

# Corporate Governance Statement

For financial year ending 30 June 2017



## Effective Date: 25 August 2017

This statement sets out how EQT Holdings Limited (ABN 22 607 797 615) (Company or Equity Trustees) achieved compliance with the ASX Corporate Governance Principles and Recommendations throughout the financial year ending 30 June 2017.

Governance disclosures referred to in this document, as well as the Company's 2017 Annual Report, are located on the Company's website at [www.eqt.com.au](http://www.eqt.com.au).

## Principle 1 – Lay solid foundations for management and oversight

### Roles and responsibilities of the Board and Management

The role of the Company's Board (the Board) is: to overview the corporate strategy of the Company and its related bodies corporate (the Group); to select, and monitor the performance of the Managing Director; to ensure a proper risk and governance framework; and to ensure that a healthy corporate culture exists in the Group.

The Board recognises its accountability to security holders for the Group's performance and in performing its role; the Board aspires to excellence in governance standards.

The Board's Charter details the composition, roles and responsibilities of the Board and its relationship with management. The Board has delegated specific authorities to the Managing Director and various Board Committees. The Committees operate under Board approved charters. A copy of the Board Charter is available on the Company's website.

Management is responsible for implementing the Board's strategic objectives and operating within the risk appetite as set by the Board. Management are also responsible for all aspects of day-to-day running of operations and providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

### Independent professional advice

With the prior approval of the Chairman, each Director has the right to seek reasonable independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings, in order to properly fulfil their duties and responsibilities as a Director.

### Director appointments

Before Directors are appointed or new candidates are put forward for election, appropriate background checks are undertaken in line with the Group's policies. A number of matters are taken into consideration in determining whether the person meets both the fitness and propriety requirements to enable them to hold the position of Director. Such matters include:

- the competence, character, experience, honesty, integrity and judgement required to perform the duties of the position;
- the education and technical qualifications, knowledge and skills relevant to the duties and responsibilities of the organisation; and
- that the person is not a banned or disqualified person by ASIC, nor APRA.

The appointment or nomination process takes into consideration any conflicts of interest. Where a conflict of interest exists, it must not create a material risk that would preclude the person from being able to properly perform their Director's duties.

When a candidate is standing either for election or re-election as a Director, security holders are provided with information such as:

- biographical information such as relevant qualifications and experience and the skills they bring to the Board;
- details of any other material Directorships currently held by the candidate; and
- whether the candidate will qualify as an independent Director.

For each candidate standing for election or re-election, the Board will provide a statement as to whether it recommends that a candidate be elected or re-elected.

### **Officer terms of engagement**

The Company has in place a written agreement with each Director and Senior Executive setting out the terms of their appointment.

### **Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters concerning the proper functioning of the Board. The appointment and removal of the Company Secretary is the responsibility of the Board.

### **Diversity**

A diverse workforce is of significant social and commercial value. Gender diversity has been and continues to be a priority for the Group. The Board's Remuneration, Human Resources and Nominations Committee is responsible for assessing the gender balance and diversity objectives of Equity Trustees on an annual basis, including the representation of women at all levels of the Company.

During FY 2017, the Company had a Board approved Diversity and Inclusion Policy in place, a copy of which is available on the Company's website. The Board is committed to increasing the representation of women as opportunities permit with particular emphasis at Senior Management level.

As at 30 June 2017, the proportion of women employed by the Group at each level is:

Non-Executive Directors	29%
Executive*	30%
Senior Management**	38%
Company Wide	54%

\* 'Executive' refers to the Company's Group Leadership Team (including the Managing Director) whose members report directly to the Managing Director.

\*\* 'Senior Management' refers to managers who are two to three reporting levels below the Managing Director in the management hierarchy.

Level	Current %	2018 target %
Non-Executive Directors	29%	30%
Executive	30%	30%
Senior Management	38%	50%
Organisation	54%	50%

The Company is a relevant employer under the Workplace Gender Equality Act 2012 (Act). The Company's workplace profile and reporting questionnaire, structured around the six Gender Equality Indicators, is contained in the 2016/17 Workplace Gender Equality Report, which was assessed by the Workplace Gender Equality Agency as compliant with the Act.

### **Board performance**

The Board monitors its performance and composition on an ongoing basis, as well as the performance of its Committees, individual independent Directors and the Managing Director. The Chairman is responsible for monitoring and providing feedback to individual Directors. Each Director is also subject to peer review by fellow Directors before endorsement to stand for re-election.

On a triennial basis, the Board submits itself to formal review by an external governance expert. The most recent review was conducted in August 2017, where it was concluded that Equity Trustees appears to have a well-functioning board and a good diversity of skills and experience.

