



Corporate Governance
Statement
2020



A Focused Portfolio
of Australian Equities

CORPORATE GOVERNANCE STATEMENT

The Board of AMCIL Limited (the 'Company') is committed to having high standards of ethical behaviour and to having an effective system of corporate governance commensurate with the size of the Company and the scope of its business operations.

In accordance with ASX Listing Rule 4.10.3, set out below are the applicable ASX Corporate Governance Council's eight principles of corporate governance – third edition (ASX Governance Principles) and outlined accordingly is how the Board has applied each principle and the recommendations set out within them during the financial year ended 30 June 2020. A full copy of the ASX Governance Principles and the underlying recommendations can be found on the ASX's website.

The Company is fully supportive of the 'if not, why not' disclosure-based approach to governance adopted by the ASX Governance Principles and the recognition within them that there is no single model of corporate governance and that good corporate governance practice is not restricted to adopting the recommendations contained in the ASX Governance Principles.

There is one recommendation made in the ASX Governance Principles (see Principle 2, below) that the Board, following careful consideration, has not adopted. Full details of this, together with an explanation of why an alternative and more appropriate approach has been taken by the Board, are set out in the following statement.

The Board will measure its governance practices against the recommendations of the fourth edition commencing with the financial year ended 30 June 2021.

Principle 1: Laying Solid Foundations for Management and Oversight

This Principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and management and how their performance is monitored and evaluated.

Role of the Board

The Corporate Objective of the Company, as determined by the Board, is to provide shareholders with attractive returns through strong capital growth in the portfolio over the medium to long term together with the generation of fully franked dividend income.

The role of the Board underpins and supports the Corporate Objective of the Company. The Board generally sets objectives and goals for the operation of the Company, oversees the Company's management, regularly reviews the Company's performance and monitors its affairs in the best interests of the Company. For these responsibilities, the Board is accountable to its shareholders as owners of the Company.

The Board operates under a Board charter, available on the Company's website, which documents the role of the Board outlined above and the matters that the Board has reserved to itself. Those matters include:

- setting the Corporate Objective of the Company and approving business strategies and plans of the Company designed to meet that objective;
- approving the expense budget at least annually;
- approving changes to the Company's capital structure and dividend policy;

- appointing and removing the CEO/ Managing Director and carrying out succession planning for the CEO/ Managing Director as applicable;
- approving the Company's risk appetite; and
- reviewing the performance of management and the Company, including in relation to the risk management, internal controls and compliance systems adopted by the Company and the monitoring and review of the performance of Australian Investment Company Services Limited (AICS) in relation to the services that AICS provides the Company.

The Directors meet formally as a Board normally monthly and the Non-Executive Directors also meet in the absence of the Managing Director and members of management.

Delegation to Board Committees

The Board has established an Investment Committee and Audit Committee to assist the Board in exercising its authority. Both Board Committees operate under formal charters that are made publicly available on the Company's website, www.amcil.com.au.

A chart showing the number of Board and Board Committee meetings held during the year and attendance by Directors is set out below:

	Board		Investment Committee		Audit Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
BB Teele	12	11	18	17	-	-
RE Barker	12	12	18	17	3	3
RG Brown	12	10	18	16	-	-
RM Freeman	12	12	18	18	-	3 [#]
S McKenna	12	12	-	11 [#]	3	3
MJ Hirst	12	12	-	15 [#]	-	2 [#]
RH Myer	12	11	18	16	3	3
JJ Webster	12	12	-	17 [#]	3	3 [#]

[#] Attended meetings by invitation.

The role and work of the Audit Committee is outlined under Principle 4 and Principle 7.

