

# AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED

## *Corporate Governance Statement*

The Company has adopted corporate governance principles in accordance with the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations". Any material departures from the recommendations are referred to in this statement. This Statement is available in both the Company's Annual Report and on its website.

### **1. *Accountability and Responsibility***

The Board is accountable to the shareholders and is responsible for:

- Setting strategic and financial objectives;
- Monitoring the Company's performance and financial position and overseeing the financial accounts and reporting;
- Identifying and managing business and compliance risks;
- Managing the Company's investment portfolio;
- Overseeing relationships with outside service providers;
- Appointing the Company Secretary and setting and overseeing responsibilities delegated to the Company Secretary; and
- Setting ethical standards for the Company.

### **2. *Composition***

The Board currently comprises 4 directors. The Company's constitution requires 3 to 6 directors. Other than the Company Secretary the Company has no executives or executive directors. If a vacancy arises the Nomination and Remuneration Committee chooses the best available candidate using professional advice if this is deemed necessary. In this process the Company has a neutral approach to gender diversity. A director who is appointed during the year is required to stand for election at the next Annual General Meeting.

Mr C B Goode, being a governor of The Ian Potter Foundation, is associated with a substantial shareholder. He brings significant and relevant experience to the Board. All other directors are regarded as independent. However, in that the Chairman of the Board is not independent the Company departs from the Australian Securities Exchange Corporate Governance Council's Recommendations. A lead independent director is not considered necessary given the small size of the Board. Appointed directors must stand for election at the next Annual General Meeting. One third of directors stand for re-election at each Annual General Meeting. There is no set retirement age or term for directors. Extensive experience in the investment markets is valued. Details of the qualifications, experience and length of service of directors are set out in the Annual Report.

### **3. *Operation***

The Board usually meets eleven times each year and consults on investment matters between meetings. The Board has responsibility for day to day management of the investment portfolio. Transaction levels are low as the portfolio is held for the long term. The Board reviews financial statements, forecasts, the investment portfolio, the net asset backing per share, and compliance reports monthly. The Company Secretary is responsible for either providing the information or co-ordinating it from outside service providers.

#### **4. *Delegation***

The duties and responsibilities of the Company Secretary, the Company's only employee, are set out in a letter of engagement which the Board approves. The Company Secretary is directly accountable to the Board, through the Chairman. The Board also approves letters of engagement for the externally provided accounting, tax, custody and audit services. Share registry services are on commercial terms.

#### **5. *Directors' Terms of Appointment, Remuneration and Performance***

Directors' terms of appointment are set out by letter at the time of their appointment and new directors are inducted by the Chairman and the Company Secretary.

Directors' fees are reviewed annually by the Nomination and Remuneration Committee with reference to the Company's activity, changing responsibilities and in comparison to fee levels of a peer group of companies. Independent remuneration advice may be sought. The maximum total of directors' fees is set by the shareholders in general meeting. Details of directors' remuneration are set out in the Remuneration Report in the Annual Report.

Each director appointed before October 2006 entered into a Retirement Agreement at that time to convert accrued retirement entitlements into shares in the Company to be held in the Non-Executive Directors 2006 Accrued Entitlements Share Plan until retirement, as approved by shareholders.

Each director has entered into a Deed of Access, Indemnity and Insurance with the Company and is covered by the Company's Directors and Officers Liability Insurance.

The duties of directors are as set out in the Corporations Law, in this statement and by letter at the time of their appointment. In addition to board meetings directors are expected to attend committee meetings where applicable, for no additional fee. They are expected to make a pro-active contribution to the management of the Company's investment portfolio from their reading, research, analysis, and information collected outside of board meetings.

Directors are not required to own shares in the Company. Directors have agreed not to enter into margin loans over their shareholdings in the Company.

After prior discussion with the Chairman, directors are entitled to seek independent advice at the expense of the Company, which advice will then be made available to all other directors. Directors are entitled to unlimited access to the Company's records.

The Board reviews its performance annually by discussion and by individual communication with the Chairman, and by reference to generally accepted Board performance standards. The Board also conducts an annual review of the performance of the Board Committees, the Company Secretary, and outside service providers.

## **6. Board Committees**

The Board has a Nomination and Remuneration Committee comprising all directors and an Audit and Risk Management Committee comprising all directors except the Chairman. The Audit and Risk Management Committee meets at least twice and the Nomination and Remuneration Committee at least once per annum. The Charter of each committee is reviewed by the Board annually and is published on the Company's website. The Audit and Risk Management Committee Charter includes inter-alia, appointment of the auditor, assessing its independence, managing the audit relationship, and overseeing internal controls and risk management. The external audit partner rotates every 5 years.

The Audit and Risk Management Committee has an independent Chairman and a majority of independent directors. All members are non-executive. It is considered to have sufficient relevant expertise and to comply with the Australian Securities Exchange Corporate Governance Council's Recommendations.

The Nomination and Remuneration Committee has an independent Chairman, and a majority of independent directors. It considers and makes recommendations to the Board regarding Board composition and remuneration of the directors and the Company Secretary. The Company Secretary's remuneration is disclosed in the Remuneration Report in the Annual Report.

No additional fees are paid to members of the Board committees.

Committee members' qualifications and attendance at meetings are set out in the Directors' Report in the Annual Report.

## **7. Disclosure Procedures and Share Trading**

The Company has established policies and procedures to ensure compliance with the Australian Securities Exchange listing rule disclosure requirements including monthly disclosure of the Company's net tangible asset backing per share on both a pre and post tax basis. Directors and the Company Secretary are prohibited from dealing in the Company's securities (other than to participate in the Dividend Reinvestment Plan or any Share Purchase Plan or rights issue) from 1 January to the day after the announcement of the Company's half year results and interim dividend, and from 1 July to the day after the announcement of the Company's financial year results and final dividend.

## **8. Shareholder Communication**

The Company communicates with shareholders through:

- The annual report
- The half year report
- The Company's website
- Telephone and email availability of the Company Secretary at the Company's office
- Annual General Meeting including Chairman's address and question time
- Mailing of Chairman's Address to all shareholders and posting to website

Shareholders may opt to receive Company communications electronically.

The external auditor is available for questioning at the Annual General Meeting.

## **9. Risk Management**

The Company does not have an internal audit function. The Audit and Risk Management Committee reviews the internal control system and the management of risk half yearly after receiving reports from the Company Secretary on these matters, and makes appropriate recommendations to the board.

The Board receives a letter half yearly from the Company's external accountants and custodian (The Myer Family Company) regarding their procedures, and reporting whether the financial records have been properly maintained and the financial statements comply with the Accounting Standards. The Company receives a copy of The Myer Family Company's external report on their agreed upon procedures engagement with regard to The Myer Family Company's controls and certain of their custody procedures.

The Board receives a report half yearly from the auditors on matters arising from their audit procedures.

The Company Secretary, based on his review of the internal control systems, management of risk, the financial statements and the letter from the Company's external accountants, provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in his opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view.

The Company does have direct material exposure to economic, environmental and social sustainability risk through its diversified portfolio of investments and through its borrowings. Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

## **10. Ethical Conduct**

The Company has no executives or executive directors other than the Company Secretary. Each director and the Company Secretary is expected to adopt high ethical standards in acting for the Company and in the interests of the shareholders. Directors are required to disclose potential conflicts of interest and to refrain from involvement in Board decisions, or leave the room, during discussion of a conflicted matter.

By approval of the Board  
14 July 2015