager, General Manager, Company Secretary and Custodian Bank.
- Monitor financial performance including the approval of the annual and half-year financial reports for release to shareholders and the ASX.
- Appoint and delegate authority to the General Manager, Company Secretary, Investment Manager and Custodian Bank.
- Appoint the Company's auditor.
- Declaration of dividends.
- Oversight and review of:
  - Audit and compliance functions and their performance.
  - Control and corporate governance functions and their performance
  - The Company's risk management framework.
  - The Company's core business and investment strategy and performance.
- Enhancing and protecting the reputation of the Company.

Day to day management of the Company's administration is formally delegated to the General Manager by the Board.

The responsibilities of the General Manager include:

- sign the half year and annual statements on behalf as the Chief Executive Officer and Chief Financial Officer equivalent of TGG;
- manage TGG's relationship with External Service Providers;
- ensure that the TGG website is kept up to date;
- act as TGG's public officer, and facilitate the completion and filing of all relevant taxation documentation;
- provide services and activities to facilitate the Company's compliance with its requirements under:
  - the Listing Rules; and

- the Corporations Act,
- provide any assistance reasonably required by TGG in relation to a capital raising undertaken by TGG, and
- Ensure the completion of all necessary investor relations activities in relation to TGG.

### *Diversity*

The Company values diversity and recognises the benefit it can bring. Accordingly the Company has developed a Diversity Policy, a copy of which is posted on the Company's website.

The nature of an investment company's operations, particularly an investment company where the investment management function and administration are outsourced, is that it can operate efficiently and effectively with a Board and a minimum number of employees. At the date of this report, the Company had six Directors and no employees. The Diversity Policy therefore currently relates primarily to the Board.

The Board consists of six Directors, of which two are female (33%). In considering, evaluating and selecting new Board members the Directors take into account criteria including, but not limited to, skills, qualifications, experience, gender, age, ethnicity and cultural background.

The Board has committed to an overall female workforce percentage of at least 20%.

The Review Committee is responsible for oversight of the Diversity Policy and reports to the Board annually on compliance with the Diversity Policy and appropriate levels of diversity.

The Board and Management are comfortable that all recommendations 1.1 – 1.7 are adhered to, as detailed above.

### **Principle 2: Structure of the Board to add value**

At the date of this report the composition of the Board is six directors of whom three, including the Chairman, are classified as independent under ASX guidelines, but the Board considers four to be independent.

The composition of the Board is reviewed on an ongoing basis to ensure that the Board has an appropriate balance of expertise and experience. When a vacancy arises or where the Board considers that it would benefit from the services and skills of a new Director, the Board considers potential candidates with appropriate expertise and experience and with full cognisance of the benefits that diversity can bring to a Board and makes what it considers to be the most appropriate appointment.

Having regard to the nature of the Company's operations and the fact that responsibility for management of the Company's investment portfolio is delegated to FTIAL as Investment Manager, it is the policy of the Board that the Directors should include representatives of the Franklin Templeton group in addition to the independent non-executive Directors.

The Directors in office at the date of this statement are:

- Mr J A (Tony) Killen (Chairman)
- Mr G E McGowan
- Ms J Johnson
- Mr M F Warwick
- Ms J Dawson
- Mr M J O'Brien

Details of the relevant skills and experience, and the term of office, of each of the Directors are set out in the Directors' Report of the Annual Financial Statements, and are summarised in the skills matrix that can be found in the Corporate Governance section of the Company's website at [www.tggf.com.au](http://www.tggf.com.au).

Messrs Killen and O'Brien and Ms Dawson are independent non-executive Directors.

Mr Warwick previously held the position of General Manager of the Company, until 30 June 2014, and under ASX guidelines is therefore not deemed to be independent, as a result of his previous role. As Mr Warwick has no formal relationship with the Franklin Templeton group, has not been involved in the day to day management of the Company since being appointed as Director, and brings expertise as a Director of the Company beyond the scope of this former role, the Board consider Mr Warwick to be an independent Director based on the assessment criteria that is detailed below.

Mr Warwick is a non-executive Director.

Mr. McGowan and Ms. Johnson are non-executive Directors who are senior officers of Franklin Templeton group and are not independent.

It is important for the Board to be of a size and composition that is conducive to efficient operation and effective decision making and the current composition of the Board is considered to be appropriate and efficient for the Company at the present time.

The Board operates in accordance with the principles set out in the corporate governance document "Guidelines covering Board membership and operation", which is available on the Corporate Governance section of the Company's website at [www.tggf.com.au](http://www.tggf.com.au). This document details in more depth Board composition and responsibilities.

