

# **New Energy Solar Fund (ARSN 609 154 298) & New Energy Solar Limited (ACN 609 396 983)**

## **Corporate Governance Statement**

**For the year ended 31 December 2016**

This corporate governance statement documents the corporate governance policies and processes in line with ASX's 3<sup>rd</sup> Edition of the *Corporate Governance: Principles & Recommendations*, where appropriate, for New Energy Solar Fund (ARSN 609 154 298) (**Trust**) and New Energy Solar Limited (ACN 609 396 983) (**Company**), together referred to as the (**Fund**). The Fund has no employees, and its day-to-day functions relating to the Trust are managed by Walsh & Company Investments Limited (**Responsible Entity**), and all functions relating to the Company are managed by the board of directors of the Company. The Fund has appointed New Energy Solar Manager Pty Limited (ACN 609 166 64) (**Investment Manager**) to provide investment management services to the Fund in accordance with a Management Agreement.

The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* provides guidelines for good corporate governance. The directors for each of the Responsible Entity (**Board of the RE**) & the Company (**Board of the Company**), together referred to as the Boards (**Boards**), recognise the importance of good corporate governance.

The Fund's Corporate Governance Charter, which incorporates the Fund's policies referred to below, is designed to ensure the effective management and operation of the Fund and will remain under regular review. The Corporate Governance Charter is available on the Fund's website [newenergysolar.com.au](http://newenergysolar.com.au).

A description of the Fund's adopted practices in respect of the eight Principles and Recommendations from the 3<sup>rd</sup> Edition of the ASX *Corporate Governance Principles and Recommendations* are set out below. All of these practices, unless otherwise stated, were in place throughout the year and to the date of this report.

### **1. Lay solid foundations for management and oversight**

#### ***Boards roles and responsibilities***

The Boards are responsible for the overall operation, strategic direction, leadership and integrity of the Fund. This involves undertaking the following functions:

- providing and implementing the Fund's strategic direction;
- reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Fund are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- overseeing the integrity of the Fund's accounting and corporate reporting systems, including the external audit
- ensuring that the Boards are comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;
- reviewing and overseeing internal compliance and legal regulatory compliance;
- ensuring compliance with the Fund's Constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*;

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- overseeing the Fund's process for making timely and balanced disclosures of all material information concerning the Fund; and
- communication with and protecting the rights and interests of all security holders.

The Boards have established a formal policy which sets out its functions and responsibilities. A review of the policy is conducted annually.

The responsibility for the operation and administration of the Fund is delegated, by the Boards, to the Investment Manager as set out in the Management Agreement. The Boards ensure the Investment Manager is appropriately qualified and experienced to discharge its responsibilities. The Investment Manager will be responsible for implementing the Fund's strategic objectives and operating within the risk appetite as set out within the Investment Guidelines.

**Appointment of Directors of the Company**

The Company has adopted a formal process to ensure that appropriate checks are undertaken before appointing a person, or putting forward to security holders a candidate for election as a director. The Company has outsourced part of this function to an external service provider, which specialises in completing background checks, to verify the candidate's experience, education, criminal record and bankruptcy history.

Upon proposing a candidate for election or re-election as a director, the Company provides security holders with all the relevant material information in its possession to allow security holders to make an informed decision on whether or not to elect or re-elect the candidate. This information will generally include;

- biographical details of the candidate, including their qualifications, experience and skills which may be relevant to the Board of the Company
- details of any current or past directorships held by the candidate

Each director of the Company receives a formal appointment letter outlining their terms of employment, responsibilities, conditions and expectations of their engagement.

**Role of the Company Secretary of the Company**

The Company Secretary of the Company is directly accountable to the Board of the Company, through the board Chairperson on all matters to do with the proper functioning of the Board of the Company. This includes:

- advising the Board of the Company on governance matters
- circulating to the Board of the Company all board papers in advance of any proposed meeting
- ensuring that the business at board meetings is accurately captured in the minutes

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facilitating the induction and professional development of directors

### **Diversity**

The Board of the Company is of the view that given that the Company is relatively newly formed, it has not yet adopted a diversity policy. The Board will reassess this position in the future.

## **2. Structure the board to add value**

### ***Composition of the Boards***

The Company seeks to maintain a Board of Directors with a broad range of skills. The Company has developed a Skills Matrix below which lists the skills that have been identified as the ideal attributes the Company seeks to achieve across its board membership:

- Leadership
- Industry Knowledge
- Understanding of the Renewable Energy Sector
- Corporate Governance
- Financial & Accounting
- Funds Management
- Risk Based Auditing & Risk Management
- Capital Raising
- Legal

The Boards are structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director for the Trust and the Company at the date of this report are given on the Fund's website, skills, experience, and expertise relevant to the position of director.

