

THORNEY TECHNOLOGIES LTD

ABN: 66 096 782 188

2016 CORPORATE GOVERNANCE STATEMENT

Corporate governance statement

2016 Corporate governance statement

Thorney Technologies Ltd (Company) is committed to developing and maintaining an effective system of corporate governance which is commensurate with the size and nature of the Company, its Board and the scope of its operations.

In the following statements we detail how the Company adheres to the 8 core principles as included in the ASX Corporate Governance Principles and Recommendations and where there is non-adherence we disclose why the Company considers that it is necessary to take a different approach.

Approved by the Board on 16 November 2016, and to take effect from the re-listing of Thorney Technologies Ltd as an ASX Listed Investment Company.

Principle 1: Lay solid foundations for management and oversight

The primary role of the Board is to ensure the long-term prosperity of the Company.

The Board is responsible for a broad range of matters and will act in the best interests of the Company to ensure that the business of the Company is properly managed. The Company has no employees and its day-to-day functions and investment activities are managed by Thorney Management Services Pty Ltd (**Investment Manager**) pursuant to an investment Management Agreement (**IMA**) approved by shareholders.

The Board has adopted a **Board Charter** which stipulates those matters expressly reserved to the Board and which operational activities and what levels of authority have been delegated to the Investment Manager.

The Board may delegate any of these matters to individual Directors, Board Committees or the Investment Manager but any such delegation shall be in accordance with the law and the Company's **Constitution**.

The Board meets at least quarterly. At these meetings senior managers of the Investment Manager are available to report on the Company's operations.

Before being invited to join the Board and standing for election by shareholders, all non-executive Directors have appropriate background checks. All details of directors' qualifications, skills and experience, other material directorships currently held and any related party disclosures are included in the meeting materials presented to shareholders before the director stands for election or re-election.

Arrangements have been agreed between the Company and the Directors with respect to their individual remuneration and other terms of appointment. Each Director has entered into an agreement regarding insurance, access to records and disclosure of any trading in Company securities as required under ASX Listing Rules and the Company's **Trading Policy**.

The Company Secretary is directly accountable to the Board and has a direct reporting line to each Director of the Company in regard to all matters to do with the proper functioning of the Board and the Committees.

Diversity

The Company has not promulgated a *Diversity Policy* nor has it set any measurable objectives for gender diversity in compliance with ASX Recommendation 1.5. As the Company has no employees the Board has determined that a *Diversity Policy* and the setting of measurable objectives to achieve gender diversity are not warranted at this time. However, the composition of the Board is periodically reviewed.

Corporate governance statement continued

Principle 1: Lay solid foundations for management and oversight continued

The Company intends to undertake annual performance self-assessments of the Board, the Committee and individual directors.

ASX Recommendation 1.7 requires a Company regularly evaluate the performance of its senior executives. As the Company does not have any employees, it does not have a process for evaluating executive performance and so does not comply with this Recommendation.

The Investment Manager performs the tasks that would ordinarily be performed by senior executives and has an established induction process for all its employees with responsibilities under the IMA. As part of this induction process, new senior executives of the Investment Manager will receive briefings on the business of the Company and the Investment Manager and their policies and procedures. These briefings will focus on the key operational, regulatory, risk and compliance issues that are of relevance to the Company and the Investment Manager.

Principle 2: Structure the board to add value

Nomination and appointment of new Directors

ASX Recommendation 2.1 states that a board should establish a nomination committee and disclose a charter. Given the size and nature of the Company, the Board has determined that a Nomination Committee is not warranted.

The Board considers the issues that would otherwise be considered by a Nominations Committee.

Board skills matrix

The Board must comprise directors with an appropriate range of skills, experience and expertise.

Board skills and experience:	
Executive leadership	All directors
Financial markets acumen	All directors
Governance	All directors
Public policy and Regulation	All directors
Shareholder engagement	All directors
Strategy	All directors

The **Board Skills Matrix** sets out the key skills and experience of the Directors and the extent to which they are represented on the current Board and its Committees.

In addition to the skills and experience outlined in this table the Board considers that each Director has the appropriate attributes such as

- honesty and integrity;
- an understanding of shareholder value;
- has sufficient time to undertake the role appropriately;
- an enquiring mind; and
- a demonstrated commitment to appropriate standards of governance.

The Company's **Constitution** provides that there must be a minimum of 3 and a maximum of 10 directors.

Having regard to the size and the nature of its business, the Company has determined that a 4 member board is appropriate and sufficient to enable it to effectively discharge its responsibilities to the Company.