The general role of the Investment Committee, whose membership currently comprises BB Teele, RE Barker, RG Brown, RM Freeman and RH Myer (MJ Hirst, SL McKenna and JJ Webster are invited to attend meetings, when available), is to review investment decisions to support the Company's Corporate Objective. In doing this, the Committee:

- approves all purchases and sales and other investment decisions to maintain the investment and trading portfolios;
- makes decisions in relation to how other portfolio-related activities are carried out including regarding voting instructions and lodgement of proxies in respect of general meetings of companies in which the Company has invested;
- receives reports on portfolio matters, including portfolio performance, transaction reports, portfolio position reports and performance attribution analysis; and
- receives reports and recommendations in relation to the review and analysis of companies/securities in which the Company is able to invest, or has invested.

The Committee also plays an important role in the oversight of investment risk, which is set out under Principle 7.

Relationship with AICS

The Company has entered into an agreement with Australian Investment Company Services Limited (AICS) for AICS to provide on a non-exclusive basis a comprehensive range of services to the Company under the leadership of the Managing Director of AICS, who has been appointed Managing Director of the Company, including the day-to-day maintenance of the portfolios and associated research.

The Managing Director is responsible to the Company for the performance of those services and the Board acts in close consultation and cooperation with AICS in relation to the provision of services

by AICS to the Company. AICS is paid a fee based on its costs in providing these services. The Senior Executives of AICS have also been appointed as officers of the Company and their details are set out in the Annual Report.

Pre-appointment checks and AGMs

Prior to their appointment of a Non-Executive Director to the Board, the Board determines what pre-appointment checks are appropriate to be undertaken in the circumstances.

Relevant details in respect of each Director standing for election or re-election by shareholders are contained within the explanatory notes of the Notice of Annual General Meeting.

Agreements

All of the Directors have entered into an agreement with the Company in respect of their appointment, including access to documents, Director's indemnity against liability, Directors' and Officers' insurance, conflicts of interests, taking independent professional advice and dealing in the Company's securities.

Company Secretary

The Company Secretary's details and experience appears in the 2020 Annual Report. While the Company Secretary is an employee of AICS, he is accountable to the Company's Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity

The Board recognises that having a diverse Board will assist it in effectively carrying out its role in meeting the Company's Corporate Objective.

The Board views diversity as including, but not being limited to, skills, qualifications, experience, gender, race, age, disability, ethnicity and cultural background.

The Board has established a Board Diversity Policy that is available on the Company's website. When the Board is looking for an additional

member, the overarching priority will be to appoint an individual who will provide the Company with the best opportunity to meet its Corporate Objective. Pursuant to the policy, the Board has an objective to embed gender diversity as an active consideration in succession planning for all Board positions.

	Male	Female
Board (including Managing Director)	7	1
Other Senior Executives	3	0

Performance Assessments

Non-Executive Directors

The performance of the Board, its Committees and individual Directors is the subject of continuous oversight by the Chairman and the Board as a whole. The Non-Executive Directors meet regularly in the absence of the Managing Director and management and discuss such issues in that forum and these meetings have occurred during the year. Given the size of the Company and the Board, the Board believes this to be an appropriate method of evaluation.

Management

The Board continuously reviews the performance of AICS, under the leadership of the Managing Director, in providing services to the Company. Separate evaluations of the performance of individual Senior Executives are carried out by AICS. As set out in Principle 8 below, performance of the provision of services to the Company is one of the measures used in determining the Managing Director's and other Senior Executives' annual incentive. Evaluations under this process were carried out during the financial year.

The Board believes that the Company is fully compliant with Principle 1 and its recommendations.

Principle 2: Structure the Board to Add Value

This Principle requires the Company to have a Board of effective composition, size and commitment to enable it to discharge its duties effectively.

The Board

The Board is comprised of a Non-Executive Chairman (BB Teele), Managing Director (RM Freeman) and six Non-Executive Directors (RE Barker, RG Brown, MJ Hirst, SL McKenna, RH Myer and JJ Webster). The Directors' Report contained within the Annual Report sets out the details of the skills, experience, and expertise of each Director.

The roles of the Chairman and Managing Director are separate. The role of the Managing Director is set out under Principle 1, above.

