

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

## CORPORATE GOVERNANCE STATEMENT

Perpetual 

# 1. INTRODUCTION

Perpetual Equity Investment Company Limited (the **Company**) is a listed investment company. Its shares are quoted on the Australian Securities Exchange (**ASX**). This is the Company's first Corporate Governance Statement (**CGS**) since its listing on 18 December 2014.

The Board of the Company (**Board**) is committed to having an effective system of corporate governance that is appropriate for the Company, recognising that the day-to-day management of the Company is undertaken by Perpetual Investment Management Limited (the **Manager**) in accordance with the Management Agreement between the Company and the Manager. This CGS sets out our approach to corporate governance in light of these governance arrangements.

## **ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS**

This CGS reports against the third edition of the ASX Corporate Governance Council Principles and Recommendations (**ASX Principles**). This CGS has been approved by the Board and is current to 30 June 2015.

## **FRAMEWORK**

The workings of the Company, and the responsibilities and duties of its officers are regulated by the:

- Corporations Act;
- ASX Listing Rules;
- Company's Constitution;
- Board and Committee Charters and Company policies; and
- general law.

## 2. THE BOARD OF DIRECTORS

### RELEVANT POLICIES AND CHARTERS:

Company Constitution

Board Charter

Audit and Risk Committee Charter

Nomination and Corporate Governance Committee Charter

Diversity Policy

Board Tenure and Performance Policy

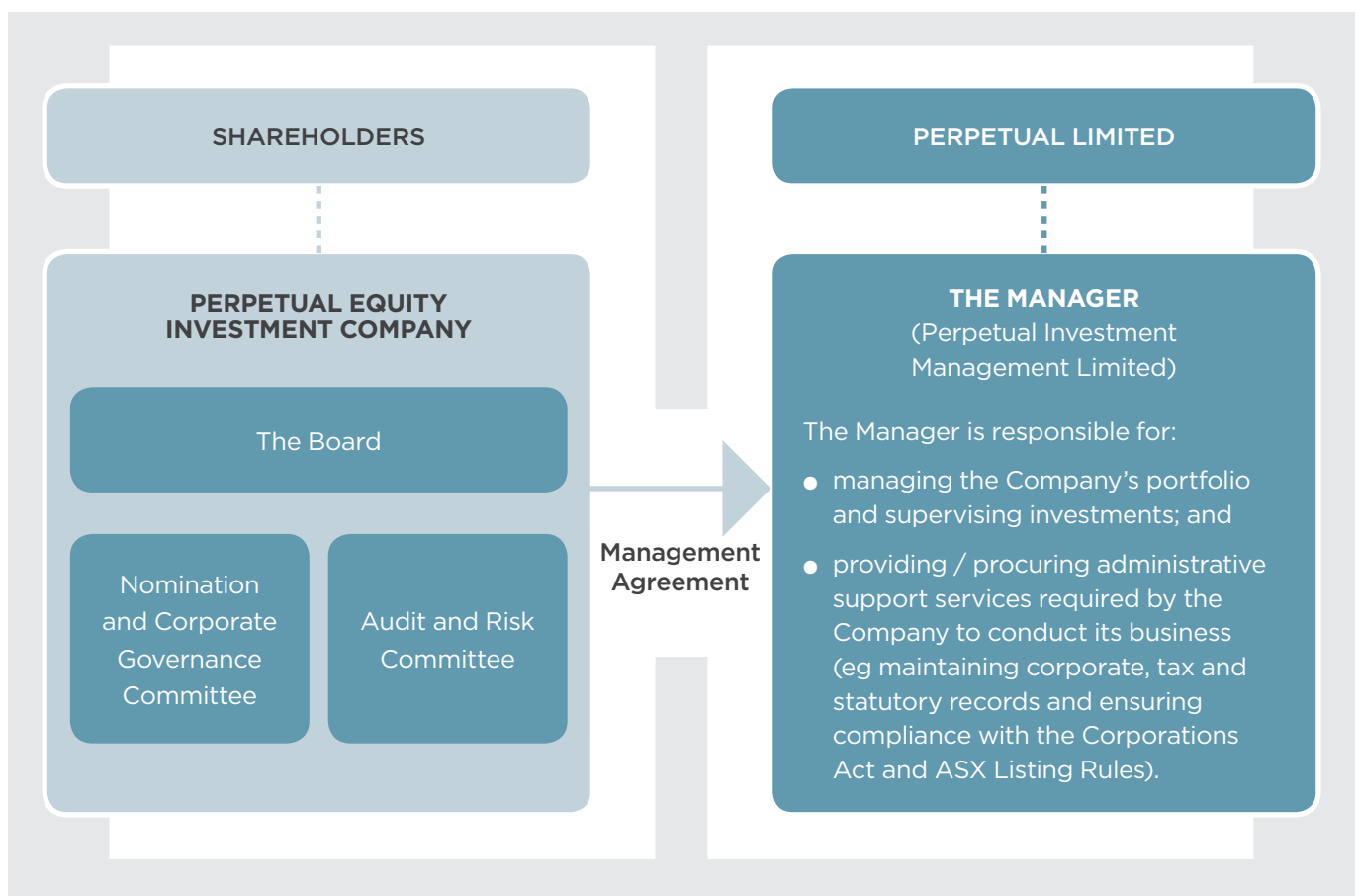
### ROLE OF THE BOARD

The Board has its own Board Charter which sets out the principles for the operation of the Board and describes the functions of the Board. The Board Charter is reviewed annually.

The Board Charter contemplates one or more executive directors and/or a Chief Executive Officer. The Company does not currently have a Chief Executive Officer. The current Executive Director is Perpetual Limited's Group Executive Perpetual Investments. Under the Board Charter, the Executive Director is responsible for the day to day management of the Company.

Pursuant to the Investment Management Agreement with the Manager, the Manager is responsible for managing the Company's portfolio in accordance with the objectives, strategy, guidelines, permitted investments and elements of investment as set out in the Company's Replacement Prospectus. The Manager's performance under the Investment Management Agreement is subject to ongoing monitoring by the Board.

The roles and responsibilities of the Company's Board and the Manager are established in accordance with ASX Principle 1 and are summarised in the diagram below.



## COMPOSITION OF THE BOARD

The Board currently comprises four Non-Executive Directors and one Executive Director. Three of the four Non-Executive Directors have been assessed as independent in accordance with the ASX Principles and criteria set out in the Board Charter. Director independence is discussed further below.