#### *Assessing the Independence of Directors*

The Board's key criterion for determining the independence of a Director is whether the Director is independent of management and free from any business or other relationship

that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of unfettered and independent judgment.

In determining whether this criterion is satisfied, the Board has regard to threshold tests to assess whether there are matters that may require consideration in relation to a Director's ability to exercise unfettered and independent judgment.

However, the threshold tests are not conclusive. The Board may determine that a Director is independent, notwithstanding that the threshold tests are not all met. Conversely, there may be circumstances in which a Director will be considered to be not independent, though the threshold tests are all met.

In considering independence, the Board distinguishes between a relationship that may occasionally give rise to a particular discrete conflict of interest that can be addressed by appropriate conflict of interest procedures, and a relationship that may more generally impair the Director's objectivity and independence of mind.

Each Director is required to keep the Board fully informed of new developments or circumstances that may be relevant to the Director's independence.

#### *Board Committees*

The Board has established the following two committees to assist in carrying out the Board's responsibilities:

- Audit Committee;
- Review Committee.

Each of these committees has a formal charter setting out the committee's role and responsibilities, composition, structure and membership requirements.

The committees operate principally in a review or advisory capacity except where powers are expressly conferred on or delegated to a committee by the Board.

Because of the relatively small size of the Company and the nature of the Company's operations, the Board has not created a remuneration committee or a permanent nomination committee.

The Board ultimately retains and exercises responsibility for appointment of new Directors.

#### Audit Committee

At the date of this statement the members of the Audit Committee are Ms. Dawson (Chair) and Messrs Killen, Warwick and O'Brien. The Chair of the Audit Committee is not the Chairman of the Board, and a majority of members of the committee are independent. All members of the Audit Committee are competent to read and understand financial statements. Ms Dawson and Mr Warwick are Chartered Accountants with substantial financial expertise. Messrs Killen and O'Brien have

extensive experience and understanding of investment management and corporate financial reporting.

The relevant qualifications and background of Ms Dawson and Messrs Killen, Warwick and O'Brien are summarised in the Directors' Report of the Financial Statements.

The Audit Committee's role and responsibilities, under its charter, include:

- oversight of the reliability and integrity of the Company's accounting policies and financial reporting and disclosure practices;
- advising the Board on the Company's financial reporting, due diligence, financial systems integrity and business risks;
- establishment and maintenance of review processes relating to the performance of the Investment Manager and Custodian;
- reviewing and monitoring the results of the external audit and risk management procedures;
- reviewing the effectiveness of the Company's internal compliance and control procedures;
- reviewing the external auditor's qualifications and independence;
- reviewing the performance of the external auditor;
- assessment of whether the Company's external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
- ensuring proper procedures for the selection, appointment or removal of the external auditor and rotation of the external audit engagement partner.

The Audit Committee meets as often as required to carry out its functions and in any event at least four times per year.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

The Audit Committee's charter is posted on the Company's website.

### Review Committee

At the date of this statement the members of the Review Committee are Messrs Killen (Chairman), Warwick and O'Brien and Ms Dawson.

Under its charter, the Review Committee's role and responsibilities include:

- to receive and review monthly management accounts that are prepared between Board meetings;
- to receive and review between Board meetings, reports from the Investment Manager on performance of the Company's investment portfolio;
- to consider and discuss with the portfolio manager between Board meetings, the valuation, composition and performance of the Company's investment portfolio;

- to review the performance of FTIAL as Investment Manager and Administrator of the Company;
- to discuss with management and provide guidance to management on issues arising between Board meetings;
- to review the remuneration framework for Directors;
- to consider all other issues referred to the Committee by the Board;
- to make recommendations to the Board on matters which are the subject of the Committee's deliberations.

The Review Committee meets as often as required to carry out its role and responsibilities.

For details on the number of meetings of the Review Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

The Review Committee's charter is posted on the Company's website.

#### *Performance review*

The Board periodically reviews and evaluates its own performance and the individual performance of each Director, including the Chairman.

The general management and oversight of the evaluation process, including identification and formulation of appropriate performance assessment issues and criteria is the responsibility of the Chairman. In the normal course of business, the review is carried out through consultation by the Chairman with each of the other Directors. Periodically, the review is conducted by an external party.

Having regard to the nature of the Company's operations and the Board's composition, the Board believes this approach to performance evaluation is more appropriate and relevant than seeking to apply predetermined measurable performance indicators or engaging an external facilitator.

