

## Corporate Governance Statement

for the year ended 30 June 2016  
 as at 30 September 2016

Keybridge Capital Limited (Keybridge or the Company) and the Board of Directors are committed to achieving and demonstrating the highest standards of accountability and transparency and see the continued development of a cohesive set of corporate governance policies and practice as fundamental to the success of Keybridge.

At 30 June 2016, Keybridge's corporate governance policies and practices meet the requirements of both the *Corporations Act 2001 (Cth)* (Corporations Act) and the Listing Rules of the Australian Securities Exchange (ASX). In formulating its policies, Keybridge has endeavoured, as far as practicable, to be consistent with the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd edition' released in March 2014 (ASX Principles). If there are instances where Keybridge is unable to comply with the ASX Principles, Keybridge has provided information within this report as to the reasons it has been unable to comply.

During the 2016 financial year, Nicholas Bolton resigned as Managing Director and Director of the Company, and Craig Coleman resigned as a Non-executive Director.

Subsequent to 30 June 2016, Andrew Moffat and Bill Brown both resigned as Non-executive Directors and Simon Cato, William Johnson and John Patton were each appointed as Non-executive Directors. As a result of these changes, the Company is undertaking a review of the make-up of the various Board committees and considering other corporate governance issues to ensure ongoing compliance with its internal principles and guidelines.

The following table sets out relevant ASX Principles and where in this Report they are discussed:

Principle Number	Description	Discussion in Report
1	Lay solid foundations for management and oversight	pages 1 to 3
2	Structure the Board to add value	pages 3 to 8
3	Act ethically and responsibly	pages 8 to 10
4	Safeguard integrity in corporate reporting	pages 10 to 11
5	Make timely and balanced disclosure	page 12
6	Respect the rights of security holders	page 12
7	Recognise and manage risk	pages 12 to 14
8	Remunerate fairly and responsibly	page 14

Each of Keybridge's policies and charters referred to below are available on Keybridge's website at [www.keybridge.com.au](http://www.keybridge.com.au).

This statement is current as at 30 June 2016, and has been approved by the Board of Keybridge Capital.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Relevant policies and charters

- Board Charter
- Diversity Policy

#### The Board's primary responsibilities include:

- approving management's corporate strategy and performance objectives;
- overseeing Keybridge, including its control and accountability systems;
- appointing, monitoring and, where appropriate, removing the Managing Director and senior executives;
- approving and monitoring the progress of major investments, capital expenditure, capital management, acquisitions and divestments;

- approving and monitoring financial and other reporting, including the review and approval of the annual and half-yearly financial statements;
- reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
- monitoring and ensuring compliance with legal and regulatory requirements, ethical standards and policies and best practice corporate governance requirements.

**The Board has delegated to management the responsibility for:**

- developing, and upon approval, implementing, strategies, business plans and annual budgets for Keybridge;
- managing resources within the budget and reporting performance against budget to the Board;
- day-to-day management and administration of Keybridge;
- managing the risk and compliance frameworks, including reporting to the Board and the market;
- appointing staff and evaluating their performance and training requirements, as well as developing Keybridge policies to ensure the effective operation of Keybridge;
- ensuring compliance with applicable laws and regulations; and
- ensuring the Board is given sufficient information to enable it to perform its functions.

The Managing Director/Acting Managing Director is responsible for ensuring the responsibilities delegated by the Board are properly discharged by management and for keeping the Board informed on these matters.

The Company Secretary is responsible for the operation and management of Keybridge's secretariat function. The Company Secretary has a dual reporting line to the Managing Director/Acting Managing Director and the Chairman (on behalf of the Board) with respect to the proper functioning of the Board.

Subsequent to 30 June 2016 Andrew Moffat resigned as Chairman and director of the Company and Bill Brown resigned as Non-executive Director. Simon Cato, William Johnson and John Patton have each been appointed as Non-executive Directors. With a significant number of new Directors now appointed, the Board is in the process of finalising further appointments and the appointment of a new Chairman.

