



Clime Capital Limited

CORPORATE GOVERNANCE STATEMENT



Corporate Governance Statement

This statement outlines the main corporate governance practices adopted by Clime Capital Limited ("Company"), and has been prepared in accordance with the 3rd Edition of Australian Securities Exchange's ("ASX") Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and recommendations') unless otherwise stated.

Board of Directors and its Committees

Role of the Board

The Company has a Board and one executive officer (the Company Secretary). Subject at all times to any written guidelines issued by the Board of Directors of Clime Capital Limited, the day-to-day management and investment of funds is primarily carried out by Clime Asset Management Pty Limited (the Investment Manager) in accordance with a management agreement. Consequently, there is no need to delegate functions to senior management or for a process to evaluate the performance of senior executives or for a diversity policy under Recommendations 1.1, 1.3, 1.5 and 1.7.

The role of the Board is to set strategic direction and to be responsible for the overall corporate governance of the Company which includes:

- to oversee and monitor the performance of the Manager's compliance with the management agreement and to ensure that the Manager is monitoring the performance of other external service providers;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving the interim and final financial statements and related reports and other communications to the ASX and shareholders; and
- setting appropriate business standards and a code for ethical behaviour.

The Board aims to ensure that all Directors and the Investment Manager act with the utmost integrity and objectivity, and endeavours to enhance the reputation of the Company. The Board should act in a manner designed to create and build sustainable value for shareholders.

Board Processes

The Board has established a number of Board Committees including a Nomination Committee, a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures which are reviewed on a regular basis. The Board has also established a range of policies which govern its operation.

The Board will hold four scheduled meetings each year plus any other strategic meetings as and when necessitated by the Company's operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of Compliance and Reporting, Financials, Shareholder Communications and Investment Strategy and Outcomes. Submissions are circulated in advance.

Composition of the Board

The names of the Directors of the Company in office at the date of this Statement are set out in the latest Directors' Report of the recent Annual Report.

Up to the end of the 2019 financial year, the Board was comprised of four non-executive directors. Two of the Company's Non-Executive Directors, Mr J Gosse and Mr B Spork, are also independent. The Board comprises directors with significant experience as directors of public companies; experience in the management and growth of businesses and the Australian and International securities industry. The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term in office are detailed in the Directors' Report of the recent Annual Report. The Board considers that these skills and experiences are appropriate for the Company.

The Chairman of the Board is not an independent director. The Company believes that an independent chairman under recommendation 2.5 does not necessarily improve the function of the Board. The Company believes that when the chairman is a significant driver behind the business, and is a sizeable shareholder, as is the case with this Company, it adds value to the Company and all shareholders benefit.

Whilst the Board acknowledges the benefits of a majority of independent directors, it believes that it can adequately achieve the Company's objectives with the current Board's level of expertise and without unnecessarily burdening shareholders with the additional costs associated of adding further independent Directors to the board. The Board also notes that the principal management function, being the management of the Company's investments, resides with the Investment Manager, Clime Asset Management Pty Limited.

An independent director is considered to be a director:

- a. who is not a member of management;
- b. who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company;
- c. is not a significant supplier to the Company;
- d. has no material contractual relationship with the Company other than as a director; and
- e. is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

Selection and Appointment of Directors

In determining candidates to join the Board, the Board evaluates the mix of skills, experience, expertise, gender and diversity of the existing Board. In particular, the Board will seek to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration will also be given to the balance of independent directors.

Prior to the appointment of a new director the Board will undertake appropriate checks to ensure that the person's character, experience and education are appropriate for the position. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election. New directors will be familiarised with the Company by undertaking an induction program, which shall be arranged by the Company Secretary.

All directors must retire from office no later than the third annual general meeting (AGM) following their last election. Any directors appointed by the Board must be duly appointed at the next AGM.

Diversity

The Company's operations are primarily conducted through Clime Asset Management Pty Limited (Investment Manager) and Mainstream Fund Services Pty Limited (Administrator). The Company presently does not have any full time employees and hence the Board considers setting measurable diversity objectives as per Recommendation 1.5 is of less relevance to the Company.

Nomination Committee

The Nomination Committee oversees the selection and appointment process for directors. The Committee annually reviews the composition of the Board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity required. Where a vacancy exists the Committee develops selection criteria and generates a list of potential candidates for review, determination of an order of preference and ultimate selection by the Board or shareholders.

The Nomination Committee comprised the following members during the year:

- J Gosse (Chairman)
- B Spork
- J Abernethy

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment. The performance of all directors is reviewed periodically by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

The Board performed the annual self-assessment for the financial year ended 30 June 2019.

The committee formally reports to the Board after each meeting. Details of the number of meetings of the Nomination Committee during the year are set out in the Directors' Report of the recent Annual Report.

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration of the directors themselves. The Remuneration Committee meets periodically to review the terms of remuneration packages for executive and non-executive directors.

The maximum total remuneration to directors of the Company has been set at \$150,000 per annum to be divided in such proportions as they agree. The scope for the Company's operations, and the frequency of board meetings are principal determinants of the fee level.

Full details on directors' remuneration are provided in the Directors' Report of the recent Annual Report.

The members of the Remuneration Committee during the year were:

- J Gosse (Chairman)
- B Spork
- J Abernethy

Audit Committee

The Audit Committee has a documented Charter approved by the Board. All members must be non-executive directors. The Chairman must not also be the Chairman of the Board. The Committee is responsible for considering the effectiveness of the systems of internal control and financial reporting. Due to the size and structure of the Board, and having regard to the number of non-executive directors, it is not currently practicable for the Audit Committee to consist of more than two members. The Audit Committee meets two times during the year.