The directors of the Responsible Entity at the date of this report are:

- **Alex MacLachlan** – Non-Executive Director
- **Tristan O'Connell** – Non-Executive Director
- **Tom Kline** – Non-Executive Director

The directors of the Company at the date of this report are:

- **Alex MacLachlan** – Non-Executive Director
- **Warwick Keneally** – Non-Executive Director
- **Tom Kline** – Non-Executive Director

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Having regard to the size of the Fund and the nature of its business, the Boards have each determined that a board with three members for each of the Responsible Entity and the Company is the appropriate composition for the board and will enable it to continue to effectively discharge its responsibilities to the Fund. However, the composition of the Boards will be reviewed periodically.

The current Boards are not Independent. The Board of the RE however has established a Compliance Committee for the Trust with a majority of external independent members who are responsible for; monitoring the extent the Responsible Entity complies with the Trust's relevant regulations, compliance plan, constitution and report the findings to the Board of the Responsible Entity, reporting to ASIC if the Committee is of the view that the Responsible Entity has not complied with the Compliance Plan or any relevant laws, and to assess at regular intervals whether the Trust's compliance plan is adequate and make recommendations to Responsible Entity about any changes that the Committee considers should be made to the compliance plan.

The Boards recognises the ASX Recommendations with respect to establishing remuneration and nomination committees as good corporate governance. However, considering the size of the Fund, the functions that would be performed by these committees are best undertaken by the Boards.

The Boards will review its view on committees in line with the ASX Recommendations and in light of any changes to the size or nature of the Fund and, if required, may establish committees to assist it in carrying out its functions. At that time, the Boards will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practices.

It is the Boards' policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules (where appropriate) and the *Corporations Act 2001*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Fund. Written approval must be obtained from the chairperson prior to incurring any expense on behalf of the Fund.

***Performance evaluation***

The performance of directors is assessed and reviewed by the Boards at intervals it considers appropriate. This process may include consideration of feedback provided by directors via a questionnaire.

***Induction and Ongoing Professional Development for Directors of the Company***

On appointment, the directors of the Company are individually briefed by the Investment Manager and the Management team. Directors are entitled to receive appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as directors effectively. The Company's Induction Program is structured to enable a new Director to gain an understanding of; the Company's Investments, the Company's financial, strategic, operational and risk management position, and their rights, duties and responsibilities.

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The Company Secretary is responsible for facilitating the induction and ongoing development of all directors, and where necessary, from time to time, will recommend relevant courses and industry seminars which may assist directors in discharging their duties.

**3. Act ethically and responsibly**

***Code of conduct***

The Boards are committed to maintaining ethical standards in the conduct of its business activities. The Boards' reputation as an ethical business organisation is important to its ongoing success and it expects all its officers and employees to be familiar with, and have a personal commitment to meeting these standards. In this regard the directors have adopted a Code of Conduct (Code) to define basic principles of business conduct. The Code requires officers and employees to abide by the policies of the Fund and the law. The Code is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour. The Code of Conduct covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information and insider trading.

A copy of the Code of conduct is available on the Fund website in the corporate governance section.

***Security trading policy***

The Boards have established a Security Trading Policy to apply to trading in the Fund's securities on. This policy outlines the permissible dealing of the Fund's units while in possession of price sensitive information and applies to all directors of the Company, the Responsible Entity and the Investment Manager.

The Policy imposes restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

***Insider trading policy***

The Boards have established an Insider Trading Policy to apply to trading in the Fund's units. This policy applies to all directors, executives and employees of the Company, Responsible Entity, Investment Manager, and their parent company, Dixon Advisory Group. All directors, executives and employees of the Company, Responsible Entity, Investment Manager, and their parent company must not deal in the Fund's securities while in possession of price sensitive information. In addition, the general Security Trading Policy sets out additional restrictions which apply to directors and executives of the Company, the Responsible Entity, Investment Manager, and their parent company.

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**4. Safeguard integrity in corporate reporting**

***Compliance Committee***

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 is reviewed comprehensively every year to ensure that the way in which the Fund operates protects the rights and interests of security holders and that major compliance risks are identified and properly managed.

The Responsible Entity has formed a Compliance Committee to; ensure the Fund complies with the relevant regulations, its compliance plan and its constitution. The Committee meets and reports to the Board of the Responsible Entity on a quarterly basis.

The Committee is structured with three members, the majority of which are independent. Details of the Compliance Committee members are as follows:

**Tristan O'Connell** (Internal Member)

Tristan O'Connell joined Dixon Advisory in 2005 as Chief Financial Officer after 10 years' experience in corporate financial and management roles within the wholesale financial markets industry and is currently a director of Walsh & Company Investments Limited, the responsible entity for each of the New Energy Solar Fund, Australian Property Opportunities Fund I, II & III, US Select Private Opportunities Fund I, II & III, Emerging Markets Masters Fund and the US Masters Residential Property Fund.