Board composition is determined in accordance with the Company's constitution and Board Charter, which together set out the following general principles:

- the Board must comprise of a minimum of three Directors and a maximum of six;
- the Board should comprise a majority of independent Directors with a broad range of skills, expertise, and experience from a diverse range of backgrounds that is relevant to the Company and its strategy; and
- the Chairman will be a Non-Executive Director and will not be the same person as the Chief Executive Officer (if appointed).

In determining the composition of the Board, the Board and the Nomination and Corporate Governance Committee work together to promote the optimal size and blend of skills, expertise and experience being represented on the Board so as to support effective discussion and decision making. The Board is satisfied that the current Board is comprised of Directors representing a broad range of these attributes.

## BOARD SKILLS MATRIX

The mix of skills and diversity currently represented on the Board at 30 June 2015 is as follows:

CATEGORY	SKILL / QUALITY	PERCENTAGE
PROFESSIONAL SKILLS	Financial Services Industry	100%
	Financial	80%
	Management and operations	100%
	Funds Management	100%
	Investment and/or Investment Governance	100%
	Corporate Governance	100%
	Audit and Risk Management	80%
	Marketing and/or Investor Shareholder Relations	60%
	Strategy	100%
	Information Technology and/or Business processing	40%
GENDER DIVERSITY	Female	40%
	Male	60%

## COMPANY SECRETARIES

The Board has access to the services and advice of the Company Secretaries Joanne Hawkins and Sylvie Dimarco. The Company Secretaries are directly accountable to the Board through the Chairman and are responsible to the Board for governance matters and all matters to do with the proper functioning of the Board. All Directors have access to the advice and services of the Company Secretaries, whose appointment and removal are a matter for decision by the Board.

Details of the experience and qualifications of Joanne Hawkins and Sylvie Dimarco are set out in the 2015 Directors' Report on page 10.

## INDEPENDENCE OF DIRECTORS

The majority of the Board is comprised of independent Directors, being Virginia Malley, John Edstein and Christine Feldmanis. The Company's Chairman, Peter Scott is not an independent Director as required by ASX Recommendation 2.5. However notwithstanding that Peter Scott is not an independent Director, given his significant experience as a listed company Director and Chairman particularly in the financial services' sector, the Board has determined that he has the most appropriate mix of skills to act as Chairman of the Company.

Virginia Malley is a non-executive director of Perpetual Superannuation Limited, a licensed superannuation entity within the Perpetual Group. She is also a member of managed investment Compliance Committees within the Perpetual Group. The Board does not consider that these roles materially impact Virginia Malley's ability to act in the best interests of the Company.

