



**Spheria Emerging Companies Ltd
(ACN 621 402 588)**

Corporate Governance Statement

28 August 2018

The board of directors (**Board**) of Spheria Emerging Companies Ltd (**Company**) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company, on behalf of the shareholders to whom they are accountable.

The table below summarises the Company's compliance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Recommendations**). This statement has been approved by the Board.

| | ASX Recommendations | Compliance | Comment |
|-----------|--|-------------------|---|
| 1. | Lay solid foundations for management and oversight | | |
| 1.1 | A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management. | Complies | <p>The functions of the Board are set out in the Company's Board policy (Board Policy) contained in Section 1 of the Company's corporate governance charter (Corporate Governance Charter). A copy of the Corporate Governance Charter can be located on the Company's website at http://www.spheria.com.au/spheria-emerging-companies-limited/.</p> <p>The Board is responsible for the appointment of the investment manager, Spheria Asset Management Pty Limited ACN 611 081 826 (Manager) to whom the Company has delegated investment management responsibilities in respect of the Company's portfolio.</p> <p>The Board has also appointed Pinnacle Investment Management Limited to provide various administration support services (Administrator).</p> |

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| 1.2 | <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(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.</p> | Complies | <p>Section 1.8 of the Corporate Governance Charter sets out the process for appointment and retirement of directors of the Company (Directors).</p> <p>The Board Policy at this Section:</p> <ul style="list-style-type: none"> sets out the matters that the Board will consider when appointing a Director, including the results of an appropriate background check which the Board will undertake; and requires the Board to provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. |
| 1.3 | <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p> | Complies | <p>Section 1.8 of the Corporate Governance Charter requires there to be a written agreement between the Company and each Director.</p> <p>Under the Board Policy at this Section, when the Board considers the appointment of any new Director, the terms of appointment of the Director must be recorded in a letter of appointment which takes into consideration the ASX Recommendations. This forms the basis of the written agreement entered into between the Company and the Director.</p> <p>The Company does not have any senior executives.</p> |
| 1.4 | <p>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.</p> | Complies | <p>Section 1.5 of the Corporate Governance Charter specifies that the Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.</p> |

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| 1.5 | <p>A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> | Not Applicable | The Company does not have a diversity policy as the Company does not have any employees or management. In the event that a Director vacancy arises, the Board includes diversity in its nomination process as per the Board Policy at Section 1.8 of the Corporate Governance Charter. |
| 1.6 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | Complies | <p>Section 1.10 of the Corporate Governance Charter outlines that a performance evaluation of the Board will be undertaken annually.</p> <p>The Board will review its performance by discussion and by reference to generally accepted Board performance standards.</p> |

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| 1.7 | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | Not Applicable | The Company does not have any senior executives. |
| 2. | Structure of the Board to add value | | |
| 2.1 | <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> | Complies | <p>The Board does not have and does not intend to establish such a committee at this time because the formation of such a committee would be inefficient given the Company's size and nature and, accordingly, would not serve to protect or enhance the interests of shareholders. The functions that would be performed by a nomination committee are best undertaken by the Board at this time. The Board will deal with these issues as a whole.</p> <p>The Company recognises the importance of establishing a nomination committee as good corporate governance in circumstances where appropriate for the size, nature and complexity of a company. Should the size, nature and/or complexity of the Company change, the Board will consider establishing a separate nomination committee.</p> <p>The Board Policy seeks to ensure that the Board has the appropriate balance of skills, expertise, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p> |

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| 2.2 | A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. | Complies | <p>The Company supports the appointment of Directors who bring a wide range of business, investment and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider directors' attributes prior to any appointment.</p> <p>The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Company's 2018 annual report (Annual Report) and their attendance at Board meetings is included in the Annual Report.</p> |
| 2.3 | <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the Board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Corporate Governance Principles and Recommendations but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each director.</p> | Complies | <p>The Board is comprised of three Directors, two of whom are independent Directors.</p> <p>The details of the Directors are included in the Annual Report.</p> |
| 2.4 | A majority of the Board of a listed entity should be independent directors. | Complies | The Board is comprised of three Directors, two of whom are considered independent. |
| 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. | Complies | The Chairperson is independent. The Company does not have a chief executive officer. |

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| 2.6 | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Complies | <p>Under the Board Policy at Section 1.9 of the Corporate Governance Charter:</p> <ul style="list-style-type: none"> • the Company Secretary is responsible for arranging for a new Director to undertake an induction program enabling the new Director to understand: <ul style="list-style-type: none"> (a) the Company's investments; (b) the Company's financial, strategic, operational and risk management position; (c) their rights, duties and responsibilities; and (d) any other relevant information. • the Directors are entitled to receive appropriate professional development opportunities and maintain the skills and knowledge needed to perform their role as Director effectively. |
| 3. | Act ethically and responsibly | | |
| 3.1 | <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p> | Complies | <p>The Company's code of conduct (Code of Conduct) is contained in Section 3 of the Company's Corporate Governance Charter and is publicly available on the Company's website at http://www.spheria.com.au/spheria-emerging-companies-limited/.</p> |

