

## CORPORATE GOVERNANCE STATEMENT

Gryphon Capital Income Trust (ARSN 623 308 850) (**Trust**) is a registered managed investment scheme under the Corporations Act 2001 (**Corporations Act**) and One Managed Investment Funds Limited (ACN 117 400 987) (**OIG**) is the responsible entity for the Trust and is responsible for establishing and monitoring the corporate governance policies relevant to the Trust.

The corporate governance policies relevant to the Trust are available in the corporate governance section of the Trust's website at <http://www.gcapinvest.com/gcit/document-archive> (**Trust's Website**). These policies and OIG's corporate governance practices mostly meet the requirements of the 3rd edition of the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**) as they apply to externally managed listed trusts.

This Corporate Governance Statement was approved by the Board of OIG and is current as at 24 August 2018 in accordance with ASX Listing Rule 4.10.3.

## Compliance with ASX Corporate Governance Principles and Recommendations

### Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1 [*Alternative for Externally Managed Listed Trusts*] The responsible entity of an externally managed listed entity should disclose (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.

OIG, the Trust's responsible entity is a member of One Investment Group which is an independent funds management business specialising in providing responsible entity, trustee, custody and administration services. The One Investment Group is responsible for in excess of 200 funds and \$25 billion in a wide range of underlying asset classes including infrastructure, real estate, equities, fixed income, private equity and fund of funds. The One Investment Group is not a fund manager and its clients include global and Australian listed companies, sovereign wealth funds, banks, insurance companies, pension funds, private equity firms and boutique managers.

OIG is an independent responsible entity the Board of which comprises its two founding Executive Directors Mr Frank Tearle and Mr Justin Epstein and one Non-Executive Director, Ms Elizabeth Reddy. As an independent responsible entity, in respect of the Trust, some of the functions traditionally performed by an entity's management are instead performed by the Investment Manager appointed by OIG to manage the day-to-day affairs of the portfolio of assets held by the Trust. OIG monitors the performance of the Investment Manager in much the same way as an independent board monitors performance of management of the entity they are appointed to.

The roles and responsibilities of OIG and the Investment Manager in connection with the Trust are set out in the Constitution and Investment Management Agreement respectively, supplemented in the case of OIG, by its duties under the Corporations Act.

OIG's corporate constitution, the Board Charter and detailed policies and procedures describe the roles and responsibilities of the Board and OIG's management, including those matters expressly reserved to the Board and those delegated to management.

The Board meets regularly to review the operations and performance of the Trust and OIG. OIG's key responsibilities in respect of the Trust include -

- Acting honestly and in the best interest of Unitholders and in doing so, exercising the degree of care and diligence that a reasonable person would exercise if they were in OIG's position.
- Monitoring the operations, financial position and performance of the Trust.
- Overseeing the risk management and compliance of the Trust.
- Ensuring the Constitution meets the requirements of the Corporations Act and that the Trust complies with the Constitution.
- Ensuring the Trust's compliance plan meets the requirements of the Corporations Act and that the Trust complies with the compliance plan.

Where appropriate, OIG may delegate the functions such as investment or asset management, fund administration, registry and custody to external service providers. OIG has engaged Gryphon Capital Investments Pty Ltd (ACN 167 850 535) as the Investment Manager (**Investment Manager**) of the Trust. The Investment Manager will make

investment and divestment decisions in respect of the assets of the Trust and implement the investment strategy for the Trust on the terms and conditions set out in the Investment Management Agreement. Generally, the Investment Manager will:

- implement the Trust's investment strategy, including actively manage and supervise its investment portfolio;
- select the Trust's assets and manage the portfolio's exposure to asset classes to stay within any relevant portfolio concentration limits;
- regularly update OIG regarding the portfolio and provide all information necessary for the maintenance of the Trust's financial accounts to be completed; and
- provide administrative support to assist and ensure the maintenance of the Trust's records, compliance with the Listing Rules and the Corporations Act.

