

CORPORATE GOVERNANCE STATEMENT

Pengana Investment Management Limited

ABN 69 063 081 612, AFSL 219 462

as the Responsible Entity for **Pengana Private Equity Trust**

ARSN 630 923 643

Approved by the Pengana Investment Management Limited Board on 11 February 2019

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Pengana Investment Management Limited ('Responsible Entity' or 'PIML') is the responsible entity for the Pengana Private Equity Trust ('Trust' or 'PE1') (ASX: PE1) a registered managed investment scheme that is listed on the Australian Securities Exchange ('ASX').

The Responsible Entity is a wholly owned subsidiary of Pengana Capital Group Limited ('Pengana' or 'PCG') (ASX: PCG). PIML is the holder of an Australian Financial Securities Licence (AFSL Licence: 219 462) ('AFSL').

In addition to PE1, PIML is the Responsible Entity of the:

- Pengana Australian Equities Income Fund
- Pengana International Fund – Ethical Opportunity
- Pengana International Fund – Ethical
- Pengana High Conviction Equities Fund
- Pengana WHEB Sustainable Impact Fund

PIML is also the Investment Manager for a listed investment company:

- Pengana International Equities Limited (ASX: PIA)

Pengana Capital Limited ('Manager' or 'PCL') is the manager of PE1 and is a wholly owned subsidiary of PCG. The Manager has engaged Grosvenor Capital Management, L.P. ('GCM' or 'Investment Manager') as the investment manager of PE1.

Responsibility for the Trust's proper corporate governance rests with the Responsible Entity. The Responsible Entity's guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of unitholders of the Trust.

The Responsible Entity has entered into a management agreement with the Manager pursuant to which the Manager will provide certain management services to the Trust. The Manager, in turn, has entered into an investment management agreement with the Investment Manager pursuant to which the Investment Manager will provide certain investment management services to the Trust. The Responsible Entity, with reliance upon the Manager and the Investment Manager, will monitor the operational and financial position, and performance of the Trust.

The Directors of the Responsible Entity ('Directors') are committed to implementing high standards of corporate governance in operating the Trust. Accordingly, the Responsible Entity has created a framework for managing the Trust, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Trust's business and which are designed to promote the responsible management and conduct of the Trust.

The ASX Corporate Governance Council has developed and released the ASX Principles for Australian listed entities in order to promote investor confidence and assist entities to meet stakeholder expectations. The ASX Principles are not prescriptions, but guidelines. Nonetheless, the Responsible Entity will conduct itself with respect to its operation of the Trust in accordance with the ASX Principles to the extent they apply to externally managed entities. The Responsible Entity has developed the Trust's corporate governance policies and practices having regard to the ASX Principles. Under the ASX Listing Rules, the Trust will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Principles in the reporting period. Where the Trust does not follow a principle, it must identify the principle that has not been followed and give reasons for not following it.

This Corporate Governance Statement (Statement) outlines the corporate governance framework and practices of the Responsible Entity and the extent to which the Responsible Entity has followed the Corporate Governance Principles in place.

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.**

The Responsible Entity is responsible for the operation and management of the Trust.

The Board has been appointed to ensure that both the Responsible Entity and the Trust are properly managed and that the interests of Unitholders are enhanced and protected. This includes monitoring the Trust's performance, viewing and overseeing the risk management framework, approval of annual and half year financial reports, monitoring and reviewing service providers, ensuring compliance with the Trust's Constitution, the Responsible Entity's Constitution and with the continuous disclosure requirements of the Listing Rules and the Corporations Act and monitoring the Responsible Entity's affairs in order to ensure that it acts in the best interests of all Unitholders.

To this end the Board has adopted appropriate corporate governance policies and practices to lay solid foundations for management and oversight. The Board has formalised its role and responsibilities into a Board Charter, which is available in the Trust's Corporate Governance section of the Pengana's website: www.pengana.com.

The Board delegates to the Responsible Entity's management team all matters not reserved to the Board, including the day-to-day management of the Responsible Entity and the operation of the Trust. Directors, management and staff are guided by Pengana's Code of Conduct which is designed to assist them in making ethical business decisions.