The role of the Chairman is set out in the Board charter, and includes being responsible for:

- the business of the Board, taking into account the issues and the concerns of all Directors and the requirements of the Board charter;
- the leadership and conduct of Board and Company meetings to be in accordance with the agreed agenda, the Company's Corporate Objective and Principles of Conduct (described under Principle 3, below); and
- encouraging active engagement by Directors and an open and constructive relationship between the Board and the Managing Director and Senior Executives.

The Chairman also has the authority to act and speak for the Board between meetings, subject to any agreed consultation processes.

Appointment and Re-election

Due to the size of the Company, the Board has not established a formal Nomination Committee and the functions of a Nomination Committee, including reviewing Board and Committee composition and reviewing potential Board candidates, are undertaken by the full Board, led by the Chairman.

The Company's constitution provides that each Non-Executive Director must seek re-election by shareholders at least every three years if they wish to remain a Director. Any new Non-Executive Director appointed by the Board must seek election by shareholders at the next Annual General Meeting of the Company. This approach is consistent with the ASX Listing Rules.

To assist Directors to fully meet their responsibilities to bring an independent view to matters coming before them, the Board has agreed upon a procedure in appropriate situations for Directors to take independent professional advice, at the expense of the Company, after advising the Chairman of their intention to do so. This is in relation to carrying out their duties as members of the Board and members of Board Committees.

On appointment, new Directors are given the opportunity to meet with Senior Executives of the Company to fully understand their areas of expertise and responsibility within the Company. On an ongoing basis, regular reports are provided to the Board updating Directors with legal, regulatory, governance and financial developments, both in Australia and internationally, that could impact either the Company, the companies that AMCIL invests in, or their roles as Directors of AMCIL and other companies. Directors are also invited to attend meetings the Company arranges with investee companies and subject matter experts on various business and economic issues.

Nomination Committee

Given the size of the Company and the nature of its operations, the functions of a Nomination Committee are carried out by the entire Board.

Skills Matrix

The Board has determined that, in terms of the mix of skills and diversity it is looking for in its own membership, it is best served by having a mix of individuals with deep expertise and a breadth of experience in the following areas:

- leading and managing successful corporations, at both Executive and Board level;

- advising successful corporations (including legal and accounting advice);
- the investment industry; and
- organisations with diverse governance and regulatory regimes (including charities, not for profits, private companies and international organisations).

The Board utilises this matrix when considering Board succession issues.

Independence

The Board reviews the independence of each of the Directors (excluding the Managing Director) on an annual basis, taking into account the factors set out in the ASX Governance Principles, including situations where an individual Director may be a partner in, controlling shareholder of, or Executive of, an entity which has a material commercial relationship with the Company.

In looking at such relationships, the Board has set an initial materiality threshold of \$500,000 and this threshold is reviewed annually by the Board.

BB Teele, the Chairman, was a Director of the Company from the original commencement of activities in 1996 up to February 2000 and again since December 2003. He and his related interests together have a substantial shareholding in the Company (at the date of this report: 17.96 per cent) and therefore he is not considered to be an independent Director. As AMCIL is a listed investment company and is a long term investor, it is of great assistance to have a Chairman with a depth of experience and skills in the securities industry and who is also involved in the investment decisions of the Company. Accordingly, an independent Chairman is not regarded as necessary.

RE Barker was CEO and Managing Director of the Company from 2001 to 31 December 2017 and transitioned to a Non-Executive Director on the 1 January 2018. Taking into account the factors set out in the ASX Corporate Governance Principles Mr Barker is not considered to be an independent Director.

The Company is a long term investor. When looking at the Board's composition, continuity on the Board and a Director's experience of the Company and the market it operates in through different economic cycles are important factors that are considered. The Board is firmly of the view that length of tenure is not an indication of lack of independence.

Details of the term of office held by each Director in office as at the date of this report are as follows:

BB Teele – 17 years
RM Freeman – 2.5 years
RE Barker – 24 years
RG Brown – 6 years
MJ Hirst – 1.5 years
SL McKenna – 4 years
RH Myer – 19 years
JJ Webster – 3 years

The remaining Non-Executive Directors, being RG Brown, SL McKenna, MJ Hirst, RH Myer and JJ Webster, are regarded as independent.