John Patton represent the interests of Australian Style Group Pty Ltd (ASG), Keybridge's largest shareholder (22.7%). Simon Cato and William Johnson represent the interests of Bentley Capital Limited (Bentley), Keybridge's second largest shareholder (19.96%).

The Board Charter sets out the role and responsibilities of directors associated with significant shareholdings, which include to:

- act in the best interests of Keybridge;
- avoid conflicts of interest; and
- recognise and maintain the confidentiality of Keybridge's information and, in particular, information that is, or may be, price sensitive.

The Board has in place procedures to assess the performance of executives, including the Managing Director (and including the Acting Managing Director). This process involved the Remuneration and Nomination Committee (RNC) and the Board reviewing the performance of the Managing Director/Acting Managing Director across a range of key areas including profitability, business planning, stakeholder management and team leadership. The review was discussed with the Acting Managing Director and a recommendation developed for Board approval covering base pay, incentive awards, equity awards and terms of engagement. For other executives, the Managing Director/Acting Managing Director reviewed each executive's performance across the same key areas, discusses the review with the executive and recommends any change in remuneration to the RNC for approval. Performance evaluations of the Managing Director/Acting Managing Director and other senior executives took place during the 2016 financial year. Details regarding the performance review process and outcome for senior executives for the 2016 financial year are contained in the

Remuneration Report in the Company's 2016 Annual Report. Due to recent board changes it was agreed to defer the performance review of the board, individual directors and board committees for the year ended 30 June 2016.

### **Diversity**

Keybridge has adopted a Diversity Policy that aims to promote diversity across the Group through a number of initiatives.

Keybridge's objective is to promote a culture that draws on the diverse and relevant experience, skills, expertise, backgrounds and perspectives of its directors and employees. It recognises the importance of gender diversity within its Board and management team.

It is the responsibility of all employees to understand and comply with the Diversity Policy.

The Diversity Policy provides for the Board, in consultation with the Remuneration and Nomination Committee, to:

- set measurable objectives to promote gender diversity and review the objectives on an annual basis;
- evaluate Keybridge's performance against the set measurable objectives as part of the annual review of the effectiveness of this Policy; and
- review the proportion of women employed within Keybridge at least annually.

In the 2016 financial year, Keybridge did not set any specific measurable objectives and therefore has not complied with Recommendation 1.5 of the ASX Principles in full. This is reflective of the small size of Keybridge and the Board considers that as Keybridge increases the scale of its operations, it will be appropriate to set measurable objectives and focus on improving diversity across Keybridge.

Recommendation 1.5 of the ASX Principles requires Keybridge to disclose the proportion of women employees across the whole organisation, women in senior executive positions and women on the board. Keybridge currently has five employees, including three Non-executive Directors, and one female employee.

## **PRINCIPLE 2 – STRUCTURE OF THE BOARD TO ADD VALUE**

### **Relevant policies and charters**

- Board Charter
- Remuneration and Nomination Committee Charter
- AFRC Charter

The size and composition of the Board is determined by the Board within the parameters set by Keybridge's Constitution which requires that there are no less than three and no more than 10 directors.

At 30 June 2016, the Board comprised three directors: one executive director (Antony Sormann), a non-executive Chairman (Andrew Moffat) and a non-executive director (Bill Brown).

Since this date there have been a number of Board changes. The Board currently comprises four directors: one executive director (Antony Sormann), and three non-executive directors (John Patton, Simon Cato and William Johnson). The composition of the Keybridge Board during the 2016 financial year, including the respective skills, experience, relevant expertise and term of office of each director, is set out in the Directors' Report in the Company's 2016 Annual Report].