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.**

Not applicable as the Trust is externally managed by the Responsible Entity, however prior to appointing a director to the Board of the Responsible Entity, appropriate screening checks are undertaken as to the person's criminal history and bankruptcy history.

1.3 A LISTED ENTITY SHOULD HAVE A WRITTEN AGREEMENT WITH EACH DIRECTOR AND SENIOR EXECUTIVE SETTING OUT THE TERMS OF THEIR APPOINTMENT.

Not applicable as the Trust is externally managed by the Responsible Entity, however all Directors of the Responsible Entity receive a letter of appointment setting out the terms of their appointment addressing the matters recommended by good corporate governance practice and in particular Principle 1.3 of the Corporate Governance Recommendations.

The letter of appointment includes associated documents (including a Deed of Indemnity, a copy of the Constitution and of the Directors & Officers Insurance Policy). The letter sets out remuneration, duties and responsibilities, the requirement to disclose certain information and interests including under the Responsibility Entity's Securities Trading Policy.

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.

Not applicable as the Trust is externally managed by the Responsible Entity, however the Company Secretary of the Responsible Entity is responsible for the operation and management of the Company's secretariat function. The Company Secretary reports to the Chairman of the Board of the Responsible Entity (on behalf of the Board) with respect to the proper functioning of the Board. Each member of the Board has access to the Company Secretary.

1.5 A LISTED ENTITY SHOULD:

- (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:**
 - (i) 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**
 - (ii) 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.**

Not applicable as the Trust is externally managed by the Responsible Entity, however the Responsible Entity recognises that diversity is a critical aspect of effective management of its people and their contributions to the success of the Company. This diversity is reflected in the differences in gender, race, age, culture, education, family or carer status and religion which is found across Pengana.

1.6 A LISTED ENTITY SHOULD:

- (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.**

Not applicable as the Trust is externally managed by the Responsible Entity, however the Responsible Entity ensures each Director has the necessary skills, experience and expertise, and the mix remains appropriate, for the Board to function effectively. The skills and experience of nominees were considered prior to their nomination in the context of the skills and experience of current Board members. It is the intention of the Board in the coming financial year to institute a process for the periodic evaluation of the Board and individual Directors' performance.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

Directors' profiles setting out their skills, experience, expertise, period of office and other Directorships of listed entities will be disclosed in the Directors' Report included in the Trust's Annual Report and on Pengana's website.

1.7 A LISTED ENTITY SHOULD:

- (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.**

Not applicable as the Trust is externally managed by the Responsible Entity who has no employees.

2 STRUCTURE THE BOARD TO ADD VALUE

2.1 THE BOARD OF A LISTED ENTITY SHOULD:

- (a) have a nomination committee which:**
 - (i) has at least three members, a majority of whom are independent Directors; and**
 - (ii) is chaired by an independent director, and disclose:**
 - (iii) the charter of the committee;**
 - (iv) the members of the committee; and**
 - (v) 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**
- (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.**

Not applicable as the Trust is externally managed by the Responsible Entity.

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.

Not applicable as the Trust is externally managed by the Responsible Entity, however the Responsible Entity ensures each Director has the necessary skills, experience and expertise, and the mix remains appropriate, for the Board to function effectively.

The skills and experience of nominees were considered prior to their nomination in the context of the skills and experience of current Board members. It is the intention of the Board in the coming financial year to institute a process for the periodic evaluation of the Board and individual Directors' performance.

2.3 A LISTED ENTITY SHOULD DISCLOSE:

- (a) the names of the Directors considered by the Board to be independent Directors;
- (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
- (c) the length of service of each director.

The Board of Directors of the Responsible Entity comprises two independent non-executive Directors (one of which is the Chair) and two Directors who are executives of Pengana. The Chair has the casting vote. The following table provides the analysis of the independent and non-independent Directors of the Responsible Entity:

Name	Independent	Reason if not independent	Date of appointment
Russel Craig Pillemer	No	Executive, shareholding	05/06/2017
Katrina Elizabeth Glendinning	No	Executive, shareholding	05/06/2017
Ellis Neville Varejes	Yes	n/a	24/01/2019
Ilan Zimerman	Yes	n/a	24/01/2019

The Board assesses the independence of each Director of the Responsible Entity in light of the interests disclosed by them, giving consideration to the factors contained in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (as amended from time to time).