The Board's three committees undertook a performance self-assessment during the period. The evaluation process involved members of each committee completing a comprehensive questionnaire on topics concerning the committee's membership composition, understanding of the business and associated risks, process and procedures, and communication activities. The outcome of the assessments were discussed by the respective committee and actions agreed where necessary. A report on the outcome of each assessment was provided to the Board.

The Board also keeps under review succession planning for the ongoing development of the Board. The Board has a current succession plan to provide for orderly renewal of the Board as retirements take place in the normal course in coming years. This ensures that there continues to be an appropriate mix of skills and experience. In relation to the appointment of new Directors, focus is placed on the particular skills and experience which are most appropriate to the Company's objectives. Any appointee must meet appropriate ethical and reputation standards.

### **Senior Executive performance**

Each Senior Executive, including the Managing Director, has business performance objectives which are linked to Company objectives. Each Senior Executive, excluding the Managing Director, is assessed against these objectives by the Managing Director. The assessment of the Managing Director is conducted by the Chairman after consultation with the Board. The performance criteria for each Senior Executive are set at the beginning of the year and a review of performance is undertaken half-yearly and at the end of the period. Any issues that may emerge from that review are addressed.

## Principle 2 – Structure the Board to add value

### Board skills and diversity

The Board's Remuneration, Human Resources and Nominations Committee has at least three members, a majority of whom are independent members, including the Committee's Chair. The Committee operates in accordance with a Board approved Charter which is available on the Company's website.

The Committee is responsible for establishing the principles and procedures by which Directors will be appointed, or re-elected, to the Board.

Information about the number of times the Committee met during FY 2017, the members of the Committee and individual attendances at Committee meetings can be found in the Company's 2017 Annual Report.

### Board skills and diversity

The Company maintains a comprehensive understanding of the diversity of the skills and expertise that its Directors bring to the Board, and records this in a skills matrix.

The Board seeks to maintain a broad range of relevant skills, experience and expertise. Amongst other things, these include relevant financial services industry experience and management experience and expertise. In the event of a Director leaving the Board, the Company is able to identify the core skills and experience needed for future Directors and identify those needs in the recruiting process, to ensure that an appropriate mix is maintained.

Training and development needs are identified and discussed with individual Directors and the Board as a whole. From these discussions, any educational needs are addressed. The Board's Skills Matrix demonstrates that the Board has an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities, to serve the interests of all Shareholders and to add value to the Company. The criteria of the Board's Skills Matrix are located on the Company's website.

### Director independence

As at the date of this Statement, the Board is comprised of eight Directors, seven of whom are independent Non-Executive Directors. The Chair of the Board is independent and is not the same person as the Managing Director. The names, details, status of independence, and length of service of all of the Directors can be found in the Company's 2017 Annual Report.

### Relationships and interests

At each Board meeting, Directors are required to disclose any matters that may give rise to a potential or actual conflict of interest in relation to the business being considered by the Board. Any matters that are declared by a Director are recorded. Depending on the interest declared, the Chairman may direct that the relevant Director temporarily leave the meeting, or, with the Board's consent, remain and either participate in, or abstain from, any discussion or decision on the relevant business.

### Selection and appointment of Directors

The selection and appointment of new Directors is undertaken by the Board with the assistance of independent consultants as required. Potential candidates are considered on the basis of their skills and experience and how this will complement the current diversity, skills and experience of the Board.

Directors retire in rotation in accordance with the Company's constitution and the Corporations Act. Retiring Directors may offer themselves for re-election at the relevant Annual General Meeting. New Directors appointed to the Board undergo a robust induction process to familiarise themselves with the Company's operations and procedures, as well as its regulatory requirements. The induction

process includes reference to the internal policies as well as briefings from the Board members, Senior Executives and the Company Secretary. Where necessary, the Company provides resources to help develop and maintain its Directors' skills and knowledge.

## **Principle 3 – act ethically and responsibly**

### **Code of conduct**

Equity Trustees is committed to maintaining high standards of integrity and conducting its business in accordance with high standards of ethical behaviour. As part of this commitment, the Board has an established Code of Conduct and Ethics which is applicable to Directors, Senior Executives and employees, and its controlled entities. The Code of Conduct and Ethics sets out the ethical and behavioural expectations across the organisation. This ensures a culture of good governance is continuously observed.

The Code of Conduct and Ethics can be found on the Company's website.

## **Principle 4 – Safeguard integrity in corporate reporting**

### **Board audit committee**

The Board's Audit Committee has at least three Directors, and at the date of this report, all are independent Non-Executive Directors. The Committee is also chaired by an independent chair, who is not the Chairman of the Board. The Committee operates in accordance with a Board approved Charter, which is available on the Company's website.

Information about the number of times the Committee met during FY 2017, the members of the Committee and individual attendances at Committee meetings can be found in the Company's 2017 Annual Report.

The Committee is responsible for assisting the Board in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, audit, and internal control systems.