In assessing the independence of each Director, the Board considers Box 2.3 of the ASX Principles and will generally determine a non-executive Director to be an independent Director if the Director:

- is not a substantial shareholder (as defined in the Corporations Act 2001 (Cth)) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;

- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not in a material business relationship (eg. a material supplier or customer) of the Company or another group member, or an officer of or otherwise associated directly or indirectly with an entity which the Company is in a material business relationship with;
- has no material contractual relationship with the Company or another group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The independence of each Director will be formally reviewed annually and at any time when a change occurs that may affect a Director's independence. Non-Executive Directors also formally advise the Chairman of any relevant information, and update the Chairman if their circumstances change at any time.

The Board Tenure and Performance Policy provides that in order to revitalise the Board, Directors should not seek re-election after three elected terms of three years (i.e. a total of 9 years on the Board) unless the Board (through the Nomination and Corporate Governance Committee) requests them to do so.

Details of the background, experience, professional skills and expertise and period in office of each Director are set out on pages 9 to 16 of the Company's 2015 Annual Report.

## CHAIRMAN

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functions. He is also responsible for facilitating the effective contribution of all Directors and promoting constructive and respectful relations between Directors and between the Board and management.



### **ACCESS TO INDEPENDENT ADVICE**

Directors are able to obtain independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. Directors must seek prior approval of the Chairman. The Chairman may set a reasonable limit on the amount that the Company will contribute towards the cost of obtaining the advice. The Chairman may determine that any advice received by an individual Director will be circulated to the remainder of the Board.

### **ACCESS TO BOARD MATERIALS AND INFORMATION**

Under the Deed of Access, Indemnity and Insurance, Directors have access to inspect the Company's board papers.

### **DIRECTOR SELECTION AND SUCCESSION PLANNING**

The Board renewal process is overseen by the Nomination and Corporate Governance Committee and will involve the regular review of the composition of the Board to support the Directors having an appropriate mix of skill, diversity, expertise and experience relevant to the management of the Company.

Upon appointment, the current Directors received a detailed letter of appointment. As part of the process of appointing a Director to the Board, Directors are subject to appropriate and prudent background and screening checks. All material information about a candidate standing for election or re-election as a Director will be provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate.

### **DIRECTOR INDUCTION AND CONTINUING EDUCATION**

New Directors participate in an induction process to familiarise themselves with the business of the Company and the senior management team of the Manager. Directors are encouraged to attend relevant conferences and seminars.

### 3. BOARD COMMITTEES

A key component of the Board's governance structure is its two Board committees. Each committee has a written charter.

The qualifications and skills of the members of each committee are set out on pages 9 to 10 of the 2015 Director's Report.

The membership and key responsibilities of each of the Board committees (as at the date of this report) are set out below.

#### AUDIT AND RISK COMMITTEE

**Members:** Christine Feldmanis (Chairman), Virginia Malley and John Edstein

The purpose of the Audit and Risk Committee is to:

- assist the Board to fulfil its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance and the audit process;
- assist the Board in monitoring compliance with laws and regulations and the Company's Code of Conduct;
- assist the Board to adopt appropriate ethical standards in relation to the management of the Company and the conduct of its business;
- implement, review and supervise the Company's risk management framework; and
- review the adequacy of the Company's insurance policies.

All members of the Committee (of which there must be at least three) are independent Non-Executive Directors and are required to be financially literate and have sufficient understanding of the industry in which the Company operates. At least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters. The Chairman of the Committee cannot be the Chairman of the Board and must be independent.

Attendance of Directors at the Audit and Risk Committee meetings is set out on page 11 of the Company's 2015 Directors' Report.

#### NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

**Members:** John Edstein (Chairman), Virginia Malley and Christine Feldmanis

The Committee's functions are to support and advise the Board in fulfilling its responsibilities to shareholders and other stakeholders of the Company by:

- reviewing and advising the Board on the composition of the Board and its committees;
- reviewing the performance of the Board, the Chairman, the executive and Non-Executive Directors and other individual members of the Board;
- ensuring that proper succession plans are in place for consideration by the Board;
- advising the Board on good governance standards and appropriate corporate governance policies for the Company; and
- critically reviewing the Company's performance against its corporate governance policies.

All members of the Nomination and Corporate Governance Committee (of which there must be at least three) are independent Non-Executive Directors. The Chairman of the Committee must be an independent Non-Executive Director of the Company.

Attendance of Directors at the Nomination and Corporate Governance Committee meetings is set out on page 11 of the Company's 2015 Directors' Report.