Directors may also be Directors of companies in which the Company invests. Any real or potential conflicts of interest are dealt with by procedures consistent with Corporations Act requirements which are designed to ensure that conflicted Directors do not take part in the decision-making process on relevant issues. On this basis, it is believed that their independence on all other issues is not compromised. Accordingly, the Board consists of a majority of independent Non-Executive Directors.

Directors of the Company are encouraged to have a meaningful financial interest in the Company. In this way, the Directors participate in improving shareholder value on the same basis as all other shareholders.

The Board believes that the Company is fully compliant with Principle 2, but that for the reasons stated above, it does not consider it appropriate to follow the recommendation that the Chairman should be an independent Director.

Principle 3: Act Ethically and Responsibly

This Principle requires that the Company should act ethically and responsibly.

The Board and Senior Executives are committed to maintaining the highest standards of integrity and seek to ensure the Company's activities are undertaken with efficiency, honesty and fairness. The Board and Senior Executives have articulated this long-standing approach into 'Our Purpose'.

Our Purpose

'As trusted stewards of our shareholders' interests our purpose is to deliver returns from Australian and New Zealand equities which exceed the market over the medium to long term through strong capital growth and the generation of fully franked dividends.

We seek to do this by identifying high quality companies that are expected to deliver above market growth and invest in these companies with a high level of conviction across a diversified portfolio, but with a relatively concentrated number of holdings. AMCIL's portfolio is differentiated from the general market by the fact smaller companies by market size can have an equally important impact on portfolio returns as larger companies.

We understand we are in a privileged position to be trusted with managing our shareholders' wealth given that they have worked hard to build their savings.

To deliver on this Purpose we are guided by the following qualities:

- Professionalism, Passion and Experience
- Integrity
- Respect
- Collaboration

The Company has a Securities Dealing Policy and Corporate Principles of Conduct for Directors and Senior Executives which are available on the Company's website.

Securities Dealing Policy

Under the policy, Directors, Senior Executives and any closely connected person and entities are prohibited from dealing in the Company's securities from 15 December and 15 June up

to and including the calendar day after the Company's announcement of its half and full year financial results as appropriate; the opening of business on the last business day of each month up to and including the calendar day after the monthly net tangible asset per share announcement; and the duration of the pricing period for any capital management event.

In addition, they must not deal in the Company's securities for short term purposes, must not engage in short-selling of the Company's securities, and are prohibited from using the Company's securities as security for margin lending arrangements or other loans. They must also use their best endeavours to ensure they are not put in a position of conflict with the policy by virtue of having margin or other loans over other securities.

Compliance with the policy is a condition of the appointment of each Senior Executive with the Company and a condition of their employment with AICS.

Corporate Principles of Conduct

The Company has adopted Corporate Principles of Conduct which outline ethical standards to be followed by Directors and Senior Executives of AMCIL when carrying out their responsibilities with a view to the Company achieving its aims.

Under the Principles, Directors and Senior Executives will:

- conduct business in good faith in the best interests of the Company with efficiency, honesty and fairness;
- perform their duties with the utmost integrity and the standard of care and diligence expected of an organisation of the highest calibre;
- treat others with dignity and respect; and
- not engage in conduct likely to have an adverse effect on the reputation of the Company.

The Corporate Principles of Conduct also set out details of how conflicts of interest should be avoided. The Company's Directors and employees must disclose to the Company any material personal interest that they or any associate may have in a matter that relates to the affairs of the Company.

Where a conflict of interest may arise, full disclosure by all interested persons must be made and appropriate arrangements followed, such that interested persons are not included in making the relevant decisions and discussions. AICS has its own comprehensive Principles of Conduct in place that covers the behaviours and actions of its employees. Compliance with those Principles is a condition of the appointment of each Senior Executive with the Company and a condition of their employment with AICS.