The Board comprises directors with an appropriate range of skills, experience and expertise to understand and deal competently with Keybridge's current and emerging business issues. The Board seeks to achieve the appropriate mix of skills and diversity in its membership by assessing existing and potential directors' skills to ensure they have appropriate and demonstrated industry expertise in Keybridge's operating segments. Those skills that the Board believes are important for the Board as a whole to carry out their duties are as follows:

Industry	<ul style="list-style-type: none"> <li>• financial planning</li> <li>• investments</li> <li>• funds management</li> <li>• trustee and fiduciary</li> <li>• mergers and acquisitions</li> <li>• operations</li> </ul>
Technical	<ul style="list-style-type: none"> <li>• audit and accounting</li> <li>• business management</li> <li>• stakeholder engagement</li> <li>• education / qualifications</li> <li>• human resources</li> <li>• governance / regulatory</li> <li>• policy development</li> <li>• financial performance</li> <li>• risk and compliance oversight</li> </ul>
Behavioural	<ul style="list-style-type: none"> <li>• ethics and integrity</li> <li>• leadership</li> <li>• contribution and commitment</li> <li>• influencer</li> <li>• crisis management</li> <li>• innovative thinker</li> </ul>

Upon appointment, each new Director participates in an induction programme. This generally includes informal presentations from senior management to gain an understanding of the Group's operations. Keybridge offers support for the directors with education and training by arranging in-house education facilitated by individuals with the relevant expertise. In addition, Keybridge ensures that directors can have access to any external training they require to ensure they remain fit and proper.

Keybridge's director tenure policy, which applies to all directors except the Managing Director/Acting Managing Director, specifies that no director may hold office for more than three years without re-election by shareholders and that the maximum term for a director is 10 years (in the absence of exceptional circumstances).

The Board met 13 times during the 2016 financial year. Full details of Directors' attendance at Board and committee meetings are set out in the Directors' Report in the Company's 2016 Annual Report.

### **Board performance review**

Due to recent board changes it was agreed to defer the performance review of the board, individual directors and board committees for the year ended 30 June 2016.

The performance review is expected to include the following assessments:

- whether directors have satisfied the time requirements necessary for the performance of their functions;
- whether directors have worked together effectively;
- whether directors have the necessary skills, experience and knowledge to perform their duties; and
- whether the Board and AFRC could more effectively review key business and strategic issues.

## Director independence

The Board assesses each director against a range of criteria on a case-by-case basis to determine whether they are in a position to be characterised as independent, meaning they can bring, and be perceived to bring, quality judgements, free of bias, to all issues. The Board's specific principles in relation to director independence include:

- Being free from any business or other relationship which could, or could reasonably be perceived to, interfere materially with the director's ability to act in the best interests of Keybridge. Such interference could arise as a result of a director having been, within the last three years, directly or indirectly:
  - a material supplier or customer of Keybridge;
  - a principal of a material professional adviser or material consultant to Keybridge;
  - employed in an executive capacity by Keybridge; or
  - in a material contractual relationship with Keybridge other than as a director.

Materiality is assessed on a case-by-case basis having regard to the individual circumstances of each director.

- Whether a substantial shareholding exists, including where the director has a relevant interest in shares held by another party. The definition of substantial shareholder for the purpose of this assessment is based on the *Corporations Act*, which generally sets 'substantial' as a holding of 5% or more of a company's voting shares.

Directors provide the Board with all information regarding interests and relationships so as to enable the Board to make assessments regarding independence. It is Keybridge's practice to allow its directors to accept appointments outside of Keybridge only with the prior approval of the Board.

As at the 30 June 2016, the number of directors on the board was three:

- Andrew Moffat – Independent Chairman;
- Bill Brown – Independent Non-executive Director; and
- Antony Sormann who is Acting Managing Director.

As at the 30 September 2016, the number of directors on the board is four:

- John Patton, who was appointed to the Board on 10 August 2016, is a Non-executive Director and represents the interests of ASG, Keybridge's largest shareholder;
- Simon Cato and William Johnson, who were both appointed to the Board on 29 July 2016, are Non-executive Directors and represent the interests of Bentley, Keybridge's second largest shareholder; and
- Antony Sormann who is Acting Managing Director.

Recommendation 2.4 of the ASX Principles states that 'a majority of the Board should be independent directors'. Keybridge complied with Recommendation 2.4 during the 2016 financial year.