Corporate governance statement continued

Principle 2: Structure the board to add value continued

Majority of independent directors

The Board currently comprises one independent, non-executive director (Alan Fisher) and three non-independent non-executive directors (Alex Waislitz, Martin Casey and Jeremy Leibler). The Board regularly assesses the independence of each non-executive director.

Director	Position	Classification	Appointment	Last election
Alex Waislitz	Chairman	Non-independent	9 December 2016	9 December 2016
Alan Fisher	Director	Independent	29 August 2014	23 October 2015
Martin Casey	Director	Non-independent	22 June 2016	9 December 2016
Jeremy Leibler	Director	Non-independent	9 December 2016	9 December 2016

The Company notes that the current Board does not comply with ASX Recommendation 2.4 as it does not have a majority of independent directors. The Board considers that all Directors of the Company bring significant expertise and investment experience to the Company and that the current structure is appropriate for the Company at this time.

Directors are elected by shareholders and in accordance with the provisions of the **Constitution**, no director holds office for a period longer than 3 years without standing for re-election by the shareholders.

Chairman and independence

The Company notes that ASX Recommendation 2.5 states that the chair should be independent.

The Board takes the view that although Mr Waislitz is not considered independent, it is in the best interests of shareholders that Mr Waislitz be the Chairman of the Company, and we make the following observations:

- Mr Waislitz, as the long-term chairman and CEO of the private Thorney Investment Group, has a demonstrated track record of successful investment performance over 2 decades.
- In December 2016, shareholders voted in favour of all Thorney Investment Group proposals, including the appointment of Mr Waislitz as a director, on the expectation he be appointed Chairman of the Company.
- Delegation of certain responsibilities to Board committees.

The Company has a program for inducting new directors and encourages all its directors to maintain the skills and knowledge required to effectively perform their role.

Each director may obtain independent professional advice at the expense of the Company on matters arising in the course of their Board duties. The payment for the cost of the advice by the Company is subject to the approval of the Chairman, which will not be unreasonably withheld.

Corporate governance statement continued

Principle 3: Act ethically and responsibly

Code of Conduct and Conflicts of Interest

The Company has established a *Code of Conduct* that provides guidance to Directors and employees of the Investment Manager. Under these principles Directors will:

- conduct business in good faith and in a manner that will maintain confidence in the Company's integrity;
- perform their duties to high standards of honest, ethical and law-abiding behaviour;
- treat others with dignity and respect; and
- not engage in conduct likely to adversely affect the reputation of the Company.

The *Code of Conduct* also sets out details of how conflicts of interest should be avoided. Directors must disclose to the Company any material personal interest they or their associates may have in a matter that relates to the affairs of the Company, and inform the Board, via the Company Secretary, of any changes. Where conflicts of interest arise, the Code sets out appropriate arrangements that must be followed.

A copy of the *Code of Conduct* is available on the Company's website.

Principle 4: Safeguard integrity in corporate reporting

Audit Committee

The Company has established an Audit and Risk Committee (*Committee*) and adopted an Audit and Risk Committee Charter. Alan Fisher (Committee Chairman) and Jeremy Leibler have been formally appointed to the Committee but all directors are invited and encouraged to attend each meeting. Mr Fisher has extensive business and corporate experience, is a qualified accountant and a director of a number of public companies. Mr Leibler is a qualified lawyer with vast corporate experience and a partner of a leading Australian corporate law firm. The Company notes that its Committee composition and Charter do not conform to ASX Recommendation 4.1, which requires the Committee have three members, a majority of independent directors and be chaired by an independent director. However, the Board believes that given the size and nature of the Company and the Board, the Committee structure is sufficiently appropriate to independently verify and safeguard the integrity of the financial reporting.

As the Committee has been recently formed, there are no details of attendance at Committee meetings by directors to disclose for the most recent reporting period.

Assurance

The Company does not employ its own CEO or CFO. Following re-admission to the official list, for the purposes of section 295A of the Corporations Act and ASX Recommendation 4.2, the Chairman and Company Secretary will provide the required assurances and declarations each half-year.

External Auditor

The *Audit and Risk Committee Charter* includes information on the procedures for selection and appointment of the external auditor of the Company and for the rotation of the external audit engagement partner. This year shareholders appointed Ernst & Young as the company's auditor.

The Company ensures that the external auditor attends the AGM and is available to answer questions relevant to the audit from shareholders.

Corporate governance statement continued

Principle 5: Make timely and balanced disclosure

The Company has adopted a **Disclosure Policy** which has procedures designed to ensure compliance with ASX Listing Rule and Corporations Act disclosure requirements and to ensure accountability of Directors and senior management of the Investment Manager for that compliance.