Whistleblower Protection Policy

The Company also has in place a Whistleblower Protection Policy that establishes a formal framework within which individuals are able, in a secure way, to express their genuine concerns about unlawful behaviour or breaches of policy, free from the threat of victimisation or reprisal and on the understanding that their concerns will be investigated and that, where appropriate, action will be taken to redress the situation.

Any individual making a report in good faith under the policy will be protected by AMCIL from any victimisation, including harassment, reprisals, discrimination or other form of detriment, as a result of making such a report. AICS also has the same policy in place covering its employees.

The Board believes that the Company is fully compliant with Principle 3 and its recommendations.

Principle 4: Safeguard Integrity in Corporate Reporting

This Principle requires that the Company has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Audit Committee

The Company has established an Audit Committee which comprises three members, all of whom are Non-Executive Directors: RH Myer (Chairman), RE Barker, SL McKenna. RH Myer and SL McKenna are independent Directors and therefore the Company complies

with the recommendation that a majority of Audit Committee members are independent. Details of their qualifications are set out in the Directors' Report in the Annual Report.

All members of the Audit Committee have the requisite financial experience and understanding to effectively discharge the Committee's responsibilities under its charter.

The Audit Committee normally meets three times a year and is responsible for reviewing:

- the Company's accounting policies;
- the content of financial statements;
- issues relating to the controls applied to the Company's activities;
- the conduct, effectiveness and independence of the external audit;
- risk management and related issues, including taxation risk; and
- compliance issues.

The role of the Audit Committee in respect to its oversight of risk management and related issues is set out under Principle 7.

Written Affirmations

The Board has received from the Managing Director and the Chief Financial Officer written affirmations concerning the Company's financial statements as set out in the Directors' Declaration in the 2020 Annual Report, pursuant to the *Corporations Act 2001*.

In respect of both the financial statements for the year ended 30 June 2020 and the half-year ended 31 December 2019, the Board has also received from the Managing Director and the Chief Financial Officer other written affirmations. These state 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 Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Audit

The Company has a process to ensure the independence and competence of the Company's external auditors, and includes the Audit Committee reviewing any non-audit work to ensure that it does not conflict with audit independence. Policies relating to rotating external audit engagement partners are set by the external audit firm in accordance with the Corporations Act and international best practice requirements.

In the event that the Company decides to change the external auditors, it would enter into a competitive tender. The external auditor attends the Company's Annual General Meeting to answer questions from shareholders relevant to the audit.

The Board believes that the Company is fully compliant with Principle 4 and its recommendations.

Principle 5: Make Timely and Balanced Disclosure

This Principle requires that the Company promotes timely and balanced disclosure of all material matters concerning the Company.

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market in its securities.

Accordingly, the Company keeps the market advised of all information required to be disclosed under the Listing Rules, which the Company believes would or may have a material effect on the price or value of the Company's securities.

The Company has a written policy and procedures designed to ensure compliance with the ASX Listing Rules and the Corporations Act disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy is publicly available on the Company's website.

The Board believes that the Company is fully compliant with Principle 5 and its recommendations.

Principle 6: Respect the Rights of Security Holders

This Principle requires that the Company respects the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

The Company is owned by its shareholders and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. The Board's policy is to maintain active communication with shareholders as owners of the Company. The Company's website, www.amcil.com.au, contains access to ASX announcements, Annual Reports, Half-Yearly Reports, details of corporate governance practices, presentations to shareholders, NTA announcements, key date information, dividend and security issue history and relevant related material for shareholders and investors.

In addition to communicating with shareholders via the Annual Report and the non-statutory Annual and Half-Yearly Reviews, the Company holds an Annual General Meeting of shareholders to fulfil statutory requirements, to provide shareholders with the opportunity to meet with representatives of the Board and management, to learn more about the Company's activities and, particularly, to provide an opportunity to question the Board and management about any aspect of the Company's activities. The documentation produced (both hard copy and electronic) for the Annual General Meeting makes provision for shareholders to submit questions to the Company.