The members of the Audit Committee during the year were:

- J Gosse (Chairman)
- B Spork

The responsibilities of the Audit Committee are to:

1. Oversee the existence and maintenance of internal controls and procedures to ensure compliance with all applicable regulatory obligations;
2. Oversee the financial reporting process;
3. Review the annual and half-year financial reports and recommend them for approval by the Board;
4. Nominate external auditors; and
5. Review the existing external audit arrangements.

The Audit Committee also requires the Company's administrator, Mainstream Fund Services Pty Limited, to report annually on the operation of internal controls.

The external audit firm partner responsible for the Company's audit attends Audit Committee meetings by invitation and presents to the Audit Committee twice per year. The Audit Committee formally reports to the Board after each of its meetings.

The Audit Committee charter can be found in the Corporate Governance section of the Company's website.

The Committee formally reports to the Board after each meeting. Details of the number of meetings of the Audit Committee during the year are set out in the Directors' Report of the recent Annual Report.

External Auditor

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. Pitcher Partners Sydney was appointed as the external auditor in November 2015. It is Pitcher Partner's policy to rotate audit engagement partners on listed companies in accordance with the *Corporations Act 2001*.

The external auditor is requested to attend the AGM and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk Management Policy

The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has delegated responsibility for reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee.

Risks are identified and assessed by the Company's Board as well as by the Company's auditors. Controls (which may include policies, procedures, reviews, audits and/or obtaining appropriate insurance) are implemented to deal with risks based on an assessment of:

- The nature and extent of the risk facing the Company;
- The extent and categories of risks which the Board considers acceptable to bear;
- The likelihood of the risk materialising;
- The Company's ability to minimize the risk of incident and its resultant impact on the business should a particular risk materialise; and
- The costs of operating particular controls relative to the benefit obtained by managing the relevant risk.

The Investment Manager, Clime Asset Management Pty Limited, will report any instances of control or policy failure or breach to enable the Board to consider whether relevant controls require reassessment, strengthening or improvement and whether the level of monitoring by the Audit Committee and the Board is adequate.

In accordance with the ASX Corporate Governance Principles and Recommendations, the Investment Manager is required to state to the Board in writing that:

- The Company's financial reports present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant Accounting Standards;
- The statement above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Investment Manager has made the above certifications to the Board for the year ended 30 June 2019, pursuant to *Section 295A of the Corporations Act*.

The Company does not have an internal audit function.

A summary of financial risks including credit, liquidity, market, interest rate, other price and foreign exchange rate risks are included in the most recent annual financial statements.

Director and Executive Dealing in Company Shares

Directors and executives are not required to hold a minimum number of shares in order to hold their positions. All director and executive shareholdings are disclosed in the Related Parties note within the Annual Report.

Subject to not being in possession of undisclosed price-sensitive information (and with adequate time being provided for the information to be reflected in the Company's share price), directors and executives may deal in shares of the Company. On the basis that Clime Capital Limited is a listed investment company obligated to disclose its net tangible asset position on a monthly basis, the Board believes that the Company's shareholders are generally fully informed.

Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the entity's expense. A copy of advice received by the director is made available to all other members of the Board.

Executive Management

The Company's operations are primarily conducted through Clime Asset Management Pty Limited (Investment Manager) and Mainstream Fund Services Pty Ltd (Administrator).

These entities, together with the Company Secretary, incorporate the specialist wholesale investment and administration personnel who have undertaken the Company's executive operations. The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

The Company's executive management arrangements have been structured to provide investors with an extremely cost efficient investment vehicle and access to a significant depth of professional resources.

Ethical Standards and Code of Conduct

The Board has developed a Code of Conduct (the Code) which applies to all directors and executives. The Code is reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of both the law and Company policies.

A copy of the Code is available on the Corporate Governance section of the Company's website at www.climecapital.com.au.

Continuous Disclosure

The Company has established written policy designed to ensure compliance with ASX Listing Rules' disclosure requirements and accountability at a senior executive level for that compliance.

The policy aims to ensure all investors have equal and timely access to material information concerning the Company and that Company announcements are factual and presented in a clear and balanced way. The continuous disclosure policy can be found in the Corporate Governance section of the Company's website.

Shareholder Communications

The Board informs shareholders of all major developments affecting the Company's state of affairs.

The Company Secretary is primarily responsible for coordinating the disclosure of information to shareholders and regulators under the direction of the Board.

Relevant information is communicated to the Company's shareholders through the following measures:

- An Annual Report will be mailed at the close of the financial year to those shareholders who have elected to receive a hard copy. Alternatively, for those shareholders who so choose, a link to a copy of the Annual Report on the Company's website will be emailed in lieu of a hard copy;
- Net asset backing per share is released to the ASX by the 14th day following each month-end;
- Any information of a material nature affecting the Company is disclosed to the market through release to the ASX as soon as the Company becomes aware of such information, in accordance with the ASX Continuous Disclosure requirement.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The communication policy can be found in the Corporate Governance section of the Company's website.

The Company's registrar, Boardroom Pty Limited, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account with www.clientonline.com.au.

The following charters and policies are available on request or can be found in the Corporate Governance section of the Company's website at www.climecapital.com.au/about-us/corporate-governance:

- Board of Directors Charter
- Audit Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Code of Conduct
- Securities Trading Policy
- Continuous Disclosure Policy
- Communications Policy
- Risk Management Policy

- This Corporate Governance Statement was approved by the Board at a meeting of the Directors held on 8 August 2019.
- Last reviewed on 8 August 2019.



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