

Absolute Equity Performance Fund Limited (ACN 608 552 496) (Company)

Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's 3rd edition Corporate Governance Principles and Recommendations (**ASX Recommendations**). The ASX Recommendations are not mandatory. However, the Company will be required to provide a statement in future annual reports disclosing the extent to which the Company has followed the ASX Recommendations.

| | Corporate Governance Council Recommendations | Compliance | Comment |
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| 1. | Lay solid foundations for management and oversight | | |
| 1.1 | A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management. | Complies | <p>The functions of the Board are set out in the Company's Board policy (Board Policy) that is contained in Section 2 of the Company's corporate governance charter (Corporate Governance Charter) which is available on the Company's website at www.aepfund.com.au.</p> <p>The Investment Management Agreement dated 12 November 2015 between the Company and Bennelong Long Short Equity Management Pty Limited (ABN 63 118 724 173) (AFS Representative No. 000303432) (Investment Manager) as amended by an amending deed between the Company and the Investment Manager dated on or around November 2015 (summarised in the Prospectus) sets out the specific responsibilities of the Board and those delegated to the Investment Manager.</p> |
| 1.2 | A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Complies | <p>The Board Policy:</p> <ul style="list-style-type: none">• sets out what the Board will consider when appointing a director, including the results of an appropriate background check, which the Board will undertake; and• requires the Board to provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Complies | <p>Under the Board Policy, when the Board considers the appointment of any new director, the terms of appointment of a director must be recorded in a letter of appointment which takes into consideration the ASX Recommendations. This will form the basis of the written agreement entered into between the Company and a director.</p> <p>The current directors have written agreements with the Company which were put in place at the time of appointment.</p> <p>The Company does not have any senior executives.</p> |

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| 1.4 | The company secretary of a listed entity should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. | Complies | The Board Policy states that the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. |
| 1.5 | <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | Partly complies | <p>The Company has a diversity policy that is contained in Section 3 of the Corporate Governance Charter (Diversity Policy) which is available on the Company's website at www.aepfund.com.au. However, at present, the Company does not have any employees or management and the Diversity Policy will only apply to the Board.</p> <p>The Board will determine each year whether to include a recommendation to establish measurable objectives annually.</p> |
| 1.6 | <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Complies | <p>The Board reviews its performance by discussion and by reference to generally accepted Board performance standards.</p> <p>A performance evaluation of the Board is undertaken annually in accordance with the Corporate Governance Charter. A performance review was completed during the reporting period on 30 June 2020.</p> |
| 1.7 | <p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Does not comply | The Company does not have any senior executives. |

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| 2. | Structure of the Board to add value | | |
| 2.1 | <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | Does not comply | <p>The Board does not have (and does not intend to establish) a nomination committee. Considering the size of the Company and the Board, the functions that would be performed by the nomination committee are undertaken by the Board. Should the size of the Company and the Board change, the Board will consider establishing a nomination committee.</p> |
| 2.2 | A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | Complies | The experience and expertise of the Board members can be found in the Annual Report. |
| 2.3 | <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the Board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Corporate Governance Principles and Recommendations but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each director.</p> | Complies | <p>The Board of Directors, as at the date of this statement, consists of the following directors:</p> <ul style="list-style-type: none"> Marc Fisher, Chairman & Non-Independent Director (appointed on 2 October 2015) Raymond Da Silva Rosa, Independent Non-Executive Director (appointed 26 November 2019) Andrew Reeve-Parker, Independent Non-Executive Director (appointed 6 October 2015) <p>The Board has considered the circumstances of each Director and considers Raymond Da Silva Rosa and Andrew-Reeve Parker to be independent directors.</p> <p>In reaching the conclusions set out above, the Board considered the guidelines of materiality for the purpose of determining Director independence set out in the Corporate Governance Charter and Box 2.3 of the Recommendations.</p> |

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| 2.4 | A majority of the Board of a listed entity should be independent directors. | Complies | The Annual Report discloses that 2 of the 3 Directors are independent Directors. |
| 2.5 | The chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Does not comply | <p>The Chair is not independent. The Company does not have a chief executive officer.</p> <p>The Company considers that the Board is appropriately structured given the nature and size of the company. For this reason, it is in the best interests of members that the current directors remain directors of the Board.</p> |
| 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Complies | <p>Under the Board Policy:</p> <ul style="list-style-type: none"> the Company Secretary is responsible for arranging for a new Director to undertake an induction program; and the Directors are entitled to receive professional development opportunities. |
| 3. | Act ethically and responsibly | | |
| 3.1 | <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> | Complies | <p>The Company has a code of conduct that is contained in Section 5 of the Corporate Governance Charter, which is available on the Company's website at www.aepfund.com.au.</p> |