The policy, which is available on the Company's website, has procedures designed to ensure that material information is communicated to the Chairman and Company Secretary and for the assessment of information for the disclosure of material information to the market.

The Board acknowledges the importance of promoting timely and balanced disclosure of all material matters concerning the Company and believes it is fully compliant with Principle 5 and its recommendations.

Principle 6: Respect the rights of shareholders

The Company has a **Communications Policy** which seeks to promote effective communication with our shareholders. The Company communicates in several ways including via its Annual Report and Half-yearly accounts, monthly net tangible asset backing announcements, shareholder updates from the Chairman and other ASX announcements regarding material investments and other developments.

The Company maintains a website at: www.thorneytechnologies.com.au.

Annual General Meeting

The Chairman of the meeting will ensure that shareholders are given the opportunity to participate at the AGM.

The Company encourages shareholders to contact the Share Registry and opt in to receive and send all communications to and from the Company electronically.

Principle 7: Recognise and manage risk

The Board, through the Committee, is responsible for setting policies for oversight of risk and identification and management of material business risks. The Company has an approved **Audit and Risk Committee Charter** (see Principle 4 above) and in conjunction with the Investment Manager has adopted a **Risk Management Policy**.

Alan Fisher (Committee Chairman) and Jeremy Leibler have been formally appointed to the Committee but all directors are invited and encouraged to attend each meeting. The Company notes that its Committee composition and Charter do not conform to ASX Recommendation 7.1, which requires the Committee have three members, a majority of independent directors and be chaired by an independent director. However, the Board believes that given the size and nature of the Company and the Board, the Committee structure is sufficiently appropriate to independently verify and safeguard the integrity of the Company's risk management framework.

As the Committee has been recently formed, there are no details of attendance at committee meetings by directors to disclose for the most recent reporting period.

Corporate governance statement continued

Principle 7: Recognise and manage risk continued

The Investment Manager has implemented a risk management and compliance framework which enables the identification of risks, the execution of appropriate responses, the monitoring of risks and the controls applied to mitigate risks.

The main areas of risk that have been identified are market risk and operational risk. As a listed investment company the Company will always bear market risk as it invests its capital in assets that are not risk free. Operational risks can include legal, regulatory, disaster recovery, systems, process and human resource risks. Our risk management framework has been designed to monitor, review and continually improve risk management throughout the Company.

The Committee will review the Company's risk management framework annually. The Company will disclose whether the Committee is satisfied that it continues to be sound. ASX Recommendation 7.2 requires an annual review of the Company's risk management framework, however as the committee is recently formed and the *Risk Management Policy* recently adopted, no review has taken place in the most recent reporting period.

The Board believes that commensurate with the size and nature of the business that an internal audit function is not warranted at this time and so the Company does not comply with ASX Recommendation 7.3. The Company utilises highly effective internal control processes and systems, developed over two decades by the Investment Manager to manage the multifaceted investment activities of the private Thorney Group. The Investment Manager employs staff and consultants who are responsible for evaluating and continually improving the effectiveness of the risk management and internal control systems. These systems are subject to an annual external audit.

The Company does have a material exposure to the Australian stock market. A large fall or correction to the overall market is likely to adversely affect the Company NTA. The Investment Manager seeks to reduce this risk through careful stock selection, diversification and management of the relative weightings of individual securities.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

ASX Recommendation 8.1 states that a board should establish a remuneration committee. Given the size and nature of the Company and the fact the company does not employ executives, the Board has determined that a remuneration committee is not warranted, nor does it have a *Remuneration Policy* to disclose.

Non-executive Directors

Non-executive Directors are remunerated by a fixed director's fee including superannuation, or as a fixed consulting fee plus GST, as permitted by the Company's Constitution.

The maximum remuneration of Non-executive Directors is determined by Shareholders at a General Meeting in accordance with the *Constitution*, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of Non-executive Directors is \$400,000 per annum. The apportionment of Non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The Board may award additional remuneration to Non-executive Directors called upon to perform extra duties or services on behalf of the Company.

Corporate governance statement continued

Principle 8: Remunerate fairly and responsibly continued

Non-executive Chairman

The Non-executive Chairman is employed by the private Thorney Investment Group and does not receive any salary, benefits or incentives for his role as a Director of the Company.

Investment Manager

The Investment Manager has specified authority and responsibility in regard to management of the Company's investment portfolio. The Investment Manager is entitled to a base fee and a performance fee in accordance with the IMA.

Persons involved in investment management are employees of the private Thorney Investment Group and are not remunerated by the Company.

Further details on the fees paid to the Investment Manager are included in the financial statements.