However, at the time of this report, there is a majority of Non-executive Directors but there are no Independent Directors on the Keybridge Board. The current composition of the Board is reflective of the small size of Keybridge and the significant shareholdings held by ASG and Bentley. The Board believes that Keybridge is not of sufficient size, at this stage, to warrant the inclusion of additional independent non-executive Directors in order to meet the ASX Recommendation of maintaining a majority of independent non-executive Directors. Keybridge maintains a mix of Directors from different backgrounds with complementary skills and experience.

## Chairman

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman of Keybridge must be a Non-executive Director. The Chairman is selected by the Board and the role includes:

- providing leadership to the Board and Keybridge including promoting the efficient organisation and conduct of the Board's functions;
- facilitating Board discussions to ensure core issues facing Keybridge are addressed and that the Board considers and adopts strategies designed to meet present and future needs of Keybridge;
- monitoring the performance of the Board; and
- facilitating the effective contribution and ongoing development of all directors.

Subsequent to 30 June 2016, Andrew Moffat resigned as Chairman on 29 July 2016, Bill Brown was then appointed as Interim Chairman on 29 July 2016 but subsequently resigned as a Director on 10 August 2016. With a significant number of new Directors now appointed, the Board is in the process of finalising further appointments and the appointment of a new Chairman.

## Indemnity, access to information and independent professional advice

The directors may access any information they consider necessary to fulfil their responsibilities. This information includes access to:

- executive management, to seek explanations and information; and
- external auditors, to seek explanations and information without executive management being present.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Keybridge's expense.

Information in relation to indemnity and insurance arrangements for directors and officers of Keybridge is set out in the Directors' Report in the Company's 2016 Annual Report.

## Board committees

The Board has established committees to assist it in carrying out its responsibilities and to consider certain issues and functions in detail. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The charter, committee structure and composition are reviewed on an annual basis.

The current Board committees are:

- Remuneration and Nomination Committee (RNC); and
- Audit, Finance and Risk Committee (AFRC);

Details about the AFRC are contained in the discussion of ASX Principles 4 and 7 on pages 10-11 and 12-14, respectively.

## Remuneration and Nomination Committee

Details regarding the Remuneration and Nomination Committee are as follows:

Members and composition	Role
<p>Craig Coleman <i>(to 18 May 2016)</i></p> <p>Bill Brown <i>(to 10 August 2016)</i></p> <p>Andrew Moffat <i>(to 29 July 2016)</i></p>	<p>The primary objective of the Remuneration and Nomination Committee is to help the Board to achieve its objectives of ensuring that Keybridge:</p> <ul style="list-style-type: none"> <li>• has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;</li> <li>• has coherent remuneration policies and practices to attract and retain executives and directors who will preserve value for shareholders;</li> <li>• observes those remuneration policies and practices; and</li> <li>• fairly and responsibly rewards executives having regard to the performance of Keybridge, the performance of the executives and the general pay environment.</li> </ul> <p>The Remuneration and Nomination Committee is responsible for:</p> <ul style="list-style-type: none"> <li>• reviewing the Board's performance and each director's performance;</li> <li>• identifying, and recommending to the Board, nominees for membership of the Board (including the Managing Director) and undertaking appropriate background checks prior to appointment;</li> <li>• identifying and assessing the necessary and desirable competencies and characteristics for Board membership and regularly assessing the extent to which those competencies and characteristics are represented on the Board;</li> <li>• ensuring succession plans are in place to maintain an appropriate balance of skills on the Board and reviewing those plans;</li> <li>• if appropriate, recommending the removal of directors;</li> <li>• remuneration packages and other terms of employment for the executive directors and senior executives;</li> <li>• reviewing, approving and recommending to the Board the design of any executive incentive plan, including equity plans and any proposed payments under those plans; and</li> <li>• remuneration and retirement policies for non-executive directors.</li> </ul> <p>The Remuneration and Nomination Committee oversees the process for selecting and appointing new directors. As part of this process, the Remuneration and Nomination Committee considers the potential director's suitability against a range of criteria including whether the potential director:</p> <ul style="list-style-type: none"> <li>• has the necessary skills, experience and knowledge to perform their duties and responsibilities as a director;</li> <li>• is able to devote the time necessary to perform their duties and responsibilities;</li> <li>• is sufficiently independent; and</li> <li>• is able to work with the other members of the Board.</li> </ul> <p>The terms of engagement of new non-executive directors are set out in a formal letter of appointment.</p>