In addition to the Annual General Meeting, the Company holds non-statutory Shareholder Information Meetings in certain Australian capital cities, some of which follow the full-year results and some of which follow the half-year results. This financial year, shareholder meetings were held in Adelaide, Brisbane, Melbourne and Sydney in addition to two shareholder conference calls.

The Company views the holding of these non-statutory meetings as being very important in terms of communicating with its shareholders as it allows shareholders around the country the opportunity to

question management and Directors in an informal setting on the Company's activities and approach.

The Company also ensures, through the share registry, that shareholders have the option to communicate electronically with the Company and the share registry. The Company also maintains an email address, invest@amcil.com.au, that shareholders can communicate electronically through.

The Company also utilises a toll free telephone service, 1800 780 784, that shareholders can call to hear the latest NTA information.

The Board believes that the Company is fully compliant with Principle 6 and its recommendations.

Principle 7: Recognise and Manage Risk

This Principle requires that the Company establish a sound risk management framework and periodically review it.

The Company has established and maintains a sound system of risk oversight, management and internal control. The Risk Management Framework adopted by the Company is available on the Company's website.

The framework has been developed to take into account the principles and guidelines outlined in AS/NZS ISO 31000: 2009 Risk Management – Principles and Guidelines. This approach involves establishing the context in which it operates, identifying the risks, analysing those risks, evaluating the risks, treating the risks where appropriate and monitoring, reviewing and reporting risks and the overall performance of the framework.

This process is underpinned through regular communication and consultation with key business stakeholders. AMCIL has a conservative risk appetite whilst accepting that the nature of investing in equities and other securities carries an inherent market risk. The framework forms the basis for embedding enterprise risk management within the culture of the organisation and is appropriate for the size and complexity of the Company.

The objectives of it are to:

- enable the Company to meet its obligations and objectives efficiently and reliably;
- increase the likelihood that the Company will be successful in its business operations by mitigating potentially damaging events occurring (e.g. operational risk) and maximising the results of positive events (e.g. financial position, investment strategies, etc.), through the implementation of risk management strategies;
- provide decision-makers with the means to identify risks and to determine whether the controls in place are adequate to mitigate those risks;
- provide a mechanism to assess the levels of risk that can be accepted;
- ensure that the application of risk management practices is understood by the agents, employees, officers and Directors of the Company; and a strong risk culture is well entrenched; and
- reduce the consequence and/or likelihood of potentially damaging events by regular reviews of investments and investment strategies or by transferring the impact of potentially damaging events to third parties (e.g. by insurance and contractual arrangements) for outsourced arrangements, where appropriate.

The Board is assisted in its risk management activities by the Audit Committee and coordination of risk management activities is done by the Chief Financial Officer, who reports to the Audit Committee on such matters. The framework is reviewed on an annual basis and a review was carried out during the financial year.

There are two main areas of risk that have been identified:

- investment risk; and
- operational risk.

Investment Risk

Investment risk includes:

- market risk;
- credit, counter-party and settlement risk;
- liquidity risk; and
- reputational risk (insofar as it relates to the investments that the Company enters into).

The Investment Committee is primarily responsible for dealing with issues arising from investment risk and has delegated the administration of the portfolios to an experienced investment team provided by AICS. The Investment Committee reviews, discusses and approves all purchases and sales and other matters in connection with the maintenance of the portfolios, including the voting of proxies.

By its nature as a listed investment company, the Company will always carry investment risk because it must invest its capital in securities which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.

Operational Risk

The Company's management is primarily responsible for recognising and managing operational risk issues such as legal and regulatory risk, systems and process risk, human resource risk, taxation risk, reputational risk (insofar as it relates to the operations of the Company), disaster recovery, cyber security, data privacy and occupational health and safety risk. This is in the context that most of AMCIL's administrative functions are provided by AICS using its systems and staff. Accordingly, risk issues associated with these activities are handled in accordance with the policies and procedures adopted by AICS for dealing with them. The Audit Committee has specific oversight of and responsibility for management's role in identifying and responding to risk issues. The Chairman of AMCIL's Audit Committee is invited to attend meetings of the AICS Risk Management, Audit and Remuneration Committee and receives copies of all papers.