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| 4. | Safeguard integrity in corporate reporting | | |
| 4.1 | <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> (1) has at least three members, all of whom are non- executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the Board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and <p>in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> | Does not comply | <p>The Company has adopted an audit and risk committee charter that is contained in Section 8 of the Company's Corporate Governance Charter (Audit and Risk Committee Charter), which is available on the Company's website at www.aepfund.com.au.</p> <p>The Board does not have a separate audit committee. The Board has been fulfilling the role of this committee (given the nature and size of the Company and the Board).</p> <p>Should the size of the Company or the Board change, the Board will consider changing the composition of the audit and risk committee.</p> |
| | <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | N/A | |
| 4.2 | <p>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p> | Does not comply | <p>An independent administrator appointed by the Company who provides accounting and valuation services (Administrator) is responsible for preparing the declaration pursuant to section 295A of the Corporations Act as the Company does not have a chief executive officer (or equivalent) or a chief financial officer (or equivalent).</p> <p>Accordingly, the Board seeks to procure that the Administrator puts in place sound systems of risk management and internal controls and ensure that the systems are operating effectively in all material respects in relation to financial reporting risks.</p> |
| 4.3 | <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p> | Complies | <p>The Company's external auditor attends AGMs and is available to answer questions from security holders relevant to the audit.</p> |

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| 5. | Make timely and balanced disclosure | | |
| 5.1 | <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p> | Complies | <p>The Company's continuous disclosure policy is contained in Section 4 of the Corporate Governance Charter (Continuous Disclosure Policy), which is available on the Company's website at www.aepfund.com.au.</p> <p>The Company Secretary is responsible for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board, the mechanism of which are further detailed in the Continuous Disclosure Policy. The Company considers this to be a satisfactory protocol given the size and nature of the Company.</p> |
| 6. | Respect the rights of security holders | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | Complies | The Company provides information about itself and information about its governance to investors via its website, www.aepfund.com.au . |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Complies | <p>The Board has developed a strategy within its Continuous Disclosure Policy to ensure that shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. This includes having a website to facilitate communication with shareholders via electronic methods.</p> <p>In addition, the Company publishes regular shareholder communications, such as weekly unadjusted NTA announcements, monthly NTA announcements, half yearly and annual reports and provides shareholders with an opportunity to access such reports and other releases electronically via its website, www.aepfund.com.au.</p> <p>Shareholders can communicate with the Company via electronic methods.</p> |

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| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Complies | The Board encourages full participation of shareholders at the Company's AGMs and any general meetings to ensure a high level of accountability and identification with the Company's strategy. Shareholder meetings are held at a venue that is easily accessible to shareholders and the Company uses technology to facilitate the participation of shareholders in meetings including the use of teleconference facilities. |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Complies | All shareholders are given the option to receive and send communications electronically. The Company provides a communications preference form to all new shareholders as part of the shareholder welcome pack. |
| 7. | Recognise and manage risk | | |
| 7.1 | <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | Does not comply | <p>Refer to Item 4.1 of this table.</p> <p>In addition, the Investment Manager is primarily responsible for managing the risk of the Portfolio. Other third parties (such as UBS AG, Sydney Branch (as prime broker), UBS Nominees Pty Limited (as custodian) and the Administrator assist with compliance. The Investment Manager's risk policies and controls are designed to be robust and relevant to the Company's investment objective and strategy. Such policies are disclosed in the Prospectus.</p> |
| 7.2 | <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | Complies | <p>The Board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound.</p> <p>The Company reviewed the risk management framework once during the reporting period.</p> |

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| 7.3 | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | Complies | <p>The Board does not have an internal audit function.</p> <p>Responsibility for evaluating and improving the effectiveness of the Company's risk management and internal control processes lies with the Board as set out in the Company's Board Policy that is contained in section 2.2 of the Corporate Governance Charter, which is available on the Company's website at www.aepfund.com.au.</p> |
| 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. | Complies | The Company has economic risk. The risks and how they will be managed are set out in the Annual Report. |
| 8. Remunerate fairly and responsibly | | | |
| 8.1 | <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> | Does not comply | <p>The Board has not established a remuneration committee. The Board considers the formation of such a committee would be inefficient given the Company's size and the fact that it does not have any employees. Should the size of the Company change the Company will consider establishing a separate remuneration committee.</p> <p>The Board will ensure that appropriate remuneration policies and practices are in place for non-executive Directors, executive directors (if any) and senior management (if any), while having regard to the ASX Recommendations.</p> |
| | (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | | <p>The Board will annually review the allocation and amount of remuneration for executive directors (if any) and non-executive Directors and this will reflect market rates.</p> <p>The Company does not have any senior executives.</p> |
| 8.2 | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Complies | Refer to Item 8.1 of this table. The current remuneration of the non-executive Directors is set out in the Annual Report. There are no executive directors or other senior executives. |

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| 8.3 | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | N/A | The Company does not have an equity-based remuneration scheme. However, the Company's share trading policy that is included in Section 6 of the Corporate Governance Charter addresses hedging and margin loans. |