



EMERGING COMPANIES LIMITED

7 June 2021

ASX Release: (ASX: SB2)

Salter Brothers Emerging Companies Limited – Pre-Quotation Disclosure

The following information is provided to ASX Limited for release to the market in connection with the admission of Salter Brothers Emerging Companies Limited ACN 646 715 111 (**Company**) to the Official List of ASX and quotation of the Company's fully paid ordinary shares (**Shares**).

Close of the offer

The Company confirms that close of the offer (**Offer**) under the prospectus dated 28 April 2021 (**Prospectus**) and the completion of the issue of 4,954,700 fully paid ordinary shares at an issue price of \$1.00 per share (pursuant to the Offer under the Prospectus).

Completion of the securities sale agreement

The Company confirms that completion of the securities sale agreement between the Company and Salter Brothers Asset Management Pty Ltd as trustee of Salter Brothers Series G (Emerging Companies) Fund (**G Fund**) dated 27 April 2021 (**Securities Sale Agreement**), including the issue and allotment of 89,437,345 fully paid ordinary shares to G Fund, and the payment of \$5,700,000 in cash (being the final amount agreed between the Company and G Fund) by G Fund to the Company, in accordance with the terms of the Securities Sale Agreement has occurred.

Updated pro-forma statement of financial position

The Company provides the following updated pro-forma statement of financial position (based on the actual amount raised under the Offer and the terms on which the Securities Sale Agreement was completed).

Pro Forma Statement of Financial Position	
\$000	Actual Subscription Amount (\$4.9m)
Assets	
Cash and cash equivalents	10,000
Investments	83,737
Deferred tax asset	194
GST receivable	7
Total assets	93,939
Total liabilities	0
Net assets	93,939
Equity	
Issued capital	94,392
Less Equity Raising Costs	(16)
Accumulated losses	(437)
Total equity	93,939
Number of Shares	94,392,046
NAV Backing Per Share (\$)	\$0.995

Capital Structure

The Company confirms that its capital structure will be comprised of 94,392,046 Shares as at the time of its admission to the official list of, and quotation of its Shares on, the ASX.

ASX Waivers

The Company advises that ASX has granted waivers to the Company on the following terms:

Waiver Decision

1. *Based solely on the information provided, ASX Limited ('ASX') grants Salter Brothers Emerging Companies Limited ('SB2') a waiver from Listing Rule 15.16(b) to the extent necessary to permit Salter Brothers Funds Management Pty Ltd ('Manager') to act as its manager in accordance with the terms of the management agreement between SB2 and the Manager dated 27 April 2021 ('Management Agreement'), for a period of 10 years from the date of the Management Agreement.*
2. *ASX has considered Listing Rule 15.16(b) only and makes no statement as to SB2's compliance with other Listing Rules.*

Basis for Waiver Decision

Listing Rule 15.16(b)

3. *Listing rule 15.16 sets out that management agreements for investment entities (except a pooled development fund) must provide that: (a) the manager may only end the management agreement if it has given at least three months' notice; (b) if the term of the agreement is fixed, it must not be for more than 5 years; and (c) if the agreement is extended past five years, it will end on three months' notice after an ordinary resolution is passed to end it. This rule ensures that the manager gives adequate notice to the entity before terminating its management agreement and that a manager of an investment entity is not entrenched for a period longer than five years without providing security holders of the entity the opportunity to require the management agreement to be terminated. This gives security holders the power to end the management arrangement after a reasonable fixed term, and prevents the entrenchment of managers.*

Facts and reasons for granting the waiver

4. *SB2 has applied for admission to the official list of ASX as an investment entity, and has entered into the Management Agreement with the Manager (details of which are disclosed in the initial public offering document) which has an initial term of 10 years. After this initial term, SB2 must end the Management Agreement on 3 months' notice after shareholders pass an ordinary resolution to terminate the Management Agreement. The Manager is not entrenched beyond the initial term of 10 years. An initial term of 10 years provides an appropriate balance between the desire of managers to protect their products for long enough to recoup their initial investment and the right of security holders to end a management agreement after a reasonable fixed term.*

Waiver Decision

5. *Based solely on the information provided, ASX Limited ('ASX') grants Salter Brothers Emerging Companies Limited ('SB2') a waiver from Listing Rule 15.16(c) to the extent necessary to permit Salter Brothers Funds Management Pty Ltd ('Manager') to act as its manager in accordance with the terms of the management agreement between SB2 and the Manager dated 27 April 2021 ('Management Agreement'), for a period of 10 years from the date of the Management Agreement.*
6. *ASX has considered Listing Rule 15.16(c) only and makes no statement as to SB2's compliance with other Listing Rules.*



Basis for Waiver Decision

Listing Rule 15.16(c)