Keybridge does not comply with Recommendations 2.1 and 8.1 of the ASX Principles, which provide that a Remuneration Committee should have at least three members, a majority of whom are independent, and that the committee be chaired by an independent director (who is not chairman of the board).

The number of Remuneration and Nomination Committee meetings held during the 2016 financial year, and each directors' attendance at these meetings, is set out in the Directors' Report in the Company's 2016 Annual Report.

As a result of the significant changes to the composition of the board subsequent to 30 June 2016, Keybridge is currently in the process of reconstituting the Remuneration and Nomination Committee.

### PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

#### Relevant policies and charters

- Corporate Code of Conduct
- Code of Conduct for Directors and Senior Executives
- Securities Trading Policy
- Related Party Policy
- Communications and Continuous Disclosure Policy

Keybridge has developed a number of policies to ensure that Keybridge is mindful of and complies with the guidelines for ethical and responsible decision-making. Those policies require that, at all times, all Keybridge personnel act with the highest levels of integrity and objectivity in their relationships with the Group's stakeholders and in compliance with the letter and the spirit of the law and Keybridge policies.

Keybridge's over-arching policy is its Corporate Code of Conduct. This Corporate Code of Conduct supports the Code of Conduct for Directors and senior executives which articulates the high standards of honesty, integrity and ethical and law-abiding behaviour expected of people in positions of influence.

Key issues addressed in these Codes of Conduct include:

Corporate mission	<p>Keybridge has been largely cleansed of problematic and underperforming legacy assets and has significant available tax losses. Keybridge's current mission is to create value for its shareholders through the identification of appropriate risk-weighted investment opportunities. Key elements in achieving this mission include:</p> <ul style="list-style-type: none"> <li>• protecting the value of investments;</li> <li>• managing risk;</li> <li>• maintaining strong relationships with key stakeholders;</li> <li>• ensuring ongoing financial stability; and</li> <li>• retaining a high quality team.</li> </ul>
Responsibility to shareholders and investors	<p>Keybridge seeks to:</p> <ul style="list-style-type: none"> <li>• serve and protect the long term interests of its shareholders and investors;</li> <li>• communicate openly, honestly and on a timely basis with its shareholders and the financial markets generally; and</li> <li>• ensure that financial disclosure to shareholders and other investors is based on best practice and complies with all relevant laws, regulations and rules.</li> </ul>



Honesty and fairness	Keybridge will act honestly and fairly in all of its dealings. This includes: <ul style="list-style-type: none"> <li>• honouring contractual commitments;</li> <li>• avoiding profiting from situations in which it has a conflict of interest;</li> <li>• where conflicts of interest arise, Keybridge uses its best endeavours to ensure disclosure to all relevant parties; and</li> <li>• Keybridge and its employees not offering or accepting bribes or secret commissions.</li> </ul>
Responsibilities to the community	Keybridge may engage in support for community activities, including donations and sponsorship activities that are reasonable for a company of its size and financial resources.
Regulatory compliance	Keybridge does, and will continue to, comply with all relevant laws, regulations and rules governing its activities in Australia and other jurisdictions in which it may operate.
Responsibilities to the individual	Keybridge seeks to ensure that: <ul style="list-style-type: none"> <li>• employment practices are consistent with market practice and all relevant employment laws, regulations and rules; and</li> <li>• privacy of employees is respected and any confidential or privileged employee information in its possession is not misused.</li> </ul>
Compliance	It is expected that senior executives and other employees will report promptly and in good faith, any actual or suspected violation of the standards, requirements or expectations set out in the Corporate Code of Conduct or the Code of Conduct for Directors and Senior Executives and encourage others to do the same. The latter Code requires that all reports of any violation or unethical behaviour must be investigated thoroughly, the rules of natural justice are observed and appropriate disciplinary action is taken if an allegation is substantiated.