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| 4. | Safeguard integrity in corporate reporting | | |
| 4.1 | <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the Board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> | Complies | <p>The Board does not have and does not intend to establish such a committee at this time because the formation of such a committee would be inefficient given the Company's size and nature and, accordingly, would not serve to protect or enhance the interests of shareholders. The Board will deal with this issue as a whole. Should the size or nature of the Company change, the Board will consider establishing a separate audit committee.</p> <p>The Board has, through the Administrator, established a process to independently verify and safeguard the integrity of its corporate reporting. The Board, through the Administrator, monitors the performance of the external auditor including the the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> |

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| 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. | Complies | <p>The Manager and the Administrator are responsible for preparing the declaration pursuant to section 295A of the Corporations Act as the Company does not have a chief executive officer (or equivalent) or a chief financial officer (or equivalent).</p> <p>The Board requires the Manager and the Administrator to have in place sound systems of risk management and internal controls and ensures that the systems and controls are operating effectively in all material respects in relation to financial reporting risks.</p> |
| 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. | Will comply | The Company will ensure that its external auditor attends its AGM and is available to answer questions from shareholders relevant to the audit. |
| 5. | Make timely and balanced disclosure | | |
| 5.1 | <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p> | Complies | <p>The Company operates under the continuous disclosure requirements of the ASX Listing Rules as set out in its continuous disclosure policy contained in Section 2 of the Corporate Governance Charter (Continuous Disclosure Policy). The Company ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company.</p> <p>The Company Secretary has the responsibility for ensuring that all relevant information is released to the market in a timely manner in consultation with the Board. The Company considers this to be a satisfactory protocol given the size and nature of the Company.</p> <p>The Continuous Disclosure Policy is publicly available on the Company's website at http://www.spheria.com.au/spheria-emerging-companies-limited/.</p> |

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| 6. | Respect the rights of security holders | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | Complies | The Company provides information about itself and its governance to investors via the Company's website at http://www.spheria.com.au/spheria-emerging-companies-limited/ . |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Complies | The Board has developed a Shareholder Communications strategy within the Continuous Disclosure Policy outlined in Section 2.15 of the Corporate Governance Charter to ensure that shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. This includes having a website to facilitate communication with shareholders via electronic methods. In addition, the Company publishes regular shareholder communications, such as monthly NTA announcements, half yearly and annual reports and provides shareholders with an opportunity to access such reports and other releases electronically. Shareholders can communicate with the Company via electronic methods. |
| 6.3 | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. | Complies | Section 2.15 of the Corporate Governance Charter specifies that the Board encourages full participation of shareholders at the Company's AGMs and any general meetings to ensure a high level of accountability and identification with the Company's strategy. The external auditor will also be required to attend the AGM and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report. |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically | Complies | Section 2.15 of the Corporate Governance Charter specifies that the Company gives shareholders the option to receive and send communications electronically. |

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| 7. | Recognise and manage risk | | |
| 7.1 | <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | Complies | <p>The Board does not have and does not intend to establish such a committee at this time because the formation of such a committee would be inefficient given the Company's size and nature and, accordingly, would not serve to protect or enhance the interests of shareholders. The Board will deal with this issue as a whole. Should the size or nature of the Company change, the Board will consider establishing a separate risk committee.</p> <p>The Manager is primarily responsible for managing the risk of the portfolio. Other third parties, such as the Administrator, assist with compliance. The Manager's risk policies and controls are designed to be robust and relevant to the Company's investment objective and strategy.</p> |
| 7.2 | <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p> | Complies | <p>The Board will review the adequacy and effectiveness of the Company's risk management framework at least annually to satisfy itself that major risks have been identified and are appropriately managed and that the framework continues to be sound.</p> <p>The Board also oversees market risk protocols and ensures the Manager complies with the asset allocation restrictions.</p> <p>The Company will disclose whether the review has taken place in each annual report.</p> |

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| 7.3 | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | Complies | <p>The Board does not have an internal audit function.</p> <p>The process for evaluation and improving the effectiveness of its risk management process is set out at Section 1.3 of the Corporate Governance Charter. The Administrator of the portfolio provides periodic reports to the Board on risk management and internal control processes relevant to the Company.</p> |
| 7.4 | <p>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.</p> | Complies | <p>The Company has a material exposure to economic risks, but not to any environmental or social sustainability risks. The risks and how they are managed are set out in Section 5 the Prospectus.</p> <p>If the Company's exposure to any of the above risks changes, it will disclose this and how it manages or intends to manage those risks at the end of each annual reporting period.</p> |
| 8. | Remunerate fairly and responsibly | | |
| 8.1 | <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period</p> | Complies | <p>The Board does not have and does not currently intend to establish such a committee because the formation of such a committee would be inefficient given the Company's size and nature (including the fact that it does not have any employees) and, accordingly, would not serve to protect or enhance the interests of shareholders. Should the size or nature of the Company change the Company will consider establishing a separate remuneration committee.</p> <p>The Board will annually review the allocation and amount of Directors' remuneration and this will reflect market rates.</p> <p>The Company does not have any executive Directors or other senior executives.</p> |

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| | <p>and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | | |
| 8.2 | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Complies | <p>Refer to Item 8.1 of this table. The current remuneration of the Directors is set out in Section 8 of the Company's Prospectus.</p> <p>There are no executive Directors or other senior executives.</p> |
| 8.3 | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | Not Applicable | The Company does not have an equity based remuneration scheme. However, the Company's share trading policy that is included in Section 4 of the Corporate Governance Charter addresses hedging and margin loans. |