7. *Listing rule 15.16 sets out that management agreements for investment entities (except a pooled development fund) must provide that: (a) the manager may only end the management agreement if it has given at least three months' notice; (b) if the term of the agreement is fixed, it must not be for more than 5 years; and (c) if the agreement is extended past five years, it will end on three months' notice after an ordinary resolution is passed to end it. This rule ensures that the manager gives adequate notice to the entity before terminating its management agreement and that a manager of an investment entity is not entrenched for a period longer than five years without providing security holders of the entity the opportunity to require the management agreement to be terminated. This gives security holders the power to end the management arrangement after a reasonable fixed term, and prevents the entrenchment of managers.*

Facts and reasons for granting the waiver

8. *This is a companion waiver to the waiver from listing rule 15.16(b) which allows SB2 to end the Management Agreement on 3 months' notice after shareholders pass an ordinary resolution to terminate the Management Agreement subsequent to an initial term of 10 years, rather than 5 years.*

Delegated authority and expiration of the decision

9. *For the purposes of resolutions 1 above to 2 above inclusive, any decision to be made by or discretion to be exercised by ASX can be made by or exercised by the Manager Listings Compliance at the State office of ASX processing the application for admission or another authorised Manager Listings Compliance.*
10. *If the conditions set out in resolutions 1 and 2 are not satisfied by 27 August 2021, resolutions 1 above to 10 inclusive cease to have effect and if SB2 has been admitted to the Official List, it be removed.*

Investment Management Agreement

The Company sets out the following information in relation to the investment management agreement dated 27 April 2021 executed by the Company and Salter Brothers Funds Management Pty Ltd ACN 608 295 683 (**Manager**) (**Management Agreement**):

- (a) what processes will the Manager have in place to protect the confidentiality of information related the Company and its assets under management and to manage any potential conflicts that may arise between the interests of the Manager's various clients;

To protect the confidentiality of information related to the Company and its assets under management, the Manager has provided various confidentiality undertakings in the Management Agreement. These undertakings are consistent with market practice. Importantly, these undertakings:

- (a) *effectively prohibit the Manager from using the Company's information for any purpose other than in its role as the Company's Manager; and*
- (b) *require the Manager to take all reasonable, proper and effective precautions to maintain the confidential nature of the Company's information.*

To manage any potential conflicts that may arise between the interests of the Manager's various clients, the following practices and policies are in place:



- (a) *the Manager requires all new hires to declare any actual, apparent or potential conflicts of interest by completing a code of conduct and conflicts of interest declaration form, and provide it to the Salter Brothers People and Culture Manager; and*
- (b) *the Manager and its personnel have an obligation to comply with the conflicts of interest and self-dealing policy of Salter Brothers Asset Management Pty Ltd, who is the holder of an Australian Financial Services Licence (of which the Manager is an corporate authorised representative)(**Conflicts Policy**).*

The Conflicts Policy requires the identification of actual, apparent and potential conflicts of interest, and the management and control of those conflicts of interest through any of the following: controls, avoidance and disclosure.

The Conflicts Policy sets out various requirements and procedures which must be followed, for example:

- (a) *the Compliance Manager must maintain a conflicts of interest register and make recommendations and suggestions in respect of required controls;*
- (b) *the board of the Manager will consider the extent to which a conflict can be managed through control, avoidance or disclosure, taking into account the circumstances surrounding the decision including whether entering into the transaction would be in the best interests of shareholders, unitholders and clients. For example, it may decide that the Manager must:*
 - (i) *disclose the conflict of interest to the affected client (where appropriate);*
 - (ii) *allocate another representative to provide the financial services to the affected client;*
 - (iii) *obtain independent expert advice;*
 - (iv) *decline to provide financial services to the affected client to avoid the conflict;*
 - (v) *require a party to implement rectification action to resolve the conflict;*
 - (vi) *initiate internal or external disciplinary action where warranted (e.g. refer the matter to a professional body or regulator);*
 - (vii) *manage the conflict by establishing an information wall (see information wall procedures set out below); or*
 - (viii) *any other action the Manager considers appropriate in the circumstances based on the facts and circumstances at the time.*

Where the Manager reasonably determines that attempts to manage or control a conflict of interest would be inadequate, the Manager must consider the circumstances (e.g. potential financial loss to the client) and may decide to avoid the situation or transaction creating the conflict of interest by:

- (a) *declining the provision of financial services to the affected client; or*
- (b) *temporarily stopping acquisition or disposal of certain securities or instruments.*

To protect the confidentiality of information related the Company and its assets under management and prevent inside trading, the Manager's employees are required to:

- (a) *complete an employee personal trading account information declaration form and return it to Compliance;*
- (b) *provide a copy of their current holding starting; and*



(c) seek pre-approval from their manager and the Compliance department, prior to trading any Australian equities/unlisted investments.