Steps are taken to ensure that employees remain aware of Keybridge's policies and practices and of their ongoing responsibilities.

### Trading in Keybridge securities

Under the Keybridge's Securities Trading Policy, Keybridge directors, senior executives and other specified employees (Designated Persons), must not deal in Keybridge securities during the following periods:

- from Keybridge's balance date to the day after the release of Keybridge's Preliminary Final Report;
- from Keybridge's balance date to the day after the release of Keybridge's Half Year Report;
- one week prior to Keybridge's Annual General Meeting to the day after the end of the meeting; or
- such other times that the Board resolves.

At all other times, dealing in Keybridge securities by Designated Persons is subject to an approval process. Approval will only be granted if the person confirms in writing that he or she does not possess materially price sensitive information regarding Keybridge which is not generally available. Designated Persons are generally responsible for prohibiting any dealing in Keybridge securities by any associated person, which includes:

- immediate family members or a family company, trust or nominee over which the Designated Person has control or is a beneficiary;
- any investment manager acting on his or her behalf or on behalf of an associated person; and
- any other entity in which the person is a significant shareholder or a director, or manager of funds on behalf of that other entity.

The Policy requires directors to advise the Company Secretary within two business days of any dealing, and to report the dealing to the Board at the next Board meeting (other than shares held through the Executive Share Plan).

The Policy also prohibits Keybridge's Directors from providing Keybridge shares in which they have a beneficial interest as security for borrowings.

The Directors are satisfied that Keybridge has complied with its policies on ethical standards, including trading in securities during the past year.

**PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

- Relevant policies and charters**
- Audit, Finance and Risk Committee Charter
  - Selection and Appointment of External Auditor

The Board has established an Audit, Finance and Risk Committee (AFRC). The members, composition and role of the AFRC are as follows:

Members and composition	Role
<p>Bill Brown <i>(Chairman to 10 August 2016)</i></p> <p>Andrew Moffat <i>(to 29 July 2016)</i></p> <p>Craig Coleman <i>(to 18 May 2016)</i></p>	<p>The primary objective of the AFRC is to assist the Board achieve its corporate governance and oversight responsibilities in relation to financial risk management, application of accounting policies, internal control and risk management systems, external financial reporting and legal and regulatory compliance.</p> <p>The Committee is required to consist of members who have:</p> <ul style="list-style-type: none"> <li>• appropriate financial expertise; and</li> <li>• a working knowledge of the financial services industry in which Keybridge operates.</li> </ul> <p>The Chairman of the Board is precluded from being the Chairman of the AFRC.</p> <p>Specifically, the role of the AFRC includes:</p> <ul style="list-style-type: none"> <li>• maintaining and improving the quality, credibility and objectivity of the financial reporting process;</li> <li>• assessing the appropriateness and application of Keybridge's accounting policies and principles so that they accord with the applicable financial reporting framework;</li> <li>• monitoring Keybridge's financial management, including management of Keybridge's funding, hedging, liquidity and insurance coverage;</li> <li>• reviewing the framework for management of Keybridge's transactional risks, including concentration exposures and the manner in which transaction-based decisions are made;</li> <li>• providing a forum for communication between the Board, external auditor and senior executives;</li> <li>• ensuring effective communication between the Board and the external auditor;</li> <li>• reviewing the independence and performance of the external auditor and providing them with confidential access to the non-executive members of the Board and an ability to attend AFRC meetings; and</li> <li>• recommending to the Board the appointment, removal and remuneration of the external auditor, and reviewing the terms of their engagement, and the scope and quality of the audit.</li> </ul>

In fulfilling its responsibilities, the AFRC receives regular reports from management and the external auditor and meets separately with the external auditor at least twice a year without the presence of management.