The performance of all third party service providers, including the General Manager and Company Secretary, is reviewed periodically. The review is conducted by the Chairman in conjunction with the Chairman of the Audit Committee. The outcomes of the review are reported to the full Board.

#### *Remuneration*

The remuneration arrangements for Directors are determined by the Board. Further details are set out in the Remuneration Report which is included in the Directors' Report.

#### *Management*

Subject to the oversight and supervision of the Board, and within the corporate governance framework established by the Board, responsibility for management of the

business and affairs of the Company is delegated to the General Manager who also functions as the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”).

Management of the Company’s investment portfolio is delegated to the Investment Manager.

The custodian of the Company’s investments, appointed by the Board, is JP Morgan Chase (“Custodian”).

The General Manager’s responsibilities include:

- Overseeing management of the investment portfolio by the Investment Manager, and day to day interaction with the Investment Manager in relation to its functions;
- Overseeing the Custodian’s performance of its functions and day to day interaction with the Custodian in relation to those functions; and
- Reporting to the Board on those matters.

The General Manager is Mr. Mat Sund.

Mr. Sund is not a Director of the Company.

The Board and Management are comfortable that recommendations 2.2 - 2.6 are adhered to, as detailed above.

The exceptions to principles are detailed below:

***Recommendation 2.1***

The Company, as detailed above, does not have a formal nominations committee. Due to the current Board structure and the size and nature of the operations of the Company, the Board feel that a formal nominations committee is not required to enable it to discharge its obligations in relation to identify, attract and recruit adequate Board successors.

**Principle 3: Promote ethical and responsible decision making**

*Conduct*

It is an expectation of the Board that each Board member and officer of the Company reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company, taking into account legal obligations and the reasonable expectations of the Company’s stakeholders.

Directors and officers of the Company are expected to act with the utmost integrity and objectivity and in compliance with the letter of the law and company policies.

*Share trading policy*



The Board has adopted a Share Trading Policy that sets out principles to be observed by the Company's Directors and officers in relation to buying, selling and dealing in the Company's shares.

The overriding principle is that Directors and officers cannot deal in the Company's shares at any time when they possess price sensitive information.

The Share Trading Policy also precludes Directors and officers from dealing in securities included in the Company's investment portfolio, at any time when they possess information that is price sensitive in relation to such securities or to the detriment of the Company's investment portfolio.

The Share Trading Policy is posted on the Company's website.

The Board and Management are comfortable recommendation 3.1 is adhered to, as detailed above.

#### **Principle 4: Safeguard integrity in corporate reporting**

The Company has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

The structure includes:

- the role and responsibilities that the Audit Committee is charged with undertaking and performing in accordance with the Audit Committee charter;
- reservation to the full Board of approval of the Company's yearly and half yearly financial reports and other financial reporting; and
- external audit of the Company's yearly financial reports, external audit review of the Company's half yearly financial reports, and direct Board and Audit Committee access to the external auditor, whenever required (including in the absence of management).
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
- PricewaterhouseCoopers ("PwC") audits the Custodian as to the existence and valuation of the Company's portfolio of investments.

The Audit Committee's role and responsibilities under its charter cover processes to ensure the independence and competence of the Company's external auditor including:

- evaluation of the qualifications, performance and independence of the lead audit partner and review partner;
- overseeing five yearly rotation of the lead audit partner and review partner; and

- deciding whether to retain or recommend termination of the appointment of the external auditor, including considering whether there should be rotation of the external audit firm itself.

In his capacities as CEO and CFO, Mr. Sund confirms in writing to the Board:

- that the statement he has given to the Board on the integrity of the Company's financial reports for the relevant fiscal year is founded on a sound system of management and internal compliance and control which implements the policies adopted by the Board
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board and Management are comfortable that all recommendations 4.1 – 4.3 are adhered to, as detailed above.

### **Principles 5: Make timely and balanced disclosures**

#### *Disclosure policy*

The Board has put in place mechanisms designed to ensure compliance with the ASX Listing Rules Disclosure Requirements and to ensure accountability at senior management level for that compliance.

A summary of the policies and processes that the Board has approved to achieve the Company's compliance with the ASX Listing Rules Disclosure Requirements is posted on the Company's website.

The Board and Management are comfortable recommendation 5.1 is adhered to, as detailed above.

### **Principle 6: Respect the rights of security holders**

#### *Communication with shareholders*

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's business and affairs, and can participate actively and constructively in discussions about the progress of the Company. Opportunities to do so are afforded by quarterly written reports from the Investment Manager, quarterly conference calls with the Portfolio Manager, and at general meetings of the Company.