Currently, the Company has no paid employees and the Board has determined that it is therefore not necessary to establish a separate remuneration committee at this time. The Board is responsible for reviewing and approving the remuneration of the Non-Executive Directors. In setting this remuneration, the Board considers market rates commensurate with the responsibilities borne by the Non-Executive Directors so as to be satisfied that the level of remuneration set is appropriate and not excessive. From time to time the Board may engage independent remuneration consultants.

The services of the current Executive Director, Michael Gordon are provided to the Company without additional charge as part of the arrangements with the Manager. If the Company employs a number of employees in the future, it will review the decision whether to establish a remuneration committee to perform the functions recommended in the ASX Principles.

## 4. PERFORMANCE EVALUATION AND REMUNERATION

### RELEVANT POLICIES AND CHARTERS:

Board Charter

Nomination and Corporate Governance  
Committee Charter

Board Tenure and Performance Policy

### PERFORMANCE EVALUATION

Each year, with the advice and assistance of the Nomination and Corporate Governance Committee, performance evaluations of the Board, each Board committee, and each individual Director (including the Executive Director) against the relevant charters, policies and goals and objectives will be undertaken. As the Company has only recently listed, these scheduled performance evaluations will take place in the latter half of this financial year.

Each Board committee will also conduct an annual self-evaluation of its performance against its Charter and will recommend goals and objectives for the coming year.

As the Company has no employees, there is no process for periodically reviewing the performance of senior executives or other employees in accordance with ASX Recommendation 1.7. Senior executives of Perpetual Limited who perform services for the Manager are subject to Perpetual Limited's senior executive performance evaluation process.

### DIRECTOR AND EXECUTIVE DIRECTOR REMUNERATION

Details about the remuneration paid to the Directors during the reporting period are set out on pages 13 to 15 of the 2015 Annual Report.

## 5. RISK MANAGEMENT AND INTERNAL CONTROLS

### RELEVANT POLICIES AND CHARTERS:

Board Charter

Audit and Risk Committee Charter

Risk Management Policy

### RISK MANAGEMENT

The Board considers ongoing risk management to be a core component of the management of the Company. The Company's risk management framework comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

The Risk Management Policy outlines the program implemented by the Company to support appropriate risk management within its systems and culture. The Company's ability to identify risks and address risk is central to achieving its corporate objectives. In order to identify and assess material risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. The Company's Key Risk Profile which is designed to identify and assess material risks was approved by the Board in May 2015.

The Company's Risk Appetite Statement, which seeks to define the amount of risk the Board is willing to take in the pursuit of its strategic vision and objectives, was approved by the Board in May 2015.

The oversight of the Company's risk management program has been conferred upon the Audit and Risk Committee. The Manager is responsible for the design and implementation of the internal control systems which identify material risks for the Company.

The Audit and Risk Committee regularly (and at least annually) evaluates the effectiveness of its risk management program to test that its internal control systems and processes are updated. The Audit and Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

### INTERNAL CONTROLS FRAMEWORK

The Audit and Risk Committee Charter refers to the option of appointing an internal auditor. The Audit and Risk Committee has determined that as the Company outsources its business activities to the Manager it is appropriate for the Company to receive relevant internal audit information on the Manager's operations from Perpetual Limited's Internal Audit team to meet the Committee's internal audit responsibilities under the Audit and Risk Committee Charter.

Perpetual Limited's General Manager Internal Audit, will report to the Audit and Risk Committee annually on internal audit matters that are pertinent and relevant to the Company. It is proposed that the first of such internal audit updates from Perpetual will be scheduled for the end of the year Audit and Risk Committee meeting and in 2016 it will be scheduled for a meeting to be held around May.

### MATERIAL RISKS

The Board considers that a number of identified risks, across various risk categories including economic sustainability risks have the potential to impact upon investment activities. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Details of these types of risk and the way in which they are managed are set out in the Annual Report on pages 34 to 38. No material environmental or social sustainability risks were identified.

### WRITTEN AFFIRMATIONS

The Board receives from the Executive Director and the General Manager Operations and Business of the Manager, the following certifications in respect of each half year and full year financial period:

- the financial records of the Company have been properly maintained;
- the financial statements and notes for the reporting period comply with applicable Accounting Standards and the *Corporations Regulations 2001*;
- the financial statements and notes give a true and fair view of the financial position and performance of the Company; and
- the certifications above are based on a sound system of risk management and internal control which is operating effectively.