The AFRC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

At the time of this report, Keybridge does not comply with Recommendation 4.1 of the ASX Principles which states that an Audit Committee should have at least three members, all of whom are non-executive directors and a majority of whom are independent, and that the committee be chaired by an independent director (who is not chair of the Board) due to the recent Board changes.

Further information on the qualifications of the members of the AFRC is set out in the Directors' Report in the Company's 2016 Annual Report. The number of AFRC meetings held during the year, and each directors' attendance at these meetings, is set out in the Directors' Report in the Company's 2016 Annual Report.

As a result of the significant changes to the composition of the board subsequent to 30 June 2016, Keybridge is currently in the process of reconstituting the Audit, Finance and Risk Committee.

#### **Management sign-off on financial reports**

Consistent with their obligations under section 295A of the Corporations Act, the Managing Director (including the Acting Manager) and the Chief Financial Officer provide formal statements to the Board confirming that the Consolidated Financial Statements of Keybridge and each of the subsidiaries present a true and fair view, in all material aspects, of the Group's financial position and performance and have been prepared in accordance with all relevant accounting standards. In addition, the Managing Director (including the Acting Managing Director) and the Chief Financial Officer report on Keybridge's risk management system (financial, strategic and operational) and its effectiveness.

#### **External auditor**

Keybridge's policy is to appoint an external auditor that clearly demonstrates experience, quality and independence.

Deloitte was appointed as Keybridge's external auditor on 4 February 2016.

The performance of the external auditor is reviewed annually. In addition, the AFRC will periodically invite the incumbent auditor and other acceptable audit firms to submit proposals for the provision of statutory audit, taxation and GST services to Keybridge. The AFRC will assess proposals on the basis of the firms' understanding of Keybridge's business and its needs, their capacity for proactive and positive contribution to the efficiency and effectiveness of Keybridge's business operations and the demonstrated knowledge and teamwork of the audit team.

Keybridge complies with auditor rotation requirements.

An analysis of fees paid to the external auditor, including a breakdown of fees for non-audit services, is provided in the Company's 2016 Annual Report. It is the policy of the external auditor to provide to the AFRC an annual declaration of its independence. The external auditor will also attend the Annual General Meeting and will be 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

### Relevant policies and charters

- Communications and Continuous Disclosure Policy

Keybridge has a policy to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The policy requires timely disclosure of any information concerning Keybridge that a reasonable person would expect to have a material effect on the price of Keybridge's securities, subject only to the exclusions identified in the ASX Listing Rules.

The Managing Director and the Company Secretary have been appointed as the persons responsible for communications with the ASX. This role includes responsibility for overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, media and the public.

Directors receive advice of all announcements released to the ASX and copies of the announcements are posted on Keybridge Capital's website.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

### Relevant policies and charters

- Board Charter
- Communications and Continuous Disclosure Policy

Keybridge recognises the right of shareholders to receive effective communication ensuring they are informed of all necessary information to fully assess Keybridge's performance. Keybridge does this by:

- continuously reporting developments through the ASX Company Announcements Platform;
- reporting through a monthly market update, monthly NAV (Net Asset Value) update, half-yearly financial report and the Annual Report;
- releasing Keybridge announcements, media briefings, details of Keybridge meetings, press releases and financial reports on Keybridge's website ([www.keybridge.com.au](http://www.keybridge.com.au));
- encouraging shareholder participation at the Annual General Meeting and other general meetings and allowing adequate time to address any queries or questions put by shareholders; and
- requiring the attendance of the external auditor at the Annual General Meeting and to be available to answer questions concerning the conduct of the audit and the preparation and content of the Auditor's Report.

In addition, shareholders have the opportunity to receive relevant documentation electronically via Keybridge's Registry and can communicate with Keybridge by email.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Relevant policies and charters

- Board Charter
- Audit, Finance and Risk Committee Charter
- Risk Management Policy
- Financial Management Policy

The Board recognises that the identification, assessment and management of risks is vital to the growth and success of Keybridge. As previously discussed, the state of the markets in which Keybridge has historically operated has resulted in continuous and extensive review and monitoring by Keybridge's management and reporting to the Board and AFRC.