All relevant announcements made by the Company are placed on the Company's website after they are released to the ASX.

The principal policies comprised in the Company's corporate governance framework are also set out or summarised on the website.

The website also contains further information about the Company, including contact details, biographies of Directors and Senior Executives, and contact information for the Share Registrar.

The Company's website can be accessed at [www.tggf.com.au](http://www.tggf.com.au).

The Company also continues to explore how it can better communicate with Investors, and leverages the relationship and capabilities of FTIAL communications expertise to maintain and deliver information to Investors, over a number of different forums and mediums.

The Company Registrar (Computershare) records and maintains the communication preferences of security holders, offering a variety of options, including electronic and physical delivery of information.

The Board and Management are comfortable that all recommendations 6.1 – 6.4 are adhered to, as detailed above.

### **Principle 7: Recognise and manage risk**

The Board is responsible for ensuring that there are suitable processes and controls to monitor, manage and mitigate material risks that could adversely impact upon the investment portfolio or other aspects of the Company's business.

The long-standing approach of the Company has been not to hedge the underlying currencies of the portfolio of investments, but to continually discuss the impact of currency risk on the Investment Portfolio, and security holders. The Investment Manager will meet with the Board on a regular basis to discuss how any risk in the portfolio, market risk and currency risk in particular, are being mitigated.

Implementation of risk management is overseen by the Board in conjunction with the Audit Committee and General Manager.

The Board has engaged JPMorgan Chase, one of the world's leading financial institutions, as custodian of the Company's investments and to provide the data in relation to investments on which the Company's financial reporting is based. JPMorgan Chase is subject to external audit by PwC on a half yearly basis.

PwC provides audit assurance letters to the Company in relation to the assets of the Company under the control of the Custodian and the accuracy of the Custodian's reporting process.

The investment management process and company administration are outsourced to FTIAL, which is part of the Franklin Templeton group.

The Company is subject to a yearly audit and a half yearly review by its external auditor, PwC. In relation to each audit, the external auditor issues an audit status report to the Board covering significant issues or recommendations arising from the audit.

A summary of the key elements of the Company's risk management processes is posted on the Company's website.

Due to the nature of the operations of the Company, the Company does not have any direct or material exposure, to economic, environmental and social sustainability risks. All indirect exposure to these risks, through the underlying investments of the Company, are assessed by the Investment Manager before any investment decisions are undertaken.

The Company does not have an Internal Audit function directly, but does rely on the Internal Audit function, and the internal controls framework, of the Investment Manager and the third party service providers.

The Board and Management are comfortable that all recommendations 7.1 – 7.4 are adhered to, as detailed above.

## **Principle 8: Remunerate fairly and responsibly**

### **Remuneration Philosophy**

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Company. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit. Due to the size and nature of the Company, this is a function of the Board, and there is not a separate remunerations committee.

### **Non-executive Directors' Remuneration**

In accordance with the Company's Constitution and the ASX Listing Rules, the aggregate amount of remuneration payable to the non-executive Directors in any year is determined from time to time by shareholders in General Meetings. The last determination was at the Annual General Meeting on 22 October 2007 when shareholders fixed an aggregate amount of \$350,000.

Within the limit of the aggregate amount determined by the shareholders, the Board determines the remuneration for non-executive Directors.

The policy of the Board is not to pay fees or provide other remuneration to non-executive Directors who were at any time during the year officers of Franklin Templeton group. This results in neither Ms J Johnson nor Mr G E McGowan, who are officers of the Franklin Templeton group, able to earn fees or other remuneration from the Company.

The Company provides remuneration for non-executive Directors who are not officers of Franklin Templeton group. The remuneration arrangements for these non-executive Directors are reviewed annually by the Board.

The Board assesses the appropriateness of the remuneration for non-executive Directors having regard to market practice (including available data concerning remuneration paid by other companies, in particular companies of comparable nature and size), the duties and accountability of the non-executive Directors and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company. Non-executive Directors remuneration is not linked to the financial performance or share price of the Company.

The Board does not pay bonuses or issue shares or options to Directors as components of their remuneration. Neither does it make loans to Directors or employees, or provide motor vehicles, rent, travel allowances or other benefits.

### **Executive's Remuneration**

No executive are currently directly employed or remunerated by the Company.

The Board and Management are comfortable that all recommendations 8.1 – 8.3 are adhered to, as detailed above.

### **FURTHER INFORMATION**

For further information on the Company's corporate governance refer to the Company's website [www.tggf.com.au](http://www.tggf.com.au).