An independent Non-Executive Director is a non-executive Director who is independent of Pengana and free of any interest, position, association or relationship that could materially influence, or could reasonably be perceived to materially influence their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Responsible Entity and its unitholders. In making this determination, the Responsible Entity Board has reviewed and assessed previous and current relationships.

The Board's assessment of the independence of Directors will be disclosed in the Trust's annual reports.

2.4 A MAJORITY OF THE BOARD OF A LISTED ENTITY SHOULD BE INDEPENDENT DIRECTORS.

Not applicable as the Trust is externally managed by the Responsible Entity. The Responsible Entity Board comprises two independent Non-Executive Directors (one of which is the Chair) and two Directors who are executives of Pengana. The Chair has the casting vote.

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.

Not applicable as the Trust is externally managed by the Responsible Entity, however the Chair of the Board of the Responsible Entity Board is an independent Non-Executive Director.

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.

Not applicable as the Trust is externally managed by the Responsible Entity, however a new director of the Responsible Entity is required to take an induction about the Responsible Entity, its policies and charters and the director's role and responsibilities.

As part of its ongoing review of its own performance and skill set, the Board is committed to offering education and training to Directors to ensure they remain fit and proper to act as directors with the requisite skills for the proper functioning of the Board.

3 ACT ETHICALLY AND RESPONSIBLY

3.1 A LISTED ENTITY SHOULD:

- (a) have a code of conduct for its Directors, senior executives and employees; and**
- (b) disclose that code or a summary of it.**

Pengana has a Code of Conduct which sets out the expectations placed on all Directors, officers, employees and contractors of the Pengana Group. A copy of the Code of Conduct is available in the Corporate Governance section of the Pengana's website.

The Code of Conduct requires high standards of personal integrity and honesty in all dealings, a respect for the privacy of unitholders and others and observance of all relevant laws. Under the Code of Conduct the standards expected include:

- acting honestly, fairly and ethically in all business dealings;
- acting to prevent bribery and corruption;
- protecting assets, resource and information;
- working with others including showing proper courtesy, consideration and sensitivity in their dealings with clients and colleagues; and
- acting in the best interest of Pengana, its clients, shareholders, unitholders and other stakeholders.

4 SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 A LISTED ENTITY SHOULD:

- (a) have an audit committee which:**
 - (i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and**
 - (ii) is chaired by an independent director, who is not the chair of the Board, and disclose:**
 - (iii) the charter of the committee;**
 - (iv) the relevant qualifications and experience of the members of the committee; and**
 - (v) 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**
- (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**

The Responsible Entity recognises the importance of establishing an audit committee as good corporate governance in circumstances where appropriate for the size, nature and complexity of the Trust and of the Responsible Entity.

The functions that would be performed by this committee are undertaken by the Board, with assistance from management of Pengana. This is also in line with ASX's position (explained in the ASX

Principles) which recognises that "ultimate responsibility for a listed entity's financial statements rests with the full Board".

The Board of Directors of the Responsible Entity have adopted an Audit and Risk Charter assist and advise the Board in fulfilling its corporate governance and oversight responsibility in relation to the integrity of the Trust's financial reporting and internal control structure and reviewing the Trust's compliance, risk management systems and external audit functions.

As a registered managed investment scheme, the Trust has a compliance plan that has been lodged with the Australian Securities and Investments Commission ('ASIC'). The compliance plan will be reviewed every year to ensure that the way in which the Trust operates protects the rights and interests of unitholders and that major compliance risks are identified and properly managed.

The Responsible Entity manages the engagement and monitoring of independent external auditors for the Trust. The Board receives periodic reports from external auditors in relation to financial reporting and the Compliance Plans for the Trust. Annually the Responsible Entity reviews the performance of external auditors and assesses their continued independence. The external auditor is required to rotate the partner responsible for the Trust financial reporting audit and review at least once every 5 years.

The Responsible Entity has appointed a fund administrator to maintain the financial records for the Trust pursuant to an agreement that contains agreed service levels. The fund administrator must report any failure to adhere to these service levels to the Responsible Entity and breaches and incidents relating to the fund administrator's performance are reported to the Board. Annually the Responsible Entity reviews the performance of the fund administrator.

