

CBG Capital Limited

CORPORATE GOVERNANCE STATEMENT

This statement has been approved by the board of directors and is current as at 16 August 2019.

Corporate Governance Statement

This statement outlines the main corporate governance practices adopted by CBG 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 CBG Capital Limited, the day-to-day management and investment of funds is primarily carried out by CBG Asset Management Ltd (the Investment Manager, an 100% owned subsidiary of Clime Investment Management Limited) 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 range of policies which govern its operations. 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 Directors’ Report of the recent Annual Report.

The Board is comprised of three Non-Executive Directors. Two of the Company’s Non-Executive Directors, Mr J Beecher and Mr. P Velez 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 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.

The Board 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, CBG Asset Management Ltd.

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 CBG Asset Management Ltd (Investment Manager) and Link Fund Solutions 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 Board does not have and does not intend to establish such a committee because the formation of such a committee would be inefficient given the Company's size and nature. The Board deals with these matters and processes as a whole. Should the size of the Company change, the Board will consider establishing a separate nomination committee.

The Board Policy sets out how the company addresses succession issues.

Remuneration Committee

The Board does not have and does not intend to establish such a committee because the formation of such a committee would be inefficient given the Company's size and the fact that it does not have any employees. The Board deals with these matters and processes as a whole. Should the size of the Company change the Company will consider establishing a separate remuneration committee.

Audit Committee

The Board does not have and does not intend to establish such a committee because the formation of such a committee would be inefficient given the Company's size and nature. The Board deals with these matters and processes as a whole. Should the size of the Company change, the Board will consider establishing a separate audit committee.

External Auditor

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. KPMG Sydney was appointed as the external auditor since incorporation of the Company. It is KPMG'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 undertaken responsibility for reviewing the risk profile and reporting on the operation of the internal control system.

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, CBG Asset Management Ltd, 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 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 report.

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 most recent 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.

The Board of the Company has established a set of guidelines governing the trading in Company's shares or securities by the directors or executive. These guidelines are designed to supplement (not replace) the legislative and reporting requirements already established for directors under the *Corporations Act 2001* and the ASX Listing Rules. A copy of the Securities Trading Policy is also available on Company's website.

On the basis that CBG Capital Limited is a listed investment company, it discloses its Gross Assets at the beginning of each month and also 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 CBG Asset Management Ltd (Investment Manager) and Link Fund Solutions Pty Ltd (Administrator and Custodian).

These entities, together with the Company Secretary, incorporate the specialist investment and administration functions of the Company. 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 included within Corporate Governance Charter which is available on the Company's website at www.cbgcapital.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 Charter on 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 is 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 is 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 <https://www.cbgcapital.com.au/corporate-governance/>.

- Corporate Governance Charter including
 - o Board Policy
 - o Continuous Disclosure Policy
 - o Code of Conduct
 - o Insider Trading Policy
- Securities Trading Policy

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