## 6. GOVERNANCE DOCUMENTS

### RELEVANT GOVERNANCE DOCUMENTS:

Code of Conduct

Diversity Policy

Continuous Disclosure Policy

Securities Trading Policy

Shareholder Communications Policy

### ETHICS AND CONDUCT

The Company is committed to practising high standards of conduct and has adopted a Code of Conduct that identifies the standard of ethical conduct expected of all relevant personnel.

The Company is committed to complying with all applicable laws and to delivering strong returns and shareholder value while also promoting shareholder and general market confidence in the Company.

The objectives of the Code are to require that personnel observe high standards of corporate and individual behaviour and that they are aware of their responsibilities to the Company.

### DIVERSITY

The Company has a Diversity Policy which reinforces the Company's commitment to diversity. As at 30 June 2015, 40% of the Company's Board are females and both Company Secretaries are female. The Company does not currently employ any senior executives or any other employees.

As the Company is in its early stage of development and has no employees, no measurable objectives have been set in accordance with ASX Recommendation 1.5(c).


### CONTINUOUS DISCLOSURE AND COMMUNICATIONS WITH SHAREHOLDERS

The Company has a Continuous Disclosure Policy to support compliance with its continuous disclosure obligations under ASX Listing Rule 3.1 and the Corporations Act. The Board is responsible for overseeing and implementing this Policy. The Board considers its disclosure obligations at each scheduled Board meeting. The Company Secretary is the Company's ASX Liaison Officer. The Company's Continuous Disclosure Policy contains the matters recommended by ASX Principle 5.

The Company is committed to regularly communicating with shareholders in a timely, accessible and clear manner with respect to both procedural matters and major issues affecting the Company. The Company's Shareholder Communications Policy sets out the practices which the Company implements to support effective communication with its shareholders. The Company's website includes copies of announcements lodged with the ASX. In addition, advance notification of scheduled investor briefings are provided to shareholders.

The Company releases to the ASX a statement of the Net Tangible Asset Backing of its shares as at the end of each month within 14 days of the end of each month. The Company also releases to the ASX on a daily basis a statement of the Net Tangible Asset Backing of its shares as at the end of each business day within two business days. These reports are accessible on the Company's website.

The Company will hold its Annual General Meeting (**AGM**) in November and a copy of the notice of AGM will be posted on the Company's website as well as being provided directly to shareholders via their nominated means of communication. The Board encourages shareholders to attend the AGM or to appoint a proxy to vote on their behalf if they are unable to attend. Shareholders are also encouraged to submit written questions in advance of the AGM, either by returning the question form provided with the notice of AGM or through an online facility that enables shareholders to submit questions via their investor centre log-in. The Chairman will seek to address as many of the more frequently raised topics as possible in his AGM address.



In accordance with the Corporations Act, a representative of the external auditor, KPMG, will attend the AGM for the purpose of answering shareholder questions about the audit report and audit process.

### DEALING IN SHARES

The Board believes it is in the best interests of shareholders for Directors to own shares in the Company, subject to strict controls and guidelines on share trading.

The Company has in place a Securities Trading Policy which applies to the Company's Directors, Company Secretaries and other personnel determined by the Board. The policy prohibits personnel from trading in the Company's securities if they are in possession of price sensitive information that is not generally available to the public. Generally, dealings can occur during the following periods, after the relevant person has obtained prior written clearance to trade and waited at least two hours after the relevant release of results or information:

- within one month after the release of annual or half yearly results;
- within the period of one month after the issue of a prospectus;
- any other period as the Board of Directors of the Company may decide

The policy also prohibits dealings during certain periods except where exceptional circumstances exist which would warrant approval to deal in securities of the Company during such periods.

Further information about the Company and its governance practices are available at the Company's website.

## DIRECTORY

### COMPANY

Perpetual Equity Investment Company Limited  
ACN 601 406 419

### DIRECTORS

Peter Scott  
Virginia Malley  
John Edstein  
Christine Feldmanis  
Michael Gordon

### COMPANY SECRETARIES

Sylvie Dimarco  
Joanne Hawkins

### MANAGER

Perpetual Investment Management Limited  
Level 12, 123 Pitt Street  
Sydney NSW 2000  
(AFSL 234426)

### REGISTERED OFFICE

Level 12, 123 Pitt Street  
Sydney NSW 2000

### AUDITOR

KPMG  
10 Shelley Street  
Sydney NSW 2000

### AUSTRALIAN SECURITIES EXCHANGE CODES

Shares: PIC  
Options: PICO

### REGISTRY

Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

### WEBSITE

[www.perpetualequity.com.au](http://www.perpetualequity.com.au)

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