4.2 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.

The declarations under section 295A of the Corporations Act provide formal statements to the Board in relation to the Trust. The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Manager, which assist the Responsible Entity's Chief Executive Officer and Chief Financial Officer in making the following declarations under section 295A of the Corporations Act:

- the financial records of the Trust for the financial year have been properly maintained;
- the Trust's financial statements and notes applicable thereto give a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations;
- the integrity of the Trust's financial statements is founded on a sound system of risk management and internal compliance and control which, in all material aspects, implements the policies adopted by the Responsible Entity's Board; and
- the risk management and internal compliance and control systems are sound, appropriate, operating efficiently and effectively managing the Trust's material risks.

4.3 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

As the Responsible Entity does not intend to hold an Annual General Meeting of unitholders of the Trust, this Recommendation is not applicable. If the Responsible Entity were to hold an Annual General Meeting of unitholders of the Trust in the future, the Recommendation would be complied with.

5 MAKE TIMELY AND BALANCED DISCLOSURE

5.1 A LISTED ENTITY SHOULD:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it

The Responsible Entity has in place a Continuous Disclosure Policy to ensure it meets its disclosure obligations under the Corporations Act and the ASX Listing Rules in relation to the Trust. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or Directors to ensure that 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's Company Secretary assists management and/or the Board in making disclosures to the ASX after appropriate Board consultation. The Responsible Entity requires service providers, including the Manager and the Investment Manager, to comply with its policy in relation to continuous disclosure for the Trust.

A copy of the Trust's Continuous Disclosure Policy is available in the Corporate governance section of Pengana's website: www.pengana.com.

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.

The Responsible Entity recognises that unitholders are entitled to accurate, timely and relevant information and should be fully informed of material matters that affect the Trust's position and prospects. Any prospective investors should be able to make informed investment decisions regarding the Trust. The Responsible Entity seeks to accomplish this through the release of:

- monthly NAV notices to the ASX;
- monthly updates in respect of the Trust;
- the Trust's Half Year results each year;
- the Trust's Full Year results each year; and
- significant information on the Pengana website promptly after it is disclosed to the market.

All information is available on the Pengana's website after it has been disclosed to the ASX at www.pengana.com under ASX Releases.

The Responsible Entity also maintains information about itself, the Trust and its governance on the Pengana website including:

- a copy of the Trust's corporate governance policies;
- ASX Releases; and
- Unit Registry details.

Information about the Responsible Entity, the Trust and its Corporate Governance are posted on Pengana's website at www.pengana.com.

In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to communications from Unitholders and convenes formal and informal meetings of Unitholders, as required. The Responsible Entity handles any complaints received from Unitholders in accordance with Pengana's Complaints Handling Policy. The Responsible Entity is a member of the Australian Financial Complaints Authority, an independent dispute resolution body, which is available to Unitholders.

6.2 A LISTED ENTITY SHOULD DESIGN AND IMPLEMENT AN INVESTOR RELATIONS PROGRAM TO FACILITATE EFFECTIVE TWO-WAY COMMUNICATION WITH INVESTORS

Pengana has an investor relations program which has been designed to facilitate effective two-way communication with unitholders which includes the release of monthly updates and annual investor roadshows in respect of the Trust.

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

As the Responsible Entity does not intend to hold periodic meetings of unitholders of the Trust, this Recommendation is not applicable. If the Responsible Entity were to hold periodic meetings of unitholders of the Trust in the future, the Recommendation would be complied with.

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

The Responsible Entity recognises the benefits of the use of electronic communications and unitholders have the option to receive communications from, and send communications to, the unit registry electronically. The following information can be received electronically:

- distribution statements;
- periodic statements;
- annual taxation statements;
- Annual Reports;
- if any meetings are held, notices of meetings and proxy forms and the ability to vote online; and
- other general Trust communications.

Unitholders can log into their account to make these changes. The unit registry can also be contacted via telephone. Contact details can be found on the Pengana website at www.pengana.com.