The Committee generally invites the Managing Director, Chief Risk Officer, Chief Financial Officer, relevant Senior Executives and the auditors, internal and external, to attend its meetings. The Committee also meets with and receives regular reports from, the internal and external auditors and the Chief Risk Officer concerning any matters that arise in connection with the performance of their respective roles, including the adequacy of internal controls.

### **Financial reporting**

To support the Company's 2017 financial reports, the Managing Director and Chief Financial Officer have confirmed in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are in accordance with relevant accounting standards. In addition they confirm to the Board in writing that:

- the statements are 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, internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's external auditor attends the Annual General Meeting and is available to answer Shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## Principle 5 – Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which seeks to ensure that:

- the Company complies with its requirements of the continuous disclosure obligations under the Listing Rules and the Corporations Act;
- there is equal and timely disclosure of the Company's activities to Shareholders and the market; and
- all stakeholders (including security holders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company's Continuous Disclosure Policy is located on the Company's website.

The Company is committed to the promotion of investor confidence by ensuring that trading in its securities takes place in an informed market. The Company provides regular updates on its financial position and performance to the market, via the ASX. It regularly reviews the Shareholder Register and provides relevant shareholder information in its Annual Report. The Company maintains and periodically updates corporate governance information on its website. In making information available, the Company seeks to adopt a balanced approach. This includes providing all factual information in a manner that will not mislead the reader.

## Principle 6 – Respect the rights of security holders

### Communication to Shareholders and the market

The Board is committed to effective communication with its security holders and the market and believes that security holders should be fully informed in a timely manner of major business events that may influence the Company and its businesses. Security holders have the right to attend the Company's Annual General Meeting and are encouraged to participate at these meetings.

### Equity Trustees website

The Company's website [www.eqt.com.au](http://www.eqt.com.au) provides easy access to all relevant information about our Company including:

- our corporate governance processes, policies and structures;
- details about each of our Directors and Senior Executives;
- copies of annual reports;
- copies of ASX announcements;
- copies of notices of security holder meetings;
- webcasts and/or transcripts of meetings of security holders and investor presentations; and
- other information investors may find helpful in understanding the Company.

### Investor relations program

The Company regularly engages with its security holders. Key dates for engagement include half-year and end of year results reporting, with the Company's Managing Director undertaking a series of presentations in several capital cities at each of these times and a Shareholder update released to relevant financial media. The Company also reports to the ASX as per its regulatory requirements.

The Company facilitates two way communications with investors by ensuring that communications, announcements and updates issued by our Company through the ASX, the media or on our website have a visible email address and phone number for inquiries about the item.

## Meetings with security holders

The Company recognises that meetings are an important forum for engagement and communication with security holders. In addition to the Annual General Meeting the Company conducts regular series of meetings with significant security holders and broking analysts, who can act as a conduit of information for both institutional and private security holders, and endeavours to respond positively to queries or information requests from any security holder, taking disclosure obligations appropriately into account when doing so. These regular meetings are divided between the presentation of content and results, and time to allow for questions and discussion.

## Electronic communications

All security holders are provided with the option to receive eligible information electronically if they prefer, through our share registry service, Computershare. This includes information about shareholdings, updates as required by regulation and pending meetings of security holders.

## Principle 7 – Recognise and manage risk

### Board Risk committee

The Board's Risk Committee has at least three Directors, a majority of whom are independent Non-Executive Directors. The Committee is chaired by an independent chair. The Committee operates in accordance with a Board approved Charter, which is available on the Company's website.

Information about the number of times the Committee met during FY 2017, the members of the Committee and individual attendances at Committee meetings can be found in the Company's 2017 Annual Report.

The Committee is responsible for assisting the Board to:

- ensure that there is an appropriate framework in place to identify and effectively manage risk;
- oversee the risk profile and risk management of the Company and its controlled subsidiaries, within the context of the Board determined risk appetite;
- oversee the implementation and review of risk management and internal compliance and control systems through the Group; and
- promote awareness of a risk based culture and the achievement of a balance between risk and reward for risks accepted.

A review of the Company's risk management framework is conducted annually to ensure it remains appropriate, effective and adequate to enable the Company to meet its legislative and regulatory obligations and strategic objectives. A review of the Risk Management Framework was undertaken during FY 2017.

### The role of Internal audit

The Company has established an Internal Audit function reporting to the Board Audit Committee which performs risk-based internal audit projects across the Group.

The Internal Audit function is a component of the Company's Risk Management Framework. The Company has adopted a 'Three Lines of Assurance' methodology to risk management and the Internal Audit function sits within the Framework as the 'third line of assurance'. The Company and its subsidiaries use an outsourced Internal Audit model. The Group's Internal Auditor, KPMG, has a direct reporting line to the Board Audit Committee.