<p>Recommendation 1.2 – Conduct appropriate pre-appointment checks</p> <p>Recommendation 1.3 – Written appointment letters</p> <p>Recommendation 1.4 – Accountability of company secretary</p> <p>Recommendation 1.5 – Diversity Policy</p> <p>Recommendation 1.6 – Periodic evaluation of directors, board and committees</p> <p>Recommendation 1.7 – Periodic evaluation of senior executives</p>	<p>These recommendations are not relevant as the listed entity (the Trust) is an externally managed entity.</p>
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## Principle 2 - Structure the Board to add value

<p>Recommendation 2.1 – Have a nominations committee</p> <p>Recommendation 2.2 – Board Skills Matrix</p> <p>Recommendation 2.4 – Majority of Board Independent</p> <p>Recommendation 2.5 – Chair to be independent</p> <p>Recommendation 2.6 – Induction program for new directors</p>	<p>These recommendations are not relevant as the listed entity (the Trust) is an externally managed entity.</p>
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<p>Recommendation 2.3 – Entity to disclose names of directors considered independent and if they have an interest but are still considered independent – disclose why and disclose length of service of each director</p>
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In determining the independence of directors, the Board has considered the factors set out in Box 2.3 of the ASX Principles.

Two of OIG's three directors are executive directors and one is a non-executive director but no director is independent. All three directors are independent of the Investment Manager which has day-to-day control of the Portfolio. Each director has been a director of OIG for more than seven years.

OIG was appointed as the responsible entity to the Trust with effect from 20 December 2017. Mr Frank Tearle was appointed as an executive director of OIG on 4 December 2008, Mr Justin Epstein was appointed as an executive director of OIG on 1 September 2009 and Ms Elizabeth Reddy was appointed as a non-executive director of OIG on 6 November 2009.

OIG's compliance with the Corporations Act in respect of its operation of the Trust is monitored by a Compliance Committee which comprises a majority of external members (under the criteria set out in section 601JB(2) of the Corporations Act). OIG is required to establish and maintain a Compliance Committee as the majority of its directors are not external directors when considered against the factors set out in section 601JA(2) of the Corporations Act.

### Principle 3 – Act ethically and responsibly

**Recommendation 3.1 – Establish a Code of Conduct.**

OIG has adopted a Code of Conduct that underlines OIG’s expectation that all employees will maintain high moral and ethical standards. While some of these standards are detailed in the Code of Conduct, the code is not intended to be exhaustive and cannot anticipate every situation which may morally or ethically compromise an employee or OIG. Accordingly, OIG expects its employees to use their common sense and sound judgement and, where they are unsure how to act in any situation, to ask their manager.

On joining OIG, all new employees receive training on the Code of Conduct and related policies and refresher training is provided annually to all staff. Staff are encouraged to report any breach of the Code of Conduct and related policies and procedures. OIG has a Whistle-blower Policy in support of this.

Failure to comply with a material provision of the Code of Conduct or OIG’s related policies is regarded as a serious breach of the relevant policy which will be investigated and may result in disciplinary action ranging from warnings to termination.

The Code of Conduct is available on the Trust’s Website.

### Principle 4 - Safeguard integrity in financial reporting

**Recommendation 4.1 – Establish an Audit Committee that meets the requirements of the ASX Principles or the fact that the Responsible Entity does not have an audit committee and the processes the Responsible Entity employs that independently verify and safeguard the integrity of the Trust’s corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner**

The size, nature and scale of the operations and assets of the Trust do not warrant the establishment of a separate audit committee of the Board.

OIG 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 OIG and breaches and incidents relating to the Fund Administrator’s performance are reported to both the Board and the Compliance Committee. At least annually OIG’s staff review the performance of the Fund Administrator reporting their findings to the Board.

Annually OIG reviews the performance of the external auditor and assesses their continued independence against the Trust’s then current circumstances. OIG makes decisions on the appointment and removal of the external auditors. The external auditor is required to rotate the partner responsible for the Trust audit and review at least once every 5 years.

**Recommendation 4.2 – Statement from CEO and CFO as to preparation of financial statements**

With no independent directors on the Board of OIG, the Executive Directors are in the best position to determine for themselves, when approving the Trust’s financial statements for a financial period that, in their opinion:

- the financial records of the Trust have been properly maintained; and
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Trust; and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

To the extent appropriate, the OIG Board may request similar assurances to those set out above from the CEO and CFO of the Investment Manager or a Fund Administrator appointed to the Trust.

**Recommendation 4.3 – External Auditor to attend AGM**

The Trust is an externally managed entity that does not hold AGMs accordingly this recommendation does not apply.