The Manager's employees are also subject to the following notification requirements:

- (a) if the employee receives inside information, this fact must be brought to the Compliance Manager without any consultation with other employees;*
- (b) if employees are in any doubt about the classification of information, they must treat the information as inside information and raise the issue with the Compliance Manager for assessment; and*
- (c) an employee must bring any suspected or known breaches of policy or law to the Compliance Manager immediately without any consultation with other employees, including the employee's manager.*

- (b)** if the Manager is empowered to engage a related party to provide ancillary services (for example, to provide brokerage or advisory services in relation to any acquisition or disposal of assets), what processes will be in place to ensure that this power is properly exercised and that any fees charged to the entity for the provision of those ancillary services are appropriate and reasonable; and

In addition to the general requirements regarding potential conflicts of interest (summarised above), the Conflicts Policy recognises that while the Manager is not a public company, it may act in transactions for clients who are public companies, and the Conflicts Policy was developed having regard to the requirements of Chapter 2E.

As a matter of best practice, where the Manager makes an arrangement with a related party, the board of the Manager will consider the matter in line with the Conflicts Policy.

Under the Conflicts Policy, a related party transaction:

- (a) must meet the following criteria:*
 - (i) it is in the best interests of shareholders;*
 - (ii) it is for fair value and reasonable, satisfying at least one of the following tests:*
 - (A) for the related party which is providing the benefit, the terms it receives must be at least as good as, or better than it would receive if it were dealing at arm's length on a commercial basis;*
 - (B) for the related party which is receiving the benefit, the terms on which a self-dealing transaction is entered into are less favourable than the terms and conditions that would be available to a party transacting at arm's length;*
 - (iii) it is properly documented;*
 - (iv) where it is not demonstrably clear from available evidence that the transaction satisfies one of the fair value and reasonableness tests above or where the provision of a benefit is made for a purpose other than one which would be pursued if the party receiving the benefit was not a related party, an independent report on the reasonableness of the price and any other terms and conditions has occurred; and*
 - (v) the transaction is disclosed to the auditors of the accounts who may then require disclosure to be made in the accounts; and*
- (b) will require approval, disclosure or special action unless one of the circumstances set out in the Conflicts Policy applies, having regards to the interests of the client.*



Where the board of the Manager considers it necessary, it may obtain professional and expert advice about the transaction and whether the proposed terms are commercial or less favourable to the related party than if the parties were dealing at arms-length.

For completeness, where the Manager engages a related party to provide a services which the Manager is itself responsible for providing under the Management Agreement, then those fees are to the account of the Manager (and not the Company).

- (c) what processes will be in place to manage the potential conflicts if the Manager proposes to the Company that it acquire assets from, or dispose of assets to, the Manager or an associate of the Manager.

In addition to the processes set out above, which applies equally to transactions involving an acquisition or disposal of assets involving the Manager or an associate of the Manager, the Manager may also manage conflicts through business unit separation and information walls.

Each of the Salter Brothers business units has separate functional areas involving employees with separate lines of supervisory authority.

The information wall can be an administrative or a physical separation of different units/departments, established to restrict and control the flow of sensitive information between different business units, and in certain instances between two different teams in the same department to avoid conflicts of interest. It primarily separates those associates engaged in sales, trading and research activities (the public side) from those engaged in corporate finance / advisory (the private side).

The Compliance department and Chief Operating Officer, in conjunction with the relevant business unit, manages and monitors these walls, in accordance with the following steps:

- (a) Compliance must be informed as soon as a mandate is in place;*
- (b) a project name is created for the transaction;*
- (c) a register is maintained to record the deal team members and the date each member starts to participate in the deal;*
- (d) a controlled access “data room” for the transaction is to be created; and*
- (e) Compliance will issue an information wall memo to the transaction deal team members. Additions to the team must be pre-cleared by Compliance and an updated information wall memo will be reissued. All members must respond with an acknowledgement of their intention to comply by use of the email voting buttons;*

Bringing analysts, trading or sales personnel “over the wall” should be avoided unless absolutely necessary and if they are, the wall crossing procedures (set out below) must be followed.

An individual is deemed to be “above the wall” if he or she routinely possess material, non-public information because of his or her management, oversight or surveillance role (e.g. senior managers with general pipeline knowledge, and the Compliance Manager with monitoring responsibilities).

A wall cross occurs when inside information regarding a transaction is communicated from a private side employee to a public side employee. The following procedures must be followed prior to effecting a wall cross:

- (a) the Managing Director of the Corporate Finance / Advisory team submits a request to Compliance to include a public side employee into a transaction team; and*
- (b) the Compliance Manager will consult the individual’s line manager, highlighting the implications of that person’s participation in the deal team.*



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Once the wall cross is approved:

- (a) an information wall crossing memo will be issued to the employee setting out specific and additional conditions for the individual who must respond with an acknowledgement of their intention to comply by use of the email voting buttons;*
- (b) the Corporate Finance /Advisory team should only communicate what is absolutely essential to obtain information or assistance desired from the public side employee.*

Yours sincerely

Justin Mouchacca
Company Secretary
Salter Brothers Emerging Companies Limited

Authorised for release by the board of directors of Salter Brothers Emerging Companies Limited

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