7 RECOGNISE AND MANAGE RISK

7.1 THE BOARD OF A LISTED ENTITY SHOULD:

- (a) have a committee or committees to oversee risk, each of which:**
 - (i) has at least three members, a majority of whom are independent Directors; and**
 - (ii) is chaired by an independent director, and disclose:**
 - (iii) the charter of the committee;**
 - (iv) the members of the committee; and**
 - (v) 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**
- (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.**

The Responsible Entity's Board recognises the importance of prudent identification of and management of risk factors as part of its responsibility to the Trust's unitholders and other significant stakeholders.

Due to the nature of the Trust's business, the Trust and its unitholders are exposed to risk and uncertainty. The Responsible Entity has established various corporate governance, compliance and risk systems to mitigate the risks but the Responsible Entity cannot guarantee that these safeguards and systems will be effective. Additionally, some risks are outside the control of the Responsible Entity.

The Responsible Entity does not have a separate risk committee, the functions that would be performed by this committee are undertaken by the Board.

7.2 THE BOARD OR A COMMITTEE OF THE BOARD SHOULD:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and**
- (b) disclose, in relation to each reporting period, whether such a review has taken place.**

The Responsible Entity's Board recognises the importance of prudent identification of and management of risk factors as part of its responsibility and has adopted Pengana's formal risk management program which encompasses governance, compliance and risk systems designed to understand, quantify and mitigate risks. However, the Board recognises that it cannot guarantee that these safeguards and systems will be effective. Additionally, some risks are outside the control of the Responsible Entity.

The Responsible Entity's Board conducts an annual review of assessment of risks and reviews the Group's risk management framework annually to satisfy itself that it continues to be sound.

7.3 A LISTED ENTITY SHOULD DISCLOSE:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or**
- (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.**

The Responsible Entity does not have a separate internal audit function.

The Responsible Entity is the holder of AFSL 219 462 and is subject to external audits and reviews. These external audits provide reasonable assurance on the design and operating effectiveness of the Responsible Entity's compliance and control environment. In addition, periodic monitoring of compliance with key policies and procedures is performed by the Responsible Entity's Board and the results are reported up to the Pengana Board. Pengana's culture, size, simple and scalable operations, transparent reporting and flat organisational structure allow the Boards and management full and direct visibility of the key activities undertaken.

The Boards and senior management have the skills and expertise to understand and rigorously review and challenge the information provided and recommendations submitted for approval. Where additional assurance is desired, the Board can commission external independent advice and reviews as necessary.

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.

The Responsible Entity's Board does not believe that the Trust has any material exposure to environmental and social sustainability risk, however it may have indirect exposure through its investments. The Responsible Entity's Board regularly evaluates its overall risk.

8 REMUNERATE FAIRLY AND RESPONSIBLY

8.1 THE BOARD OF A LISTED ENTITY SHOULD:

- (a) have a remuneration committee which:**
 - (i) has at least three members, a majority of whom are independent Directors; and**
 - (ii) is chaired by an independent director, and disclose:**
 - (iii) the charter of the committee;**
 - (iv) the members of the committee; and**
 - (v) 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**
- (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**

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.

8.3 A LISTED ENTITY WHICH HAS AN EQUITY-BASED REMUNERATION SCHEME SHOULD:

- (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**
- (b) disclose that policy or a summary of it.**

Recommendations 8.1, 8.2 and 8.3 are not applicable as the Trust is externally managed by the Responsible Entity. The Responsible Entity recognises the importance of establishing a remuneration committee as good corporate governance in circumstances where appropriate for the size, nature and complexity of the Trust and of the Responsible Entity.

The functions that would be performed by these committees are undertaken by the Board, with assistance from management of Pengana. This is also in line with ASX's position (explained in the ASX Corporate Governance Principles and Recommendations) which recognises that "ultimate responsibility for a listed entity's risk management framework rests with the full board".

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations provides that in lieu of disclosure its compliance with Recommendations 8.1, 8.2 and 8.3, the Responsible Entity should clearly disclose the terms governing the remuneration of the manager of the Trust.

The rates of the management and performance fees payable to the Responsible Entity, the Manager and the Investment Manager in respect of the Trust can be found in the most current Product Disclosure Statement for the Trust on the Pengana website at www.pengana.com. Further details of actual management and performance fees paid can be found in the Half Yearly Reports and Annual Reports of the Trust on the Pengana website at www.pengana.com.