An annual internal audit plan is developed in consultation with the Finance and Enterprise Risk functions, with input from key business stakeholders. The internal audit plan aims to address areas of risk which are of concern or particular focus to the business and is presented to the Board Audit Committee for their review and recommendation to the Board for adoption. The plan is sufficiently flexible to cater for emerging risks and changes in the business environment. The program is risk-

based, with the Board, through the Board Audit Committee, receiving regular reports on the Company's internal control systems.

### **External auditors**

The Board Audit Committee reviews the adequacy of the external audit arrangements including the scope and quality of the audit. Where appropriate, the Committee makes recommendations to the Board for tenders to be obtained from recognised and well-regarded accounting and auditing firms to conduct future audits.

### **Economic sustainability, environmental sustainability and social sustainability risks**

While the Company believes it does not have a material exposure to environmental and social sustainability risks, it does have an exposure to economic risks. Refer to the Directors' Report in the 2017 Annual Report.

## **Principle 8 – Remunerate fairly and responsibly**

The Board's Remuneration, Human Resources and Nominations Committee is responsible for assisting the Board to:

- fulfil its responsibilities regarding human resources matters generally including remuneration of the Managing Director, Senior Executives and Directors;
- seek and nominate qualified candidates for election or appointment to the Company's Board; and
- provide Non-Executive oversight of the Company's remuneration and human resource policies and practices.

In determining remuneration, the Board has regard to prevailing market levels, including remuneration surveys, to attract and retain Directors and Senior Executives of high calibre to facilitate the efficient and effective management of the Company's operations.

To assist in performing its duties and making recommendations to the Board, the Committee seeks independent advice from external consultants on various remuneration related matters. The Remuneration Committee follows protocols around the engagement and use of external remuneration consultants to ensure compliance with the relevant executive remuneration legislation.

Particulars concerning Directors' and Key Management Personnel remuneration are set out in the 2017 Annual Report. Directors are only entitled to their Directors' fee and superannuation allowance. However, some Directors have an entitlement to other retirement allowances which are no longer made available by the Company. Full details of the Directors' retiring allowances are contained in the Financial Statements and Remuneration Report. Non-Executive Directors are not eligible for incentive-based remuneration.

Non-Executive Director fees are determined by the Board within limits approved by security holders.

The Executive Performance Share Plan 1999 Rules outlines the equity-based remuneration scheme for Senior Executive and is described in detail in the 2017 Annual Report. The use of hedging or derivative techniques is not permitted until shares are released from the forfeiture condition. If hedging or derivative techniques are used during the period when there is still a forfeiture condition in place, then the shares are forfeited. The EQT Group Securities Dealing Policy also makes reference to the ban on hedging or derivative techniques and applies to all Company employees.

## Dealing in the company's securities

The Company has a Securities Dealing Policy which provides guidance for Directors and employees regarding the acquisition and disposal of Company securities. In particular, the Policy notes that the only appropriate time for Directors and employees (and their immediate family members and any person or entity over which they have a degree of control or influence) to acquire, dispose of, or engage in other dealings in EQT securities is when they are not in possession of price sensitive information which is not generally available to the market.

In addition, to avoid any adverse inference being drawn as to unfair dealing, the Policy provides that Directors and employees may not deal in Company securities during Black-out Periods, which are defined as being the two months immediately before and the next full business day after, the release of the Company's half-yearly or yearly results and, the two weeks immediately before and the next full business day after, the Company's Annual General Meeting.

A copy of the Securities Dealing Policy is located on the Company's website and has been lodged with the ASX.

## Using company securities as collateral

Under the Securities Dealing Policy, Directors and employees of Equity Trustees are required to exercise care if borrowing monies to purchase Company securities or offering them as collateral, to ensure that their obligations under the borrowing arrangements do not and cannot, conflict with their obligations under the Policy. In particular, unless a particular arrangement has been approved by the Board, Directors and employees are not permitted to enter into arrangements such as margin loans or arrangements involving Company securities being provided as collateral to secure repayment of a loan, where the lender is granted a right to sell, or compel the sale of, the person's Company securities at any time when the Policy may prohibit the person from dealing in the securities.

Under the Policy, Directors and employees are required to advise the Company Secretary of any arrangements to which they, or a connected person, are a party, involving Company securities being used as collateral to secure repayment of a loan or other financial accommodation.

If a particular arrangement has been approved by the Board and, the Company securities held as collateral to secure a loan represent 5% or more of the Company's issued share capital, then a notice is to be issued to the ASX outlining the arrangements.

## **EQT Holdings Limited**

ABN 22 607 797 615

Level 1, 575 Bourke Street, Melbourne, Victoria 3000

GPO Box 2307, Melbourne, Victoria 3001

Telephone (03) 8623 5000

Facsimile (03) 8623 5200

Email [equity@eqt.com.au](mailto:equity@eqt.com.au)

Website [eqt.com.au](http://eqt.com.au)