Tristan's previous roles included Financial Controller of Tullett Prebon in Australia, one of the world's leading inter-dealer broker firms, specialising in over-the-counter interest rate, foreign exchange, energy and credit derivatives. Tristan subsequently held senior finance roles for the Tullett Prebon Group in Singapore and London. Tristan returned to Australia to be responsible for the financial management and growth of Dixon Advisory.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

**Barry Sechos** (Independent Member)

Barry is a Director of Sherman Group Limited, a privately owned investment company, and is responsible for managing the legal, financial and operational affairs of Sherman Group Limited. Barry has 25 years experience in corporate law and finance, having spent seven years as a banking and finance lawyer at Allen Allen & Hemsley (Sydney, Singapore and London), and eight years as a Director of EquitiLink Funds Management and Aberdeen Asset Management Australia. Barry is also a Director of See-Saw Films, a film production and finance group and winner of the 2011 Academy Award for Best Picture, Transmission Films, an Australian film distribution company; Regeneus Limited, an Australian based regenerative medicine company listed on ASX, Aberdeen Leaders Limited an ASX-listed investment company and DirectCash Payments Inc, a financial transaction payments processing company listed on the Toronto Stock Exchange. He is also a Director of Sherman Contemporary Art Foundation, a charitable cultural organisation.

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### **Michael Britton** (Independent Member)

Michael has over 35 years of commercial and financial services experience, initially with Boral Limited (ASX: BLD) and culminating in 12 years as General Manager of the corporate businesses of The Trust Company Limited (ASX: TRU) where he established the company's reputation as a leader in the delivery of independent Responsible Entity services. He has represented The Trust Company as a director on the boards of both domestic and offshore operating subsidiary companies and a large number of special purpose companies delivering the Responsible Entity function in both conventional and stapled, ASX-listed and unlisted managed investment schemes. Michael has acted as a Responsible Manager, a member of committees of inspection in relation to large insolvency administrations and as an independent compliance committee member for substantial investment managers with portfolios of managed investment schemes. He is an independent director on the board of the unlisted Knights Capital Group Limited, a Perth-based investor and property fund manager and a Panel Member for the Financial Ombudsman Service Limited.

Michael holds degrees in Jurisprudence and Law from the University of New South Wales and is a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

The Boards having considered their overall responsibilities, the size and structure of the Fund and other duties performed by the Compliance Committee, does not consider it appropriate, at this time, to establish an audit committee.

### **5. Making timely and balanced disclosure**

The Boards are committed to complying with its continuous disclosure obligations under the *Corporations Act 2001*, as well as releasing relevant information to the market and security holders in a timely and direct manner to promote investor confidence in the Fund and its securities.

The Fund has adopted a Continuous Disclosure Policy to ensure the Fund complies with its continuous disclosure requirements. This policy is administered by the Boards and monitored by the Compliance Committee.

This policy is administered by the Boards and the Investment Manager as follows:

- the Boards are involved in reviewing significant announcements and ensuring and monitoring compliance with this policy
- the Company Secretary is responsible for the overall administration of this policy and all communications to the public
- Senior management of the Investment Manager is responsible for reporting any material price sensitive information to the Company Secretary and observing the Fund's no comments policy

### **6. Respect the rights of security holders**

#### ***Rights of security holders***

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The Fund promotes effective communication with security holders. The Boards have developed a strategy within its Continuous Disclosure Policy to ensure that security holders are informed of all major developments affecting the Fund's performance, governance, activities and state of affairs. This includes using a website to facilitate communication with security holders. Each security holder is also provided online access to the Registry to allow them to receive communications from, and send communication to, the Fund and the Registry. Information is communicated through announcements published on the Fund website, releases to the media and the dispatch of financial reports. Security holders are provided with an opportunity to access such reports and releases electronically. Copies of all announcements are available on the Fund's website at [newenergysolar.com.au](http://newenergysolar.com.au).

These include:

- quarterly investment updates;
- the half-year report;
- the annual report;
- announcements made to comply with the Fund's continuous disclosure requirements; and
- correspondence sent to security holders on matters of significance to the Fund.

The Boards encourage full participation of security holders at the general meetings to ensure a high level of accountability and identification with the Fund's strategy. Security holders who are unable to attend the general meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting.

### **7. Recognise and manage risk**

The Boards have accepted the role of identification, assessment, monitoring and managing the significant areas of risk applicable to the Fund and its operations. It has not established a separate committee to deal with these matters as this responsibility will be undertaken by the Boards. The Boards also monitor and appraise financial performance, including the approval of annual and half-year financial reports and liaising with the Fund's auditor.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Responsible Entity has adopted a set of Risk Management Framework (**RMF**). The Board of the Responsible Entity conduct an annual review of the RMF to satisfy itself that the framework continues to be sound.

The Boards provide declarations required by Section 295A of the *Corporations Act 2001* for all financial periods and confirms that in its opinion the financial records of the Fund have been properly maintained and that the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view of the financial position and performance of the Fund, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Fund's external auditor.

Details of the Fund's financial risk management are set out in the notes to the financial statements in the annual report.

The Company does not have a material exposure to sustainability risks.



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**8. Remunerate fairly and responsibly**

***Remuneration policy***

There is no remuneration paid directly to the directors as they are remunerated by the Dixon Advisory Group. In accordance with the Trust and Company constitutions, the Responsible Entity and the Company are entitled to a management fee for services rendered. Details of the Fund's related party transactions are disclosed in the notes to financial statements within the annual report. The Trust and Company constitutions are available to security holders upon request.