



EMERGING COMPANIES LIMITED

Salter Brothers Emerging Companies Limited Compliance with requirements of ASX Corporate Governance Principles and Recommendations (4th edition)

24 May 2021

Under ASX Listing Rule 4.10.3, ASX listed entities are required to benchmark their corporate governance practices against the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (4th edition) (**ASX Recommendations**) and, where they do not conform, to disclose that fact and the reasons why. The ASX Recommendations are not prescriptions, but guidelines, and listed entities are entitled to not adopt a particular recommendation if it considers it inappropriate in the context of the business.

On listing, Salter Brothers Emerging Companies Limited (**SB2 or Company**) will comply with the ASX Recommendations other than as set out in the table below. However, SB2 may depart from the ASX Recommendations in the future if it considers such a departure would be reasonable or necessary.

Rec. no. / topic	ASX Recommendation	Compliance / intent to comply	Reason for non-compliance
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1 / Board Charter	A listed entity should have and disclose a board charter setting out: (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.	Yes. We note that the Company's Board Charter sets out the roles and responsibilities of the Board and the Investment Management Agreement dated 27 April 2021 between the Company and Salter Brothers Funds Management Pty Ltd ACN 608 295 683 (the Manager) (Investment Management Agreement) sets out the responsibilities that the Board has delegated to the Investment Manager.	N/A
1.2 / Appointment of directors and senior managers	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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.	Yes	N/A
1.3 / Letters of Appointment	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	N/A
1.4 / Company Secretary	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.	Yes	N/A

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1.5 / Diversity	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a diversity policy; (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and (c) disclose in relation to each reporting period: <ul style="list-style-type: none"> (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: <ul style="list-style-type: none"> (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) 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>If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	Yes	N/A
1.6 / Evaluation of Board	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	Yes	N/A
1.7 / Evaluation of Senior Executives	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	N/A	The Company does not have any senior executives. The Company has an Investment Management Agreement with the Manager, whose performance is monitored by the Board.

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PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
2.1 / Nomination Committee	<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>	No	<p>The Company does not have, and does not currently intend to establish, a nomination committee because the formation of such a committee would be inefficient given the Company's size and nature and having regard to the fact that the Company does not have any employees. For this reason, a nomination committee would not serve to protect or enhance the interest of Shareholders.</p> <p>Should the size of the Company change (and the Company commences having employees), the Company will consider establishing a nomination committee. This is disclosed in section 10.9(C) of the prospectus lodged by the Company with the Australian Securities and Investments Commission (ASIC) on 28 April 2021 (Prospectus).</p> <p>The Board Charter and Diversity Policy seeks to ensure that the Board has the appropriate range of skills, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>
2.2 / Board skills matrix	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	<p>Yes.</p> <p>We note that the Company has disclosed the skills and expertise of the current Board in Section 10.1 of the Prospectus and also proposes to disclose this information yearly in its annual reports (Annual Reports).</p>	N/A

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2.3 / Independence of directors	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, affiliation or relationship of the type described in Box 2.3 of the ASX Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	N/A
2.4 / Board composition	A majority of the board of a listed entity should be independent directors.	Yes	N/A
2.5 / Chair	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.	Yes	N/A
2.6 / Induction and professional development	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	N/A
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1 / Disclosure of values	A listed entity should articulate and disclose its values.	Yes	N/A
3.2 / Code of Conduct	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	Yes	N/A
3.3 / Whistleblower Policy	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	N/A

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3.4 / Anti-Bribery and Corruption Policy	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	Yes	N/A

PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

4.1 / Audit Committee	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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 (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.	Partial compliance. There are two members of the Audit, Risk and Compliance Committee, being Marcos Marcou and John Vatovec. Both members are non-executive, independent directors. The Audit, Risk and Compliance Committee is chaired by Marcos Marcou, an independent director who is not the chair of the Board.	Given the size of the Board (a total of three directors) and circumstances of the Company, it was determined that it would be preferable to comprise the committee with the two non-executive independent directors (as opposed to the full three members of the Board).
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Rec. no. / topic	ASX Recommendation	Compliance / intent to comply	Reason for non-compliance
4.2 / Financial Statements	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.	Yes. For completeness the Company does not have a CEO or CFO (or equivalent). However, section 3(f) of the Company's Audit, Risk and Compliance Committee Charter provides that the Committee is responsible for reviewing any half-yearly and annual financial reports (including those prepared on a consolidated basis) with management, advisers and the internal and external auditors (as appropriate) to assess (among other things) the compliance of accounts with applicable accounting standards and the <i>Corporations Act 2001</i> (Cth) and the nature and impact of any changes in accounting policies during the applicable period.	N/A
4.3 / Financial Statements	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Yes	N/A
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1 / Continuous disclosure policy	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	Yes	N/A
5.2 / Continuous disclosure practices	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Yes	N/A
5.3 / Continuous disclosure practices	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Yes	N/A
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1 / Information on website	A listed entity should provide information about itself and its governance to investors via its website.	Yes, please see www.salterbrothersemergingcompanies.com.au .	N/A

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6.2 / Investor relations program	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Yes	N/A
6.3 / Participation at meetings of securityholders	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Yes	N/A
6.4 / Resolutions decided on a poll	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	No	The Company's Constitution allows for a poll to be demanded by at least 5 members entitled to vote on the resolutions, members with at least 5% of the votes that may be cast on the resolution on a poll or the chairperson.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	N/A
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1 / Risk management framework	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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>(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>	<p>Partial compliance.</p> <p>There are two members of the Audit, Risk and Compliance Committee, being Marcos Marcou and John Vatovec. Both members are non-executive, independent directors.</p> <p>The Audit, Risk and Compliance Committee is chaired by Marcos Marcou, an independent director who is not the chair of the Board.</p>	<p>Given the size of the Board (a total of three directors) and circumstances of the Company, it was determined that it would be preferable to comprise the committee with the two non-executive independent directors (as opposed to the full three members of the Board).</p>

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7.2 / Annual risk review	<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 that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	N/A
7.3 / Internal audit	<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 governance, risk management and internal control processes.</p>	<p>Yes.</p> <p>We note that the Company does not have an internal audit function, however, processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes is described in the Prospectus</p>	N/A
7.4 / Environmental and social risks	<p>A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	N/A

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PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1 / Remuneration of directors and management	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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>(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>	No	<p>The Company does not have, and does not currently intend to establish, a remuneration committee because the formation of such a committee would be inefficient given the Company's size and nature and having regard to the fact that the Company does not have any employees. For this reason, a remuneration committee would not serve to protect or enhance the interest of Shareholders.</p> <p>Should the size of the Company change (and the Company commences having employee), the Company will consider establishing a remuneration committee. This is disclosed in section 10.9(C) of the prospectus lodged by the Company with the Australian Securities and Investments Commission (ASIC) on 28 April 2021 (Prospectus).</p> <p>Notwithstanding the above, the Board will ensure that appropriate remuneration policies are practices are in place for non-executive Directors, executive directors (if any from time to time) and senior management (if any from time to time), while having regard to the ASX Recommendations. The Board will annually review the allocation and amount of remuneration for non-executive Directors and will reflect market rates.</p>

Rec. no. / topic	ASX Recommendation	Compliance / intent to comply	Reason for non-compliance
8.2 / Remuneration of directors and management	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.	Partial compliance.	Refer to item 8.1 of this Corporate Governance Statement. The Company's Annual Report will outline the current remuneration in place for the non-executive Directors. The Company does not have any executive directors or 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.	N/A	N/A
ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	N/A	N/A
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	N/A	N/A
9.3	A listed entity established outside Australia, and an externally managed 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.	N/A	N/A
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> 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.	Yes. This is disclosed in the Prospectus (see the summaries of the Board Charter and Investment Management Agreement).	N/A

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-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>Yes. This is disclosed in the Prospectus (see the summaries of the Investment Management Agreement).</p>	<p>N/A</p>