## Principle 5 - Make timely and balanced disclosure

### Recommendation 5.1 – Have and disclose a Continuous Disclosure Policy.

OIG is committed to the objective of promoting investor confidence and the rights of unitholders by:

- complying with the continuous disclosure obligations imposed by law;
- ensuring that OIG announcements are presented in a factual, clear and balanced way;
- ensuring that all unitholders have equal and timely access to material information concerning OIG and the Trust; and
- communicating effectively with unitholders and making it easy for them to participate in general meetings.

OIG has a Continuous Disclosure and Communications Policy which is available on the Trust's website.

## Principle 6 - Respect the rights of security holders

### Recommendation 6.1 – Disclose information about the Trust on its website.

OIG acknowledges that most investors will expect to be able to find on the Trust's website up to date information about the Trust including the Trust's annual report, ASX announcements and media releases, distribution mail outs, email broadcasts and other information.

OIG is committed to effective and accurate communication with investors and other stakeholders. OIG provides investors with the opportunity to be contacted electronically in respect of their holding in the Trust where permitted.

OIG has adopted a Continuous Disclosure and Communications Policy and it is available on the Trust's website.

### Recommendation 6.2 – Design and implement a two way communication with investors.

The process adopted in respect of the Trust is disclosed in the Continuous Disclosure and Communications Policy available on the Trust's website.

Recommendation 6.3 – Disclose policies and processes of the Trust to facilitate member participation at meetings

The Trust is an externally managed entity that does not hold periodic security holder meetings accordingly this recommendation does not apply.

### Recommendation 6.4 – Give security holders the option to received communications electronically

The process adopted in respect of the Trust is disclosed in Continuous Disclosure and Communications Policy available on the Trust's website.

## Principle 7 - Recognise and manage risk

### Recommendation 7.1 – Establish a risk committee

The size, nature and scale of the operations and assets of the Trust do not warrant the establishment of a separate risk committee of the Board.

### Recommendation 7.2 – Review risk management framework and report that review has taken place

OIG as an Australian Financial Services Licence holder is required under the Corporations Act to have appropriate risk management systems. OIG has established methods to ensure this is achieved and its compliance with these procedures is monitored by the Compliance Committee. The Board has adopted a Risk Management System Statement (Risk Statement) which outlines the key material risks faced by OIG and documents the framework and process for identifying, monitoring and mitigating risks.

Under the Compliance Plan the OIG Board are required to review the adequacy of this Risk Management Framework and this was done during the period from 1 July 2017 to 30 June 2018.

Recommendation 7.3 – Establish an internal audit function

The size, nature and scale of the operations and assets of the Trust do not warrant the establishment of an internal audit function.

Many of the aspects of an internal audit function are performed by the Compliance Committee's review of the methods and steps taken by OIG to ensure it complies with its obligations under the Corporations Act. In addition aspects of the One Investment Group's operations (for example the custody function) are reviewed in accordance with GS007.

Recommendation 7.4 – disclose whether the Trust 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 OIG Board does not consider the Trust has any material exposure to economic, environmental and social sustainability risks. Significant risks relevant to the Trust are disclosed in the Annual Report for the Trust.

## Principle 8 – Remunerate fairly and responsibly

*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:*

An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.

The Trust is an externally managed entity and accordingly Recommendations 8.1 to 8.3 (inclusive) are not applicable.

The terms of OIG's remuneration are dealt with in the Trust's constitution. The *Corporations Act 2001* (Cth) provides that the constitution for a registered managed investment scheme may only provide for remuneration to be paid to the responsible entity for the proper performance of its duties. Under the Trust's constitution, OIG may waive, defer or postpone the receipt of any fee (or any part of a fee) or charge a lesser fee than it would otherwise have been entitled to receive under the Constitution. A copy of the Constitution of the Trust is available to members at no cost.

The Directors and employees of OIG are not paid directly from the assets of the Trust and no Director or employee is remunerated based on the performance of the Trust.

The fees and kinds of expenses payable to the Investment Manager from the assets of the Trust are set out in the Investment Management Agreement between OIG and the Investment Manager. Details of the fees and expenses payable to the Investment Manager were set out in the Supplementary Product Disclosure Statement for the Trust but include, in summary a management fee of 0.70% per annum (plus GST) based on the Net Asset Value of the Trust.

The Financial Statements for the Trust provide details on the fees paid from the Trust assets to OIG and the Investment Manager.