Internal Audit and Written Affirmation from AICS

The Company has received a report from AICS outlining the control objectives for AICS and the specific policies and procedures established to meet these procedures. These policies include management oversight, segregation of duties, multiple sign-offs and specific authorisation levels. AICS has stated that

these have been in place throughout the financial year, and have been effective in meeting the control objectives.

While the Company does not have its own internal audit function, AICS has appointed Ernst & Young as its internal auditor. The Company has received a report from Ernst & Young, under the requirements of Auditing Standard on Assurance Engagements ASAE 3150 'Assurance Engagements on Controls' stating their opinion that, in all material respects, the internal controls put in place by AICS in relation to investment management and administration operations for this financial year are suitably designed to meet the control objectives and have operated effectively for this financial year.

Economic, Environmental and Social Sustainability Risks

Economic risk is principally dealt with under Investment Risk, above. In respect of environmental and social sustainability risks, the Company utilises AICS staff and AICS' office space for meetings, so is not subject to material direct environmental and social sustainability risks. AICS has resources to identify if any legal environmental issues arise that need to be considered by AICS and the Company going forward. As a long-term investor, Environmental, Social and Governance (ESG) analysis is integrated into the Company's investment framework:

- AMCIL will seek to invest in companies that have strong governance and risk management processes that include environmental and social risks.
- The remuneration structures proposed and used by the boards of the companies in which AMCIL invests are assessed too as we are seeking remuneration plans and outcomes that align with AMCIL's (and AMCIL's own investors) interests as long-term shareholders.
- AMCIL supports engagement with its investee companies on these issues, and will vote as shareholders accordingly.

The Board believes that the Company is fully compliant with Principle 7 and its recommendations.

Principle 8: Remunerate Fairly and Responsibly

This Principle requires that the Company should pay Director remuneration sufficient to attract and retain high quality Directors and design its Executive remuneration to attract, retain and motivate high quality Senior Executives and to align their interests with the creation of value for security holders.

The Board has not established a Remuneration Committee given the size of the Company and the nature of its activities. Other than the Board members, the Company has no formal employees. The Board is able to deal with matters relating to the remuneration of Directors itself and a separate Remuneration Committee is not considered necessary.

Directors' Remuneration

The Constitution of AMCIL requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between Non-Executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors together with such factors as the general level of fees paid to Australian corporate directors.

The amount of remuneration for each Director excludes amounts that were owing to them when the Directors' retirement allowances were frozen at 31 December 2003.

Non-Executive Directors do not receive any performance-based remuneration.

Management Remuneration Approach

RM Freeman is made available as Managing Director of AMCIL by AICS. The costs relating to the provision of Mr Freeman as Managing Director of the Company by AICS have been fully covered by the general management fee charged by AICS.

As part of their remuneration arrangements with AICS, the Managing Director, Senior Executives and investment team receive an 'at risk' component determined by AICS which is based on performance.

The performance criteria include quantitative and qualitative assessments which include, among other things, the services that AICS has provided to AMCIL and for which AICS is paid. Full details of Senior Executive remuneration can be found each year in the Annual Report of Australian Foundation Investment Company Limited (AFIC), which owns 75 per cent of the capital of AICS. This can be found at afi.com.au/our-company/#CompanyReports

The Company does not have any equity-based remuneration schemes, and so there is no need to have a policy around prohibiting transactions which limit the economic risk of participating in such schemes. AFIC and AICS, however, do have policies which prohibit such transactions by AICS Senior Executives, and these are disclosed.

The Board believes that the Company is fully compliant with Principle 8 and its recommendations.

**Approved by the Board
of AMCIL Limited**

Date: 28 July 2020