### ***Risk management systems***

The Board is responsible for overseeing the implementation of, and ensuring there are adequate policies in relation to the Keybridge's risk management, compliance and control systems. These systems require management to be responsible for identifying and managing Keybridge's material business risks.

Keybridge's policies aim to ensure that material financial and non-financial risks facing Keybridge and within individual investments are identified, analysed and evaluated and that active processes are in place for the management and reporting of these risks.

The Board has also established the Audit, Finance and Risk Committee (AFRC). Its responsibilities, in a risk management context, are set out below.

### **Division of risk management functions**

#### ***Board of Directors***

In relation to risk management, the Board's responsibilities include:

- a) overseeing Keybridge, including its control and accountability systems;
- b) approving and monitoring the progress of major investments, capital management, acquisitions and divestments;
- c) reviewing and ratifying systems of risk management, internal compliance and control and legal compliance to ensure appropriate compliance frameworks and controls are in place; and
- d) monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies.

The Board reviews Keybridge's risk management policies and procedures on an annual basis and where necessary modifies these to promote ongoing improvements in Keybridge's business model and risk management practices.

#### ***Audit, Finance and Risk Committee (AFRC)***

In relation to risk management, the AFRC's responsibilities include:

- a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;
- b) approving and recommending to the Board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - identifying, assessing, monitoring and managing risk; and
  - regularly reviewing and updating the risk profile of Keybridge and disclosing any material change;
- c) assessing the adequacy of the internal audit function with management and the external auditor;
- d) monitoring the effectiveness of the internal risk control system; and
- e) ensuring the risk management system takes into account all material risks.

The AFRC reviews Keybridge's main risk exposures before they are presented to the Board. During the year, the ARFC reviewed both the risk framework and the details of Keybridge's main risks. Recommendations arising from that review have been incorporated into Keybridge's risk framework.

The Board believes that Keybridge is not of sufficient size, at this stage, to warrant the formal appointment of an independent auditor. Instead, the ARFC is responsible for assessing the adequacy and effectiveness of Keybridge's control processes and risk management procedures.

Further details on the AFRC are included under ASX Principle 4 on pages 10 to 11.

### ***Management reporting on risk***

Management reporting on risk operates on a number of levels.

All reports to the Board on strategic, operational and investment issues include an assessment by management of the material risks, to ensure that the Board is in a position to make fully-informed business judgements.

The Board receives regular reports from management on the status of Keybridge's investments portfolio. Management also provides the Board with assessments of Keybridge's strategic transaction partners, as well as risk management updates addressing the material business risks facing Keybridge and the extent to which these are being managed effectively. Management reported to the Board on this basis throughout the financial year ended 30 June 2016.

### ***Safety, sustainability and environment***

The Board does not believe that it has any material exposure to economic, environmental and social sustainability risk. The Board is responsible for setting Keybridge's risk appetite and ensures that it quarterly reviews the risk profile for the business. This monitoring is undertaken by the AFRC.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

### **Relevant policies and charters**

- Remuneration and Nomination Committee Charter

The Remuneration and Nomination Committee (RNC) assists the Board to develop a remuneration strategy that seeks to:

- maintain alignment with the short and long term interests of shareholders; and
- enable Keybridge to retain key staff with the requisite skills and experience to deliver Keybridge's strategy.

Keybridge's Remuneration and Nomination Policy was reviewed by the Board in the 2016 financial year to ensure alignment between the remuneration strategy, Keybridge's ability to pay and its intent to manage existing investments and realise those investments over the medium term. Remuneration arrangements are outlined in the Remuneration Report in the Company's 2016 Annual Report.

The members, composition and role of the RNC and Keybridge's adherence to Principle 8 of the ASX Principles are set out in detail in Principle 2 on pages 3 to 8.

The structure and details of the remuneration paid to directors and senior executives and any equity-based remuneration scheme during the period are set out in the Remuneration Report in the Company's 2016 Annual Report.