

# Forager Australian Shares Fund (ARSN 139 641 491)

## Corporate Governance Statement

As at 2 December 2016

### Background

The Trust Company (RE Services) Limited ("**Responsible Entity**") is the responsible entity for Forager Australian Shares Fund ("**Trust**"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("**ASX**").

The Responsible Entity is a wholly-owned subsidiary of Perpetual Limited (ASX: PPT) ("**Perpetual**").

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. During the year, Perpetual has at all times made such resources available to the Responsible Entity, prior to that date The Trust Company Limited (ACN 004 027 749) had made such resources available.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Trust's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the Corporations Act 2001 ("**Act**"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations. In adhering to this overarching principle we observe a set of more specific principles that apply to all aspects of operating the Trust.

These specific principles are outlined below:

<b>1.</b>	<b><i>Investment mandate</i></b> The Responsible Entity is vigilant in ensuring that the Trust's investments, including its assets and liabilities, are in accordance with the Trust's investment mandate.
<b>2.</b>	<b><i>Debts and solvency</i></b> The Responsible Entity is vigilant in monitoring the financial position of the Trust, in seeking to ensure that the Trust remains solvent and able to pay its debts as they fall due and that obligations are only entered into in accordance with the Trust documents.
<b>3.</b>	<b><i>Good disclosure</i></b> The Responsible Entity is vigilant in ensuring full, frank and timely disclosure of the Trust's affairs to relevant stakeholders including the Trust's unitholders. This includes financial reporting, continuous disclosure, offer documents and other material disclosures.
<b>4.</b>	<b><i>Related party</i></b> The Responsible Entity is vigilant in scrutinising any related party transactions to ensure they are allowed only on arm's length terms and in the best interests of the Trust's unitholders.
<b>5.</b>	<b><i>Conflict management</i></b> The Responsible Entity is vigilant in ensuring that any actual or potential conflicts in connection with the Trust are appropriately and transparently managed.

<b>6.</b>	<b><i>Fraud mitigation</i></b> The Responsible Entity ensures that it operates the Trust in ways that are designed to mitigate the risk of fraud.
<b>7.</b>	<b><i>Service providers</i></b> The Responsible Entity engages and acts in alliance with external service providers as part of operating the Scheme in the best interests of unitholders. This includes appropriate selection, engagement, management and monitoring processes.
<b>8.</b>	<b><i>Safe custody</i></b> The Responsible Entity ensures that the Trust's assets are kept in safe and segregated custody.
<b>9.</b>	<b><i>Effective administration</i></b> The Responsible Entity ensures that the Trust's affairs are administered effectively and efficiently. This includes appropriate controls, systems, processes and record-keeping.
<b>10.</b>	<b><i>Governance, risk and compliance management</i></b> The Responsible Entity ensures that the Trust is operated in accordance with appropriate governance, risk and compliance management frameworks.
<b>11.</b>	<b><i>Organisational competence</i></b> The Responsible Entity's Compliance Committee, Directors, management, staff and service providers are comprised of professionals who hold and maintain appropriate qualifications and experience to discharge their responsibilities to the highest standards of excellence.
<b>12.</b>	<b><i>Financial capability</i></b> The Responsible Entity meets and maintains the adequacy of its capital, liquidity, insurance and other requirements in order to discharge its obligations under its AFS Licence in relation to the Trust.
<b>13.</b>	<b><i>Unitholders' feedback</i></b> The Responsible Entity respects and supports the rights of the Trust's unitholders to question the Responsible Entity through appropriate complaints handling processes and/or unitholders' meetings.

## Corporate Governance

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**ASX Principles**").

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the ASX Principles. The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes; its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles below in relation to the Trust as at 2

December 2016. This corporate governance statement has been approved by the Responsible Entity board.

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

The Responsible Entity has not adopted a formal Board Charter in relation to the Trust. The Responsible Entity's Constitution sets out the procedures for the appointment, removal and remuneration of the Directors as well as the powers of the Responsible Entity's Board ("**RE Board**"), which include to borrow money, charge any property or business of the Responsible Entity and appoint attorneys on terms the Board sees fit. The role of the RE Board is generally to set objectives and goals for the operation of the Responsible Entity and the Trust, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of the Trust. The RE Board is accountable to the unitholders of the Trust, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Trust.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Trust. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Trust. The RE Board in carrying out its functions has regard to the Code of Conduct developed by Perpetual to guide the Directors, management and staff in the performance of their roles.

The RE Board ensures that the performance of the Responsible Entity's management is evaluated against agreed plans and the key performance indicators that are set annually as part of Perpetual's performance management process. The performance of all management and staff of Perpetual is evaluated on a six monthly basis against their key performance indicators that have been set annually and cover both financial and non-financial aspects of each person's role. For the Responsible Entity, as part of Perpetual, the performance management process plays a key role in developing high performance teams and aligning employee and organisational behaviour with Perpetual's cultural values as set out in the Code of Conduct. The performance evaluation of the Responsible Entity's Directors, management and staff has taken place in accordance with the above process.

## **Principle 2 – Structure the board to add value**

At present the RE Board consists of four executive directors and two alternate directors. Further information about the current Directors is set out in the Product Disclosure Statement for the Trust dated 2 December 2016. The RE Board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the Responsible Entity's business and to discharge their duties. The RE Board also ensures that it maintains independent judgement in board decisions. A chairman is selected by the Directors at the start of each board meeting. The RE Board may meet monthly and more frequently as required to consider matters in relation to the Trust.

The Responsible Entity adds value in terms of the best interests of the Trust's unitholders through being completely independent of the Investment Manager it has engaged in relation to the Trust, being Forager Funds Management Pty Limited (ABN 78 138 351 345, AFSL 459312), who has been engaged by the Responsible Entity in relation to the Trust. There are no common directors and no related party interests between the Responsible Entity and the Investment Manager. This independent structure avoids any conflicts of interest between the Responsible Entity and the Investment Manager whenever discretionary decisions are required of either entity in their respective capacities.

As the RE Board consists of only executive directors, a Compliance Committee is appointed in relation to the Trust (refer to Principle 4). The Committee consists of only non-executive members,

has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board.

The nomination committee functions have traditionally been carried out by the RE Board. The RE Board makes an assessment in relation to the appointment of new directors and in relation to itself, and ensures that it complies with the Responsible Entity's constitution.

The RE Board is provided with regular detailed reports on the financial position, financial performance and business of the Responsible Entity and the Trust to allow the Board to effectively fulfil its responsibilities. The Directors have access to the management, staff and advisers of the Responsible Entity and Perpetual as necessary if they require additional information. The Directors also have access, as and when required, to the service providers engaged by the Responsible Entity, such as the Investment Manager. Further, Perpetual has entered into arrangements with the Responsible Entity's Directors in relation to access to information and advice as well as indemnity and insurance; these arrangements contemplate that the Directors are entitled to seek independent professional advice if required from time to time.

### **Principle 3 – Promote ethical and responsible decision-making**

Perpetual has a Code of Conduct and espoused Core Values and a further values framework known as the "Way we Work" within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

Perpetual's Diversity Policy recognises the contribution of people with differences in background, experiences and perspectives. The policy encompasses but is not limited to gender, age, ethnicity and cultural background. Perpetual's Board has established a measurable objective related to gender diversity to achieve 38% representation of woman in senior management roles.

A Securities Trading Policy for the Trust has been adopted which relates to trading in units in the Trust. Directors, management and staff of the Responsible Entity are required to seek prior approval of any trading in units in the Trust. The RE Board and management ensure that any actual or potential conflicts are appropriately identified, managed and disclosed.

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

The Responsible Entity has a Compliance Committee. The Compliance Committee is comprised of three members. The members of the Compliance Committee are Michael Vainauskas, Michelene Collopy and Virginia Malley. Further information about the members of the Compliance Committee is set out in the Product Disclosure Statement for the Trust dated 2 December 2016. The Compliance Committee meets at least quarterly. The Compliance Committee may have such additional meetings as the Chairman may decide in order to fulfil its role. The Compliance Committee Charter sets out its role and responsibilities. The Compliance Committee reports both to Perpetual's Audit Risk and Compliance Committee (ARCC) and the board of the Responsible Entity after each meeting under its charter.

A copy of the ARCC terms of reference is available on the Perpetual website.

The declarations under section 295A of the *Corporations Act 2001* (**the Act**) provide formal statements to the RE Board in relation to the Trust (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting and is certified by the Chief Executive Officer and the Chief Financial Officer. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Investment Manager, which assist its staff in making the declarations provided under section

295A of the Act.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for the Trust. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for the Trust.

## **Principle 5 – Make timely and balanced disclosure**

In relation to the Trust, the Responsible Entity, as part of Perpetual, has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules. A copy of the continuous disclosure policy is available on the following website at [www.foragerfunds.com](http://www.foragerfunds.com).

The policy requires timely disclosure of information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to the Trust is disclosed to the market. The Responsible Entity and the Investment Manager will review and formally sign off before making disclosures to the ASX. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Trust.

## **Principle 6 – Respect the rights of unitholders**

The Responsible Entity is committed to providing both unitholders and the market with timely information so that the market is continuously and sufficiently informed of all market sensitive information in relation to the Trust. In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to the Trust. The Responsible Entity has adopted the Securityholder Communication Policy for the Fund to promote these objectives.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's established procedures for handling complaints. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

Up to date information of the Trust and its financial reports is available on the following website [www.foragerfunds.com](http://www.foragerfunds.com).

## **Principle 7 – Recognise and manage risk**

The Responsible Entity, values the importance of robust risk management systems. The Responsible Entity has established a Compliance Committee for the Trust pursuant to part 5C of the Act, to assist the RE Board to discharge its risk management and compliance responsibilities.

As noted above, Compliance Committee is responsible for the oversight of risk management, internal control systems and compliance matters for the Responsible Entity. It also reviews internal and external audit processes and reports. The Compliance Committee liaises regularly with the Responsible Entity's Executive Team, senior management and external advisers. The Responsible Entity's management regularly report any material business risks to the RE Board and to the Compliance Committee through its quarterly risk and compliance reporting process. Significant matters arising during a quarter are addressed by management and escalated as appropriate.

Perpetual has a Risk Management Framework in place, which is supported by a Risk Appetite Statement. The framework includes policies and procedures to identify and address material financial and non-financial risks. The framework is reviewed on an annual basis. The Perpetual Board and ARCC are responsible for overseeing compliance with the risk management program and its continuous evolution. Perpetual also historically maintained an independent 'internal' audit function which reported directly to Perpetual's ARCC and Perpetual's Board if necessary. This Risk Management Framework applies to the Responsible Entity and the Responsible Entity has adopted this Risk Management Framework for the Trust.

The declarations under section 295A of the Act provide formal statements to the RE Board to confirm that the financial statements of the Trust are founded on a sound system of risk management, internal compliance and controls which implement the policies adopted by the RE Board. In addition they confirm the Responsible Entity's risk management and control system is operating efficiently and effectively in all material respects. The Responsible Entity receives appropriate declarations from the service providers involved in financial reporting for the Trust, including the Investment Manager.

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

The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Trust are set out in the constitution and offer document for the Trust. Fees and expenses for the benefit of the Responsible Entity are required to be considered and disclosed as related party transactions. Fees and expenses paid out of the assets of the Trust are unrelated to the remuneration of the Responsible Entity's Directors, management and staff which is separately determined by Perpetual. As noted above, the Responsible Entity's Directors, management and staff are provided by Perpetual and are remunerated by Perpetual and not by the Responsible Entity or the Trust.

Perpetual has remuneration